Ensuring Safety, *Delivering Growth*

Annual Report 2009

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 comfortable services that satisfy 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.

CONTENTS

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates, and projections about its business, industry, and capital markets around the world.

These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "plan," or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.

Known or unknown risks, uncertainties, and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.

Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:

- expenses, liability, loss of revenue, or adverse publicity associated with property or casualty losses;
- economic downturn, deflation, and population decreases;
- adverse changes in laws, regulations, and government policies in Japan;
- service improvements, price reductions, and other strategies undertaken by competitors such as passenger railway and airline companies;
- earthquake and other natural disaster risks; and
- failure of computer telecommunications systems disrupting railway or other operations.

All forward-looking statements in this annual report are made as of December 15, 2009, based on information available to JR-West as of the date December 15, 2009, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Future compensation and other expenses related to the Fukuchiyama Line accident that occurred on April 25, 2005 are difficult to estimate reasonably at this time, and so have not been included in forecasts.

Overview

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 5,012.7 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 ¥167 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 per 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.

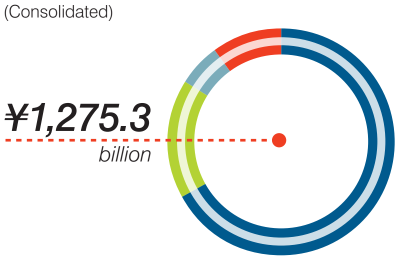
JR-West's Urban Network provides services to the Kyoto–Osaka–Kobe metropolitan area, which has a population of more than 20 million. An average of 4 million passengers use JR-West's Urban Network daily (fiscal 2009), mainly for commuting to work or school.

Route Length
5,012.7 km

Population
43 million

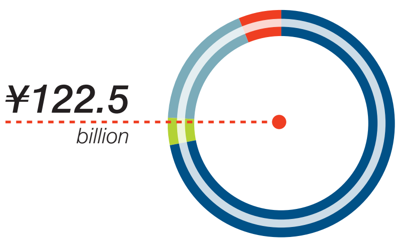
GDP
¥167 trillion

Operating Revenues
by Business Segment (From Third Parties)
(Consolidated)



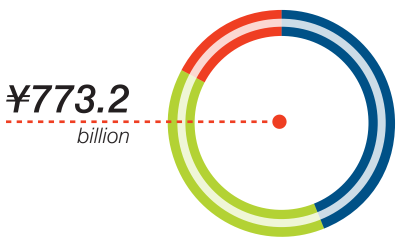
- Transportation Operations **67%**
- Sales of Goods and Food Services **17%**
- Real Estate Business **6%**
- Other Businesses **10%**

Operating Income
by Business Segment (Consolidated)



- Transportation Operations **73%**
- Sales of Goods and Food Services **4%**
- Real Estate Business **18%**
- Other Businesses **5%**

Railway Operating Revenues
(Non-Consolidated)



- Shinkansen **44%**
- Urban Network **39%**
- Other Conventional Lines **17%**

CONSOLIDATED FINANCIAL HIGHLIGHTS

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31

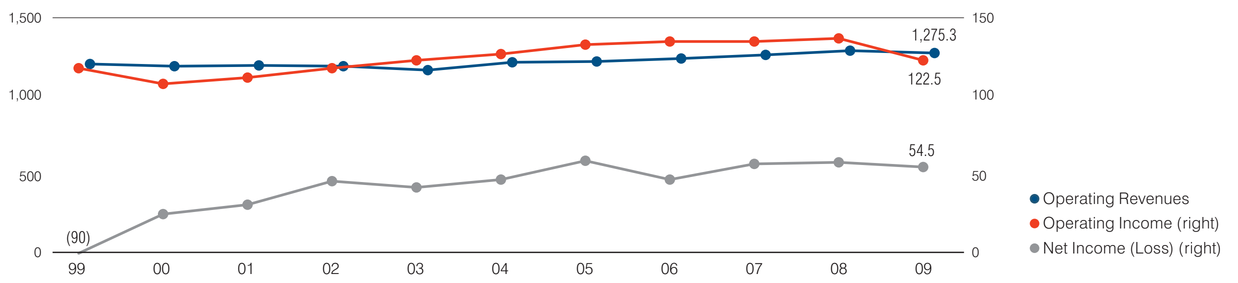
		Billions of yen		Millions of U.S. dollars[1]
	2009	2008	2007	2009
OPERATIONS:				
Operating revenues	**¥1,275.3**	¥1,290.1	¥1,262.9	**$13,013**
Operating income	**122.5**	137.4	135.3	**1,250**
Net income	**54.5**	57.7	56.7	**556**
BALANCE SHEETS:				
Total assets	**2,461.8**	2,462.8	2,401.6	**25,121**
Long-term debt and payables[2]	**953.2**	957.2	986.7	**9,727**
Total net assets	**689.6**	670.8	637.8	**7,036**
CASH FLOWS:				
Net cash provided by operating activities	**178.8**	222.1	188.6	**1,824**
Net cash used in investing activities	**(172.6)**	(179.2)	(131.7)	**(1,761)**
Net cash used in financing activities	**(10.1)**	(55.8)	(54.6)	**(103)**
OTHER DATA:				
Depreciation and amortization	**137.0**	128.0	112.8	**1,398**
Capital expenditures, excluding contributions received for construction	**163.9**	187.9	144.9	**1,672**
EBITDA[3]	**259.5**	265.4	248.1	**2,648**

			Yen	U.S. dollars[1]
PER SHARE DATA:				
Net income	**¥ 27,729**	¥ 28,954	¥ 28,415	**$ 282**
Cash dividends	**7,000**	6,000	6,000	**71**
Net assets	**339,113**	322,294	303,906	**3,460**

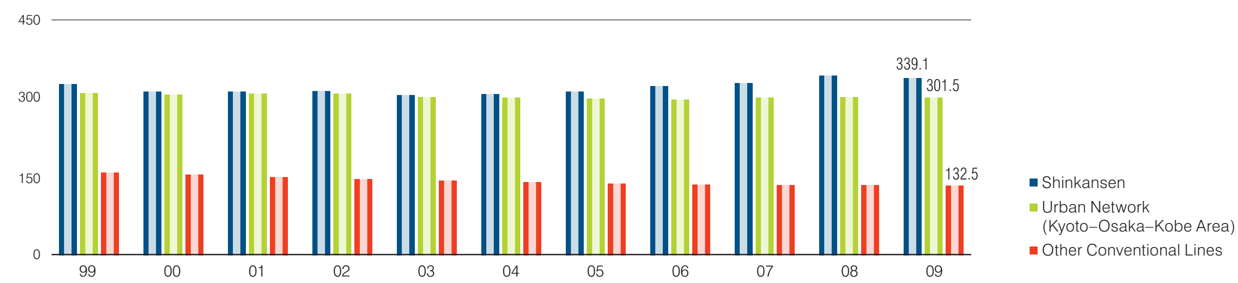
			%
RATIOS:			
ROA (operating income basis)	**5.0**	5.6	5.7
ROE	**8.4**	9.3	9.7
DOE	**2.1**	1.9	2.0
Equity ratio	**26.7**	25.9	25.3

1 Yen figures have been converted into U.S. dollars at the rate of ¥98=U.S.$1.00, the exchange rate prevailing on March 31, 2009.
2 Long-term debt and payables includes the current portion of long-term debt and long-term payables.
3 EBITDA = Operating income + Depreciation and amortization

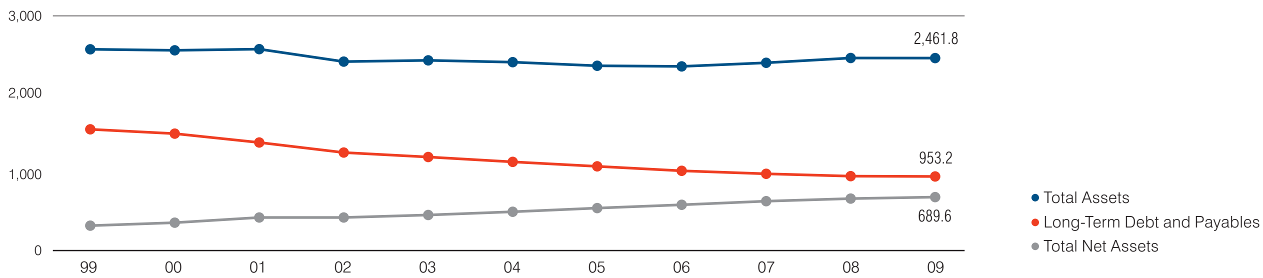
Operations
Billions of yen



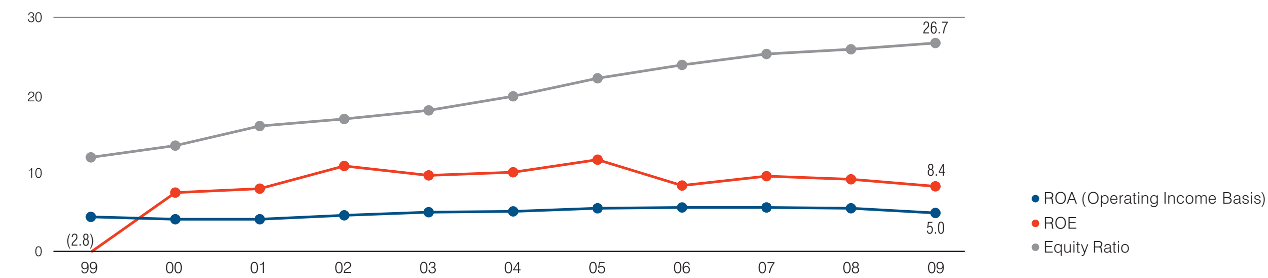
Railway Operating Revenues
Billions of yen



Balance Sheets
Billions of yen



Ratios
%



THE PRESIDENT'S MESSAGE

Takayuki Sasaki
President, Representative Director, and Executive Officer

I am Takayuki Sasaki, and I became the president of JR-West on August 31, 2009.

Since the Fukuchiyama Line accident on April 25, 2005, JR-West has established "sincere support to victims of the Fukuchiyama Line accident," "measures to further enhance safety," and "furthering reforms" as the three pillars of its management and made the utmost effort to tackle initiatives to these ends. Also, we formulated the JR-West Group's Medium-Term Management Plan 2008–2012 and a Basic Safety Plan in the spring of 2008. Those plans call on JR-West to work steadily to build a "corporate culture that places a top priority on safety," further enhance safety, restore the confidence of customers, and achieve sustainable growth in the future through these initiatives. Leading from the front, I will redouble efforts to move such initiatives forward.

JR-West is currently facing very tough business conditions due to the rapid and severe worsening of the Japanese economy since fall 2008, the lowering of expressway tolls, and the spread of the new influenza virus. Nevertheless, I do not think that we need to change the management targets, the medium-term vision, or the specific measures of the Medium-Term Management Plan and the Basic Safety Plan. Instead, we will do our utmost to take on the challenge by stepping up our ingenuity and teamwork. JR-West will continue steadily advancing business strategies for sustainable growth, including the realization of direct services between the Sanyo and the Kyushu Shinkansen Lines and the completion of the Osaka Station Development Project, both of which are scheduled for spring 2011. Further, we will build a long-term management vision that includes the renovation of our railway systems, and we will pursue financial strategies and capital policies to enhance corporate value.

Meanwhile, we intend to rapidly implement measures reflecting changes in business conditions and revise work structures. At present, centered on the Management Improvement Headquarters, established in spring 2009, we are revising operational frameworks throughout our operations. By maintaining and improving safety while seeking efficiency, those efforts focus on increasing

We want to raise corporate value over the medium-to-long term by creating a safe and reliable corporate group while building a strong corporate organization to enable sustainable growth.

the organizational strength of our management. It will take time for such efforts to bear fruit. However, aiming to reflect the benefits of such efforts as far as possible in the current fiscal year's business results, we are immediately embarking upon those measures that are ready for implementation.

In order to grow sustainably as a corporate group, JR-West must forge relationships with its customers, shareholders, employees, and other stakeholders that are based on trust and mutual understanding. I will try to realize open and transparent corporate management by being unshackled by precedents or in-house logic and by seeking opinions and advice from outside experts in various fields. Further, JR-West will sincerely reflect the trust and expectations of all of its stakeholders by vigorously reiterating the importance of stringent compliance.

Although figures of business results for the current fiscal year will likely be unfavorable, we want to raise corporate value over the medium-to-long term by creating a safe and reliable corporate group while building a strong corporate organization to enable sustainable growth. As we take on those challenges, I would like to ask all our shareholders and investors for their continued understanding, support, and cooperation in the years ahead.

October 2009

Takayuki Sasaki
President, Representative Director, and Executive Officer

JR-WEST GROUP'S MEDIUM-TERM MANAGEMENT PLAN

In May 2008, JR-West formulated the JR-West Group's Medium-Term Management Plan 2008–2012, for the years ending March 31, 2013. However, economic conditions have been significantly different from our assumptions due to a rapid and deep recession in Japan, reflecting the considerable effect of the worldwide recession triggered by a dramatic slowdown in the global economy and a financial crisis from fall 2008. The recession significantly affected JR-West, which posted results for fiscal 2009, ended March 31, 2009, below the targets set out in the Medium-Term Management Plan at the beginning of fiscal 2009.

Due to the scale of the present recession, the economic outlook is uncertain. Consequently, it is quite difficult to rationally estimate future performance at this point of time. However, JR-West will implement strategies and policies in accordance with its Medium-Term Management Plan, which include building a brand of safety and reliability by continuously improving safety and moving forward steadily with projects for growth, such as direct service between the Sanyo and the Kyushu Shinkansen Lines and the Osaka Station Development Project. As well as maximizing the benefits of such initiatives, we will strengthen management foundations, primarily through various efforts led by the Management Improvement Headquarters, with a view to reaching the management targets set out in the Medium-Term Management Plan.

Further, for returns to shareholders, we have not changed our target to achieve consolidated DOE (dividend on equity) of 3% for fiscal 2013 on condition that our projects will yield results. Also, we have not changed our policy to acquire our own shares flexibly in consideration of our cash flow conditions.

Management Targets of the Medium-Term Management Plan

We will build a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees.

- Taking to heart the invaluable lesson taught by the railway accident on the Fukuchiyama Line, we will make it a principle to attain higher safety levels and strive to build a brand of safety and reliability by revitalizing our organization with the reform of the mind-set of our employees and our corporate culture serving as the driving force, seeking customer satisfaction, enhancing technology and expertise, and performing our corporate social responsibilities.
- By making ourselves chosen by customers, we will strive to enhance our corporate value, whereby establishing an upward spiral structure to further enhance safety, improve our services, and expand our growth field and achieve sustainable growth as a corporate group.
- We will build a management vision from a long-term perspective, covering the innovation of our railway systems, among others, and work for the early realization thereof.

Management Indices in Fiscal 2013 under the Medium-Term Management Plan

Consolidated operating revenues:	¥1,430 billion
Consolidated EBITDA*:	¥345 billion
Consolidated ROA:	7%
Consolidated ROE:	10%

Total capital expenditures for fiscal 2009 to fiscal 2013 are projected as follows:

Consolidated:	¥980 billion
Non-consolidated:	¥780 billion (safety-related capital expenditures: ¥430 billion)

* EBITDA = Operating income + Depreciation and amortization

SPECIAL FEATURE

Ensuring Safety, *Delivering Growth*

JR-West will achieve higher safety levels by moving forward with reforms to renew employees' awareness and the Company's corporate culture. Based on those initiatives, JR-West will advance management with the pursuit of safety as its first priority and thereby build a brand of safety and reliability. Further, by upgrading existing operations in its operational segments while making forays into new business areas, the JR-West Group will achieve sustainable growth. Our efforts to increase corporate value will focus on such growth areas as the transportation services of the Sanyo Shinkansen Line and enhancement of the value of our railway belts in the Kyoto–Osaka–Kobe area. This special feature looks at JR-West's initiatives for safety and growth.

Ensuring Safety

Basic Safety Policy

- We deeply regret the Fukuchiyama Line accident, and we are determined that there will never be a repetition of such an accident within our service area. Based on that commitment, in May 2005 the Company prepared the Safety Enhancement Plan, which reflects JR-West's basic philosophy of establishing a corporate culture that places top priority on safety. Since then, JR-West has done its utmost to advance that plan.
- The first item of JR-West's Corporate Philosophy, which expresses the Company's overriding goals, states that, "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." We believe commitment to safety is the most important value. In accordance with its Corporate Philosophy, JR-West will implement and inculcate its Safety Charter, which stipulates a specific code of conduct for employees involved in safety.
- Gravely accepting the Aircraft and Railway Accidents Investigation Commission's investigative report on the derailment accident on the Fukuchiyama Line, we will respond sincerely and promptly in relation to the items the report indicates.
- JR-West prepared a Basic Safety Plan as its most important plan among efforts to build a corporate culture that places top priority on safety. All JR-West officers and employees are working to achieve that plan's target of building a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees.

Basic Safety Plan

JR-West prepared the Basic Safety Plan by identifying tasks that were not completed from among the initiatives to improve safety implemented following the Fukuchiyama Line accident. Furthermore, the Company received recommendations from the Safety Consultative Committee[1] and recommendations on policies for measures to improve safety from the Advisory Panel on Safety Promotion[2]. In light of tasks identified and those recommendations, JR-West first clarified safety-related tasks it must address then set out targets and compiled measures to reach these targets in a plan covering the five-year period from fiscal 2009.

Attainment Target

Building a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees.

Specifically, through the measures of the five-year Basic Safety Plan, we aim to implement and establish the following initiatives:

(1) Identification of risks that could lead to the death or injury of customers or serious industrial accidents among employees, sharing results of evaluations on the seriousness of each risk among related individuals

(2) Implementation of countermeasures for risks that need to be given priority

(3) Reception of a large amount of safety information from employees, establishment of appropriate systems for monitoring risk

Given that JR-West manages railway operations with Group companies, the whole JR-West Group should share this target.

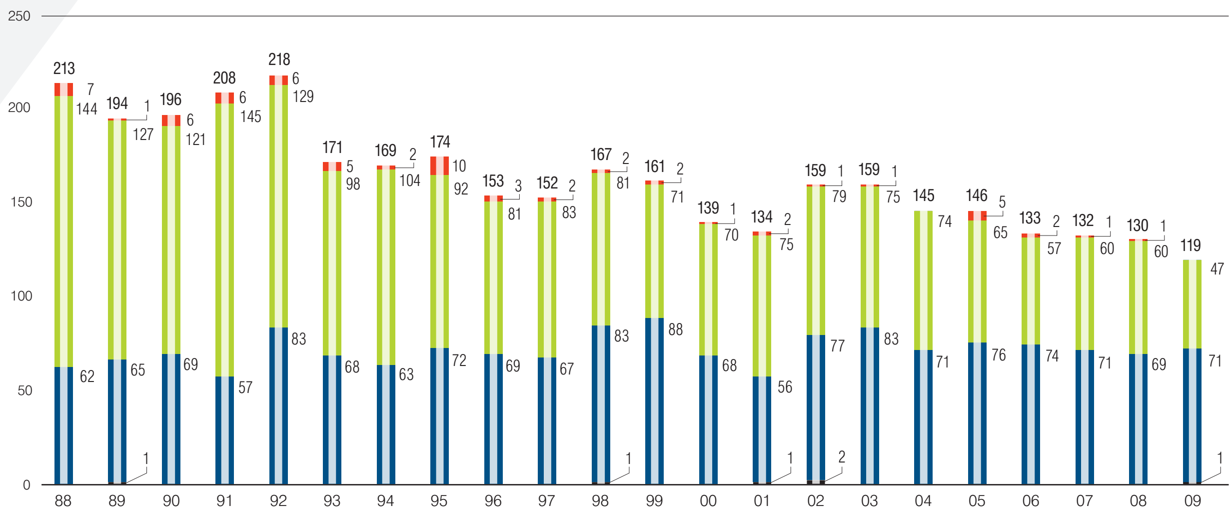
1 The committee debates to decide policies on overall safety countermeasures relating to physical infrastructure, procedures, and awareness. In June 2005, JR-West established the committee, which comprises six outside experts and five of the Company's employees.

2 Tasked with preparing basic plans to further improve safety, this panel comprises seven safety experts from outside the Company and six of the Company's employees and was established in September 2007.

Current Safety Status

Appreciating that, as a company with railway operations as its mainstay, securing the safety of transportation is a task of the highest priority and a fundamental requirement of business management. JR-West has advanced safety measures relating to physical infrastructure, procedures, and awareness. As a result, operational railway accidents in JR-West's service area have decreased since the Company's establishment. However, in fiscal 2006 an extremely serious accident, the Fukuchiyama Line accident, occurred in JR-West's service area. Mindful of that accident, the Company has taken various measures based on its Safety Enhancement Plan and sincerely and promptly undertaken improvements in accordance with items indicated by the Aircraft and Railway Accidents Investigation Commission's investigative report on the derailment accident on the Fukuchiyama Line. In conjunction with those efforts, we steadily advanced measures under the Basic Safety Plan prepared in 2008. As a result of those efforts, the number of operational railway accidents in JR-West's service area in fiscal 2009 decreased by 11 from the previous fiscal year, to the lowest level since the Company's establishment.

Railway Operating Accidents



Operational railway accidents: Accidents stipulated by ministrial ordinance such as train collisions
- **Train accidents:** Train collisions, train derailments, and train fires
- **Railway level crossing obstruction accidents:** Collisions or contacts between trains or railcars and people or vehicles crossing railway tracks at railway level crossings
- **Railway death or injury accidents:** Deaths or injuries resulting from the operation of trains or railcars
- **Property damage accidents:** Property damage of ¥5 million or more resulting from the operation of trains or railcars

Delivering Growth

Sanyo Shinkansen Line Renaissance

During the period of the Medium-Term Management Plan, due to the further expansion of Haneda Airport in fall 2010 and the extension of the Kyushu Shinkansen Line to Hakata in spring 2011, among others, passenger transportation is expected to change drastically. Seizing the opportunity, we will intensively pour our management resources, strengthen cooperation with Central Japan Railway Company and Kyushu Railway Company (JR-Kyushu), and make maximum use of the potential of the Sanyo Shinkansen Line to accelerate its use. Specifically, we will strive to establish a competitive advantage over airlines in 900 km/4-hour areas.

Mutual Through-Service Operations with the Kyushu Shinkansen Line

To coincide with the beginning of services on all segments of the Kyushu Shinkansen Line scheduled for spring 2011, JR-West plans to provide mutual through-services between the Sanyo Shinkansen Line and the Kyushu Shinkansen Line, operated by JR-Kyushu. These services will shorten the journey time between Shin-Osaka and Kagoshima-Chuo Stations to approximately four hours. We expect to increase revenue by introducing a new railcar based on the latest N700 Series—which has earned an outstanding reputation for reliability—that will provide even higher-quality Shinkansen travel and by developing demand for sightseeing through campaigns promoting the wealth of tourist destinations in Kyushu. In March 2009, we decided to name trains operating on the mutual through-services “Sakura.” JR-West will collaborate in promotions with local governments to further heighten the visibility of the new mutual through-services. Planned total investment for this project is about ¥100 billion.

Enhancement of the Value of our Railway Belts in the Kyoto–Osaka–Kobe Area

In the Kyoto–Osaka–Kobe area, the Railway Operations Headquarters and the Business Development Headquarters work together to enhance the value of our railway belts by improving railway station and town facilities to make these areas convenient, attractive places to live. To that end, we will collaborate with local governments and communities to maximize asset efficiency, enhance the potential of stations and surrounding areas, and invigorate areas between stations. Specifically, we will implement the following initiatives.

- Improvement of the quality of our railway services placing priority on selected areas, based on the business environments along our railway lines
- Enhancement of the amenity, convenience, and functions of our stations
- Promotion of the project to develop Osaka Station and its periphery
- Expansion of sales of goods and food services and real estate business centered on our major stations
- Promotion of development of the premises surrounding our stations and the premises between our stations

Osaka Station Development Project

The Osaka Station Renovation and New North Building Development Plan was formulated in December 2003 with the aim of making Osaka Station—JR-West's foremost terminal station located in the heart of Osaka's Kita District—a facility befitting its status as the gateway to Osaka. The plan will also increase the earnings of the corporate group, and help to revitalize both the Osaka Station area and the Kansai region. The three main elements of the plan are a fundamental renovation of the station, enhancement of station concourses and public areas, and development of the New North Building, which together will enhance the comfort and convenience of Osaka Station, and provide it with the stateliness appropriate to a terminal station.

The focus of the station renovation and improvement is on alleviating overcrowding, providing more convenience for changing trains, and making facilities barrier-free. The plan includes substantial revisions to the passenger flow and station layout, along with improvements that make the station easier to use. It also incorporates elements to create an attractive, symbolic station space, such as the erection of a large dome. Further, in conjunction with the station renovation, we will improve the circulation of passengers in the area surrounding Osaka Station by creating walkways and open areas in the new building and over the railway station. At the same time, as part of initiatives to protect the global environment, we will introduce solar power generation, hydroelectric power generation, and rooftop greening to create an environment-friendly railway station.

The New North Building will have 210,000 square meters of floor space, and incorporate a symbolic atrium in its central portion. The anchor 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, is planned for spring 2011.

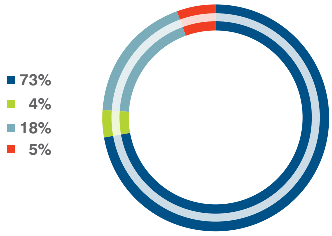
Along with the renovation of Osaka Station and development of the New North Building, JR-West also formulated a plan to remodel the southside station entrance as a new gateway, and provide for a balance and uniform flow with the north side. Work on expansion of the existing south building, ACTY Osaka, began in May 2008. Specific plans include expanding the floor space of the ACTY Osaka building by 35,000 square meters and 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. The renovation will help link the north and south districts of Osaka Station, and make a substantial contribution to the vitality of the entire Osaka Station area.

JR-West plans to make West Japan Railway Isetan Limited the core tenant of the New North Building. The department store will benefit from the collective strengths and resources of JR-West and Isetan Mitsukoshi Holdings Ltd. In light of stepped-up safety measures and environment-friendly measures, JR-West has revised the total cost that the Group will shoulder for the project from approximately ¥200 billion to approximately ¥210 billion.

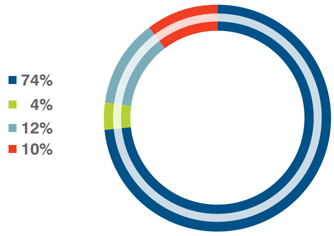
AT A GLANCE

Operating Revenues
by Business Segment (From Third Parties) (Consolidated)

Operating Income
by Business Segment (Consolidated)



Total Assets
by Business Segment (Consolidated)



■ Transportation Operations ■ Sales of Goods and Food Services ■ Real Estate Business ■ Other Businesses

Transportation Operations

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.

Urban Network

The Urban Network (Kyoto–Osaka–Kobe area conventional lines) provides passenger transport services to the densely populated Kyoto, Osaka, and Kobe and their surrounding areas.

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.

Sales of Goods and Food Services

JR-West's sales of goods and food 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.

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.

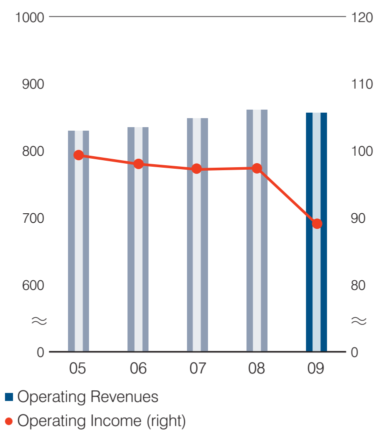
Other Businesses

JR-West's other businesses consist of a travel agency business operated by Nippon Travel Agency Co., Ltd., 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 businesses to facilitate the smooth and efficient operation of the mainstay railway business.

Transportation Operations

Operating Results

Billions of yen



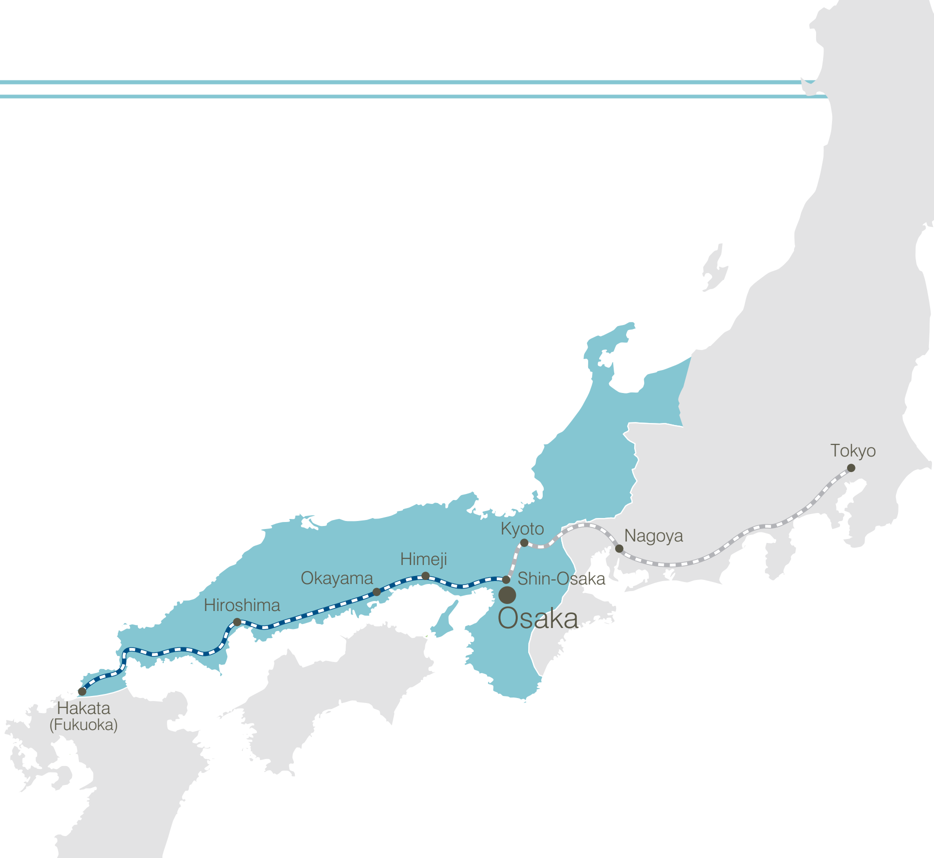
JR-West's Transportation Operations consist of railway operations and small-scale bus and ferry services. Railway operations encompass 18 prefectures in the western half of Honshu, Japan's main island, and the northern tip of Kyushu, an area of approximately 104,000 square kilometers. The region has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The Company operates 51 railway lines with a total of 1,222 railway stations. Operating route length totals 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network comprises the Sanyo Shinkansen, a high-speed intercity railway line, the Urban Network, covering the Kyoto–Osaka–Kobe metropolitan area, and other conventional railway lines (excluding the three branch offices in Kyoto, Osaka, and Kobe). In fiscal 2009, operating revenues in the segment edged down 0.6%, to ¥856.1 billion, due to falling revenues amid a worsening of the business climate. Most of this revenue is derived from passenger railway revenue of the parent company JR-West, which declined 1.0%, to ¥773.2 billion. In addition, an increase in energy costs and miscellaneous costs accompanying higher fuel prices and an increase in depreciation and amortization accompanying safety-related investments resulted in an 8.6% decrease in operating income, to ¥89.1 billion.

Sanyo Shinkansen

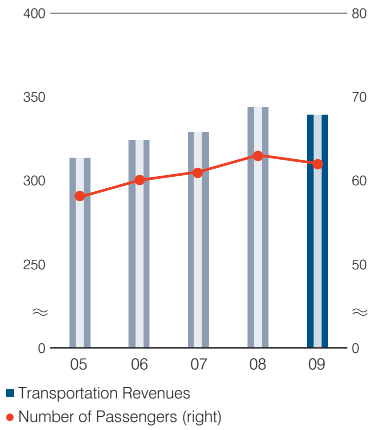
The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers, and 19 railway 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 railway stations.

There are four types of services in operation on the Sanyo Shinkansen: the express services Nozomi, Hikari Rail Star, and Hikari, and the local service 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 at its fastest. The majority of the Nozomi services are through-services operating on Tokaido Shinkansen tracks operated by JR-Central and link Tokyo and Shin-Osaka. This allows passengers to travel across the Tokaido Shinkansen from Tokyo or Nagoya to the major railway stations along the Sanyo Shinkansen—Okayama, Hiroshima, and Hakata—without having to change trains.

Transportation revenues from the Sanyo Shinkansen began declining after fiscal 1997 due to the slowdown in the Japanese economy, and more intense competition from competing transportation services, such as airlines and highway buses. However, usage began to rise following an October 2003 timetable revision, primarily to reflect the switchover from Hikari to Nozomi services, and a lowering



Transportation Revenues
Sanyo Shinkansen
Billions of yen / Millions of passengers



of fares for Nozomi services, which accompanied this switchover. Subsequently, thanks to further revisions of timetables, mainly to enable an increase in Nozomi services, and such marketing initiatives as the introduction of the Express Reservation system, revenues from the Sanyo Shinkansen rose for five consecutive years until fiscal 2008.

Fiscal 2009 Measures

In response to fiercer competition between JR-West's services on certain line segments and airline services, in March 2008 the Company introduced new N700 Series trains—featuring comfortable interiors that are popular with customers—to one of the two Nozomi services that operate between Tokyo and Hakata every hour. Also, we increased Nozomi services between Tokyo and Hiroshima. In other initiatives to further heighten the competitiveness of our Shinkansen services, in March 2009 we introduced N700 Series trains to the two Nozomi services that operate between Tokyo and Hiroshima every hour. Furthermore, JR-West added direct Nozomi services between the Tokaido and the Sanyo Shinkansen during busy morning and evening periods.

With regard to marketing activities, the Company has proactively spread basic information on the Sanyo Shinkansen Line services, including the content of the revised timetable such as the increased frequency, the comfort of N700 Series trains, the convenience of the Express Reservation system and the price edge, and launched special tickets such as "Kodama Reserved Round Tickets" to promote the utilization of its services. The Company also has engaged in sales promotion of the "DISCOVER WEST Campaign," "Yamaguchi Destination Campaign," and other campaigns jointly with the relevant local areas, travel agencies, and other JR companies to create tourist demand.

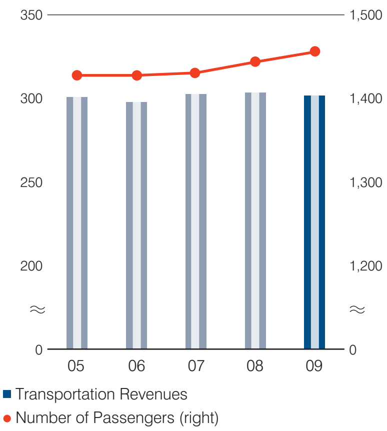
However, due to the dramatic deterioration of the business climate in the second half of the fiscal year, for fiscal 2009 JR-West recorded year-on-year decreases in total passenger-kilometers and transportation revenues for the first time in six years. In fiscal 2009, the Sanyo Shinkansen saw declines of 0.8% in the number of railway passengers, to 62 million; 0.3% in total passenger-kilometers, to 15,887 million; and 1.3%, or ¥4.3 billion, in transportation revenues, to ¥339.1 billion.

Initiatives Going Forward

Amid an environment characterized by tough economic conditions and increased competition due to a substantial reduction in expressway tolls in March 2009, JR-West will take steps aimed at increasing the use of its railway services. These initiatives will include creating Shinkansen timetables that fully exploit the benefits of introducing N700 Series trains, providing comfortable, highly reliable transportation services that reflect demand trends, and publicizing the environment-friendliness of Shinkansen services. Also, in order to increase the convenience of sales channels, JR-West will encourage use of its Express Reservation system and expand the Express Reservation IC card (EX-IC) service for Sanyo Shinkansen services from August 2009. Further, JR-West will encourage tourism by promoting the "DISCOVER WEST Campaign" and destination campaigns while creating, developing, and promoting travel packages in collaboration with local communities and travel agencies. We will also encourage tourism by offering special discount tickets such as the West Japan Pass, which allows very reasonably priced unlimited travel, and upgrading secondary access.

Urban Network Services

Transportation Revenues
Urban Network Services
Billions of yen / Millions of passengers



The Urban Network provides passenger services for the densely populated major cities of Kyoto, Osaka, and Kobe, and their surrounding areas. It has an operating route length of 622.0 kilometers (943.0 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 one of our highest priorities.

Fiscal 2009 Results

In accordance with the Basic Safety Plan prepared in April 2008, we advanced and established measures to analyze safety issues identified through reports and other feedback from employees and to implement countermeasures. Specifically, JR-West expanded the ATS-P system, increased the safety of trains by changing their structures, and improved the safety of equipment at railway crossings.

In transportation, JR-West encouraged use of the Osaka Higashi Line, which began operations in March 2008, and three new railway stations: Shimamoto Station, Sumakaihinkoen Station, and Harima-Katsuhara Station. Also, we increased convenience for passengers by opening Katsuragawa Station on the JR Kyoto Line between Nishioji and Mukomachi Stations in October 2008. In addition, the Company reflected usage trends by revising timetables in March 2009 to enable the introduction of Special Rapid late-night services on the JR Kyoto Line and the JR Kobe Line.

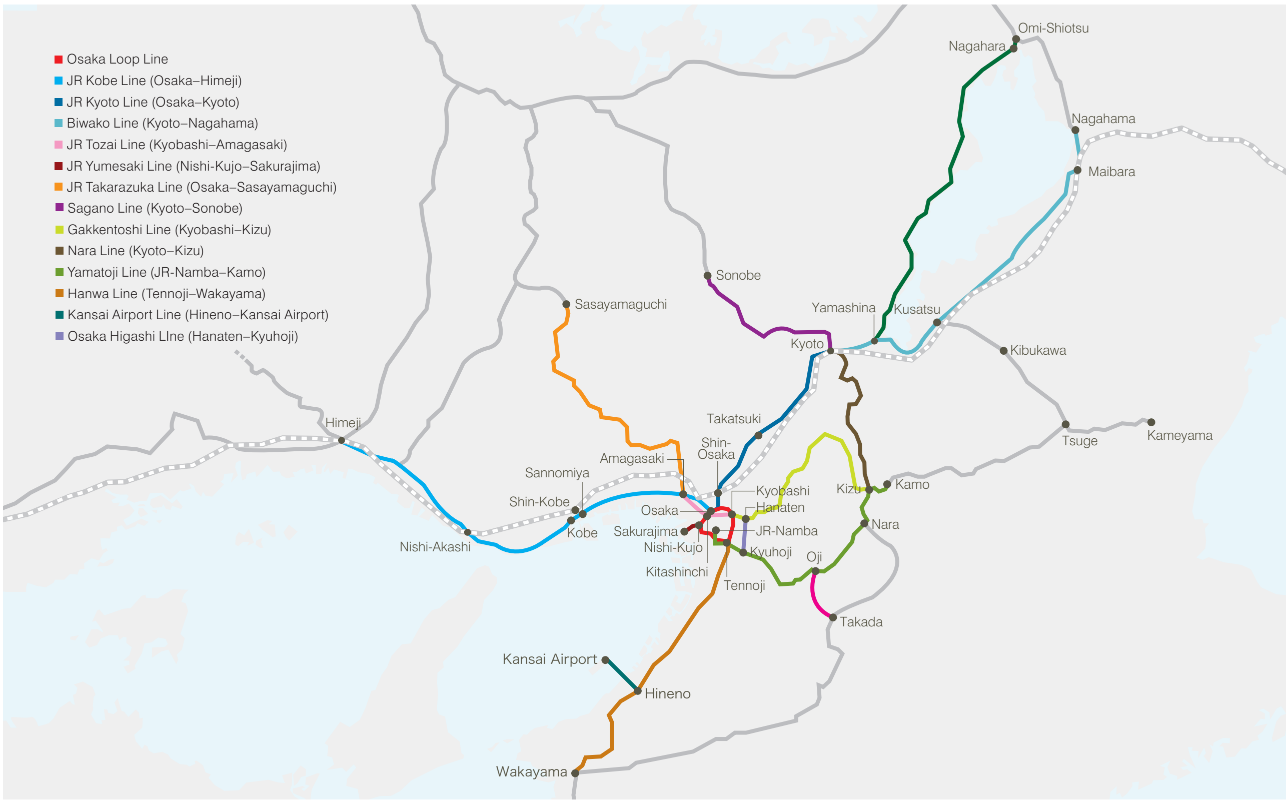
In marketing initiatives, we made reservations more convenient by introducing a ticketless service for the Haruka and Biwako Express limited express services.

As a result of those initiatives, in fiscal 2009 the number of railway passengers of the Urban Network, including the three branch offices in Kyoto, Osaka, and Kobe, increased 0.5%, to 1,462 million. However, the rapid worsening of the business climate in the second half of the fiscal year led to decreases of 0.1% in total passenger-kilometers, to 28,933 million, and 0.6%, or ¥1.8 billion, in transportation revenues, to ¥301.5 billion.

Initiatives Going Forward

JR-West is giving priority to measures to further improve safety, such as expansion of the ATS-P system, and is steadily implementing a range of forward-looking initiatives.

In marketing initiatives, capitalizing on its railway network in the Kyoto–Osaka–Kobe area, JR-West will advance initiatives to develop tourism, which will include collaborations with other railway operators and center on Kyoto, Nara, and Sakai. Also, we will move forward steadily with the Osaka Station Development Project. In conjunction with those efforts, we will improve accessibility and the quality of transportation services for the area surrounding Osaka



Station, which, with completion of the Osaka Station Development Project, will likely attract dramatically more customers in the near future. Other initiatives will include increasing the values of its railway belts through initiatives in which the railway division and the business development division work in unison and collaborate with local communities to develop railway stations and their surrounding areas.

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 4.48 million within the first five 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. We have steadily broadened the area in which the ICOCA IC card can be used, introducing the service in the Okayama and Hiroshima areas from September 2007, and offering interoperability with Central Japan Railway Company (JR-Central)'s TOICA IC card from March 2008.

Also, to coincide with the February 2006 launch of the J-WEST card, we began issuing the SMART ICOCA IC card, which allows cardholders to add money to their IC card without using cash. For the ICOCA electronic money service launched in October 2005, we are working to expand the number of stores in railway stations and towns where the service can be used, such as at Kiosk stands in the Kinki region. In March 2008, we began reciprocal use with East Japan Railway Company (JR-EAST)'s electronic money, Suica, to increase the number of stores in railway stations and towns where ICOCA can be used.

Other Conventional Lines

JR-West's other conventional lines comprise intercity transport provided by limited express and express services, 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.

The operating environment for other conventional lines continues to be difficult due to the declining population of areas served by the lines. However, considering that these lines play a role as feeders for Shinkansen services and function as a vital part of the railway network, we are working to provide community-oriented services and undertake other management efforts, while placing priority on ensuring safety. Also, we are helping stimulate tourism demand by working in partnership with local communities and operating tourist trains that feature upgraded interiors and exteriors.

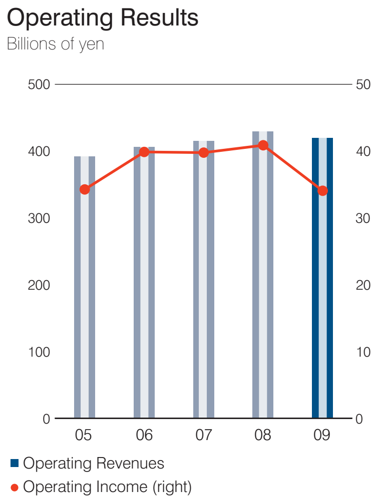
The number of railway passengers on the other conventional lines during fiscal 2009 increased 0.1%, to 375 million, although total passenger-kilometers were down 0.7%, to 9,621 million. Transportation revenues decreased 1.4%, or ¥1.8 billion, to ¥132.5 billion.

Bus and Ferry Services

The Transportation Operations segment also includes bus and ferry services. In bus services, with competition for highway bus services continuing to intensify, JR-West worked to provide services that fit the varied needs of customers, including establishing a new route between Hokuriku and Nagoya, and revising timetables for routes from the Kyoto, Osaka, and Kobe area to Shinjuku, Tokyo, and for routes to Awajishima and Naruto.

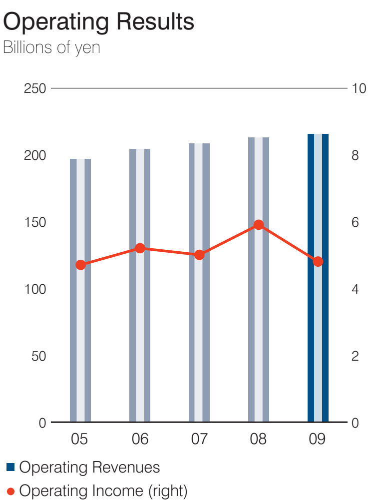
In ferry services (the Miyajima Line), JR-West established a structure that facilitates timely and appropriate decision making. In order to improve safety further and enable carefully tailored marketing measures, JR-West established a subsidiary, which began operating ferry services from April 1, 2009.

Non-Transportation Operations



JR-West's Non-Transportation Operations comprise three operations: Sales of Goods and Food Services, Real Estate Business, and Other Businesses. Those operations contribute to the sustainable growth of the Group as a whole by vigorously taking advantage of their assets, improving services for customers using railway services and customers in areas alongside railway lines, as well as providing high-quality services that are safe and reliable to further increase the appeal of railway stations and earn the trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of its railway belts through initiatives that entail collaboration with local communities to develop railway stations and their surrounding areas. In development, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will advance peripheral development centered on railway stations and areas within railway stations, develop commercial facilities in areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums. Also, in order to foster earnings mainstays for the next generation, JR-West is furthering initiatives to create new businesses through collaborations inside and outside the Group.

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.

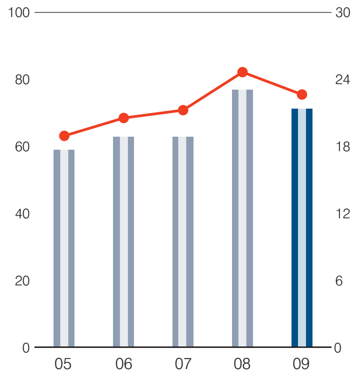
Fiscal 2009 Results

JR-West decided on West Japan Railway Isetan Limited as the main business operator for the new department store in the New North Building of Osaka Station, established a development planning office in the company, and began making preparations for opening. We also continued to work to make railway stations more attractive, such as through opening the Kobe Food Terrace restaurant zone within Kobe Station, and a Daily Inn convenience store stand at Himeji Station following completion of work to elevate the railway tracks.

As a result, although operating revenues in the Sales of Goods and Food Services segment rose 1.2% over the previous fiscal year, to ¥215.3 billion, operating income declined 9.4%, to ¥4.7 billion, due mainly to declines in sales at department stores and increased costs associated with opening new stores, which offset the increased sales revenues.

Real Estate Business

Operating Results
Billions of yen



■ Operating Revenues
● Operating Income (right)

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 railway stations, development of commercial facilities near railway 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 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.

Fiscal 2009 Results

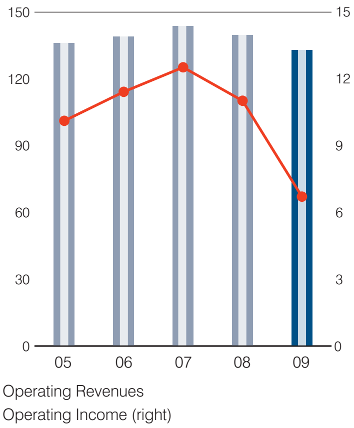
JR-West worked to develop station premises and surrounding areas, including opening the JR Fukuchiyama Station No. 1 and No. 2 NK Buildings, with a large-volume electronics retailer as a tenant on the south side of Fukuchiyama Station, as well as opening the PLiE HIMEJI shopping center at the main central entrance of Himeji Station, and the JR Nara Station NK Building with a hotel and other facilities at the east exit of Nara Station. We also moved steadily forward with the plan for the Osaka Station Development Project, including making progress with the renovation of Osaka Station and work to develop the New North Building, as well as beginning work on the ACTY Osaka building expansion. In addition, we continued to promote sales of condominium apartments formerly used for housing for Company employees.

However, operating revenues for the Real Estate segment declined 7.3% over the previous fiscal year, to ¥71.1 billion, with operating income down 8.2%, to ¥22.6 billion. This was due mainly to a year-on-year decline in condominium sales.

Other Businesses

Operating Results

Billions of yen



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, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

Fiscal 2009 Results

In travel agency operations, amid an extremely difficult business environment, JR-West worked to expand Internet-related sales, such as by expanding the lineup of Internet-only products. We also strengthened development of products utilizing a new overseas travel information system.

As to the hotel business, the Group has exerted its efforts on sales promotion activities by refurbishing accommodation facilities, eating and drinking establishments, and banquet halls and by launching various events. To add synergy to its existing hotels and railway business, West Japan Railway Hotel Development Limited acquired the shares of Hotel HOPINN AMING located north of Amagasaki Station to make it a new member of JR-West Japan Hotels in January 2009.

Nevertheless, operating revenues in the Other Businesses segment declined 4.8% over the previous fiscal year, to ¥132.6 billion, with operating income down 39.0%, to ¥6.7 billion. This is attributed mainly to a falloff in income in the travel agency operations during the fiscal year due to the impact from the sluggish economy.

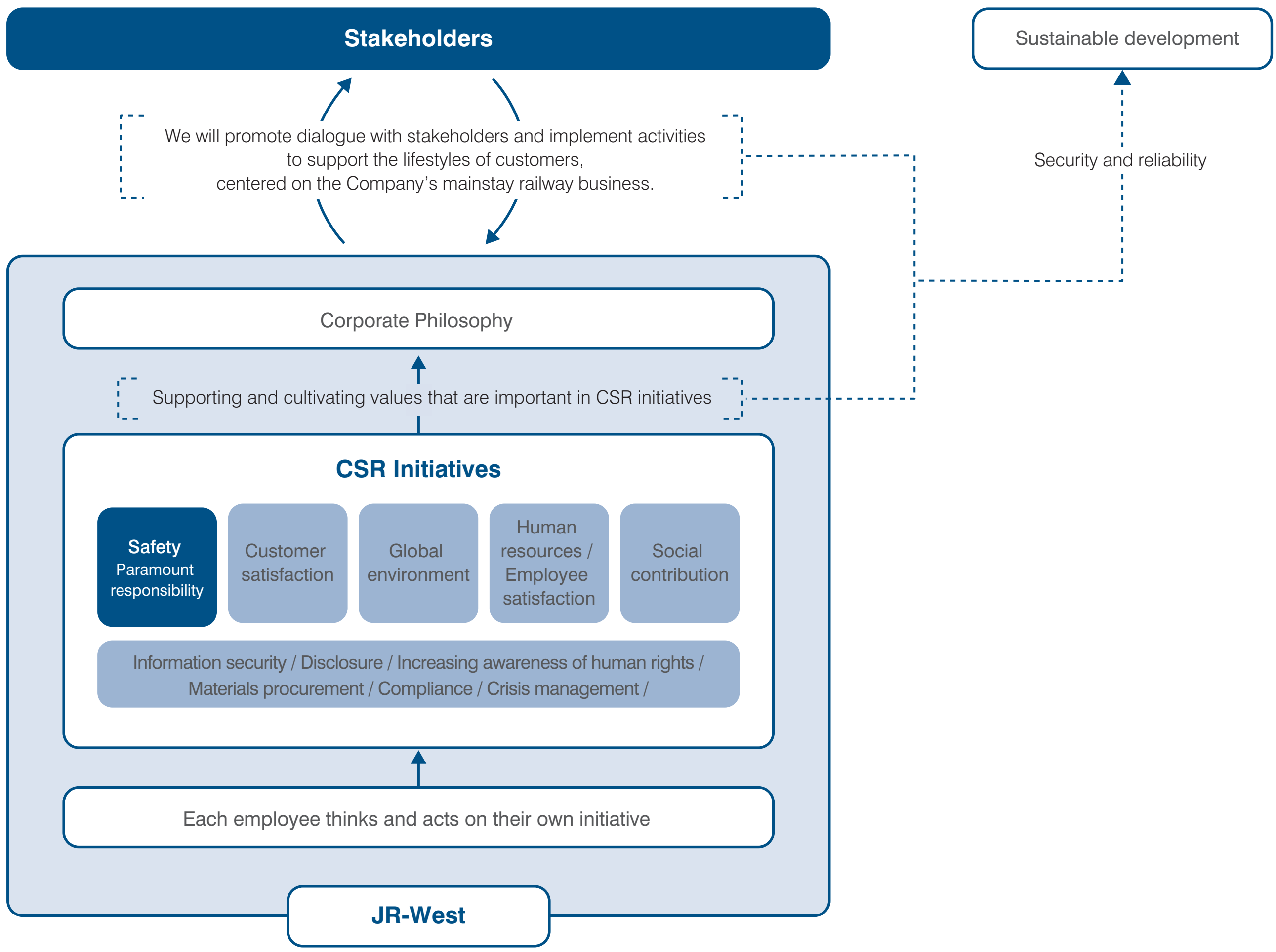
CORPORATE SOCIAL RESPONSIBILITY

Our Basic Approach to Corporate Social Responsibility

JR-West's corporate social responsibility is to realize its Corporate Philosophy.

In order to underpin and foster the key values set out in its overriding Corporate Philosophy and in light of society's expectations, JR-West has established priority areas relating to corporate social responsibility. The Company's paramount responsibility is to ensure safety. Other priority areas include customer satisfaction, the global environment, human resources / employee satisfaction, and social contribution. JR-West recognizes these five areas where it can make unique contributions. JR-West also prioritizes compliance, risk management, information security, disclosure, increasing awareness of human rights, and materials procurement. JR-West recognizes these six areas as the foundations of its operations. JR-West intends to communicate sincerely with society and actively promote dialogue with stakeholders. At the same time, the Company will heighten the quality of its business activities from the standpoint of corporate social responsibility. Through those efforts, JR-West hopes to meet society's expectations and to establish its safety and reliability while achieving sustainable growth.

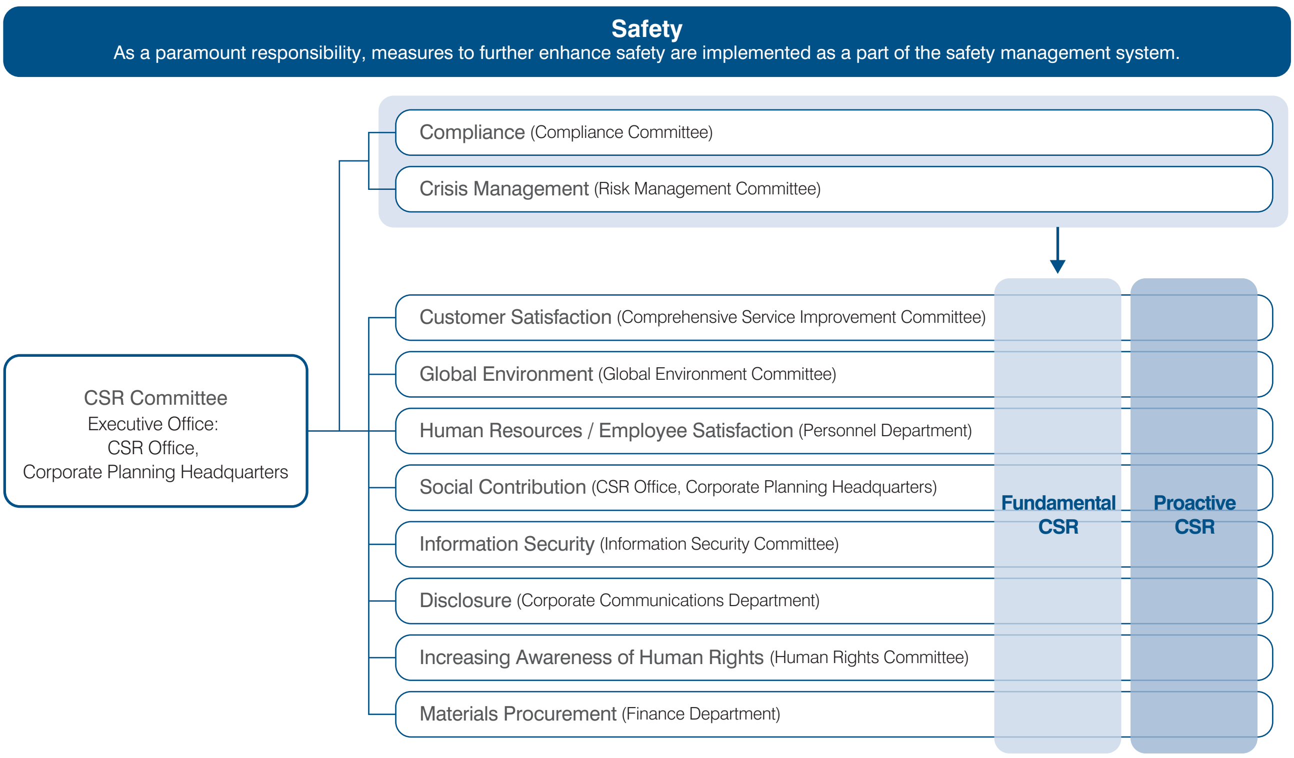
CSR Promotion Framework



Promotion System

To proactively promote the CSR management outlined above, the Company established the CSR Promotion Committee in June 2006. The president serves as the committee chairman, and the committee membership comprises full-time directors, full-time corporate auditors, and managers of head office departments. At the same time, the CSR Office, which serves as the committee's executive office, was established in the Corporate Planning Headquarters. Previously, activities were implemented under the guidance of committees and responsible departments in each field. However, to facilitate further progress in CSR as an important management issue, the CSR Promotion Committee will comprehensively verify and make necessary improvements from the CSR perspective in 10 fields, with the exception of our paramount responsibility of safety. The committee met four times in both fiscal 2007 and fiscal 2008. The Officers in the head office clarified and shared the Company's approach to CSR, fundamental policies, medium-term targets, and fiscal year priority initiatives in each field.

The Company's CSR Activities



* We implemented activities after classifying them, by field, into fundamental CSR, which are required activities, and proactive CSR, which are activities in which JR-West can make unique contributions.
* ( ): The entity with primary responsibility for implementation

Safety

We deeply regret the Fukuchiyama Line accident. In order to avoid repetition of such an accident within our service area, in May 2005 we prepared the Safety Enhancement Plan, which reflects a basic philosophy of establishing a corporate culture that places top priority on safety. In accordance with that plan, JR-West has advanced initiatives to reform its corporate culture and values and taken safety countermeasures relating to physical infrastructure, procedures, and awareness. Moreover, among employees we have inculcated the Safety Charter established in March 2006. Also, viewing the Aircraft and Railway Accidents Investigation Commission's investigative report submitted to the Ministry of Land, Infrastructure, Transport and Tourism in June 2007 with the utmost gravity, we have taken countermeasures in a sincere and prompt manner in response to the numerous items the report indicated. Currently, JR-West is taking steps in accordance with a five-year Basic Safety Plan, which it prepared based on recommendations from the Advisory Panel for Safety Promotion.

The Basic Safety Plan identifies no accidents that produce casualties among our customers and no serious labor accidents to our employees as the most important task and target in efforts to establish a corporate culture that places top priority on safety. Based on that plan, we intend to raise the level of our safety systems' foundations, which include sensitivity to safety needs based on risk assessment, preemptive safety measures, technological capabilities, and communication.

Customer Satisfaction

We believe that because we provide railway transportation services that play a very important role in society, valuing interaction with customers and achieving customer satisfaction are very important. Customers will only use JR-West's railway services if they believe they are safe and reliable. Therefore, our fundamental approach to customer satisfaction is to provide a variety of high-quality services underpinned by safe and reliable railway services. High-quality services include such efforts as providing customer service with a friendly demeanor and ensuring stations and trains are comfortable and customer-friendly.

In efforts to realize further customer satisfaction based on safety and reliability, we are building systems that enable us to share customer feedback in-house and reflect it in management measures. Furthermore, we are cultivating a higher awareness of customer satisfaction among all employees and upgrading frontline services. In addition, JR-West is working to achieve high-quality transportation services by providing reliable transportation and providing customers with detailed information during service disruptions. In other initiatives to afford passengers additional comfort and convenience, we are introducing passenger-friendly, barrier-free facilities, expanding the Express Reservation system, and developing the facilities of railway stations and trains.

Global Environment

JR-West has taken a range of measures to protect the global environment, including introducing energy-saving trains and building and establishing environmental management systems. However, in response to the recent growing concern with CO_2 reduction and other measures to prevent global warming, we strengthened our systems and stepped up our initiatives for the advancement of environmental measures in July 2008.

Specific initiatives include the building of environmental management systems suited to the operational characteristics of each operating base, environmental audits and education to ensure compliance and prevent environmental pollution accidents, efforts to reduce environmental burden, initiatives to reduce CO_2 emissions by encouraging the use of public transportation and introducing even more energy-saving trains and equipment, and urging each employee to act with the environment in mind. Also, we are working to reduce, reuse, and recycle waste produced by operational activities, such as recyclable waste from railway stations and trains and waste materials from railway operations.

Fiscal 2013 Environmental Targets

Percentage of energy-saving trains.....75%

Basic unit of energy consumption reduction
.....12% vs. fiscal 1996

Recycling rate for recyclable waste from railway station and trains.....85%

Recycling rate for waste materials from railway operations.....90% or higher

Human Resources / Employee Satisfaction

Heightening the job satisfaction of each employee, encouraging employees to take the initiative, and helping employees realize their capabilities to the fullest lends impetus to efforts to improve safety and services and helps earn the confidence and trust of customers. Mindful of that, we are working to realize two of the goals of our Corporate Philosophy: *enhancing technology and expertise* and *creating a company at which employees find job satisfaction and in which they take pride.*

Specifically, as well as complying with the Labor Standards Act as a matter of course, with a view to passing on professional skills, we have secured a diverse workforce, including contract employees and senior employees. Further, JR-West operates a fair personnel system, which it is continuing to develop. At the same time, we are fostering professional skills among personnel by expanding and upgrading our educational system and establishing specialist positions. In other initiatives, we are encouraging employees to balance work and family commitments and creating employee-friendly workplaces.

Collaboration with Regional Communities

JR-West is a public utility company, and as such regional communities are critical of its existence. Therefore, we must communicate frankly and directly with regional communities and play an even more active role in them. Accordingly, in addition to operating railway services on a day-to-day basis, we are deepening our partnerships with regional communities by upgrading our safe railway network through improvements to transportation services and the creation of new railway stations and developing tourism to invigorate towns. We are also invigorating regional communities by developing station concourses and areas near railway stations that support residents' everyday lives.

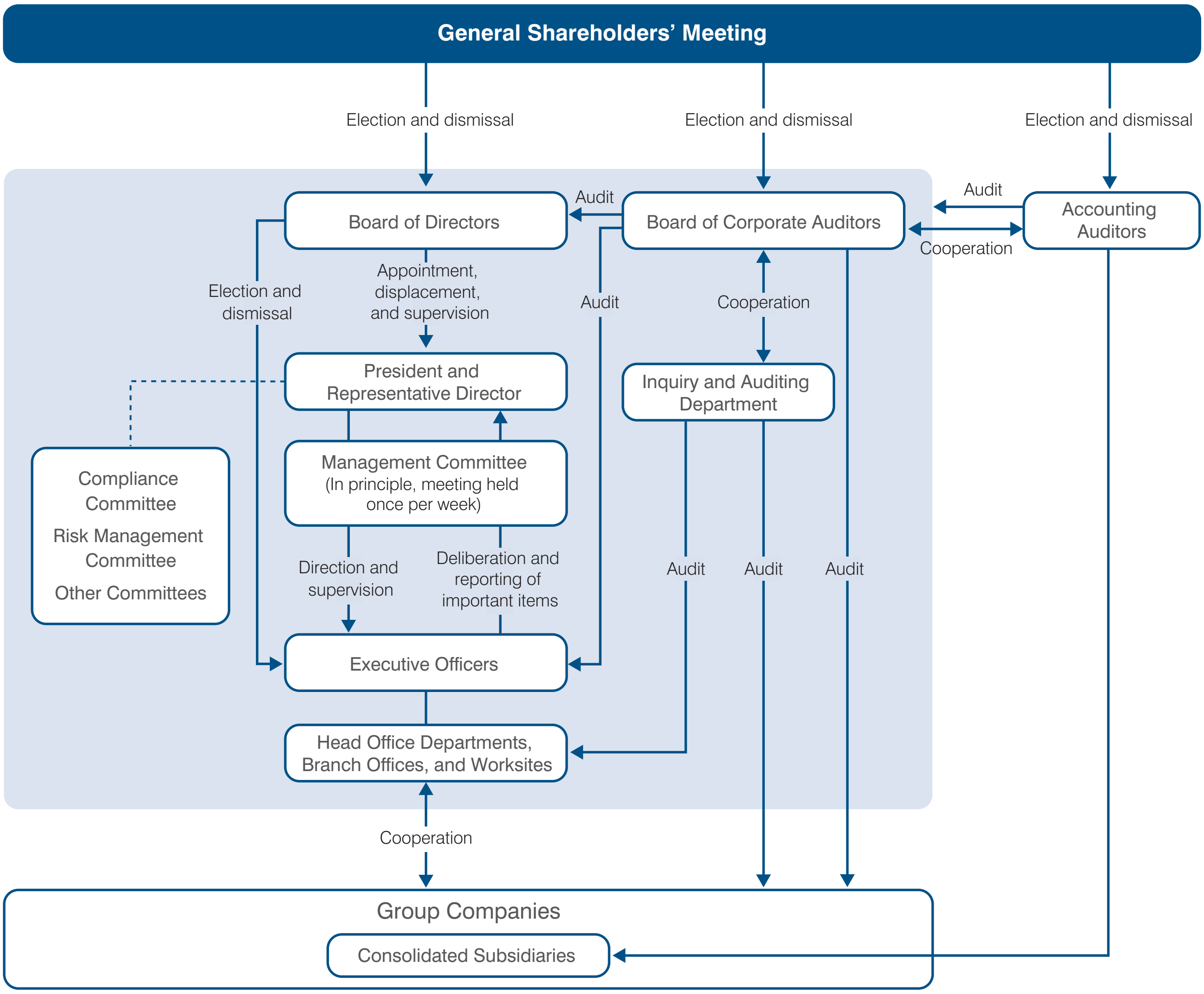
In addition, as a company that coexists with regional communities, we pursue social contribution activities rooted in regions, focusing on five areas with which we have particularly strong ties: safety, the global environment, social welfare, railway culture, and local communities. Since its establishment, JR-West has managed the operations of the Modern Transportation Museum and the Umekoji Steam Locomotive Museum and supported the activities of the Railway Children Association. As well as those activities, we aim to carefully preserve existing initiatives, such as conducting study tours of railway stations and other work fields and clean-up campaigns for local communities, while expanding social contributions, focusing mainly on activities rooted in local communities.

Initiatives Related to Management Foundations

Strengthening management foundations is an indispensable part of realizing corporate social responsibility. Accordingly, JR-West is further developing corporate governance systems that provide oversight and supervision of business management. Furthermore, based on teamwork among all executives with clearly defined roles, we are increasing the transparency, soundness, and compliance of business management and realizing prompt decision making and responsible operational implementation. By establishing systems that stipulate responsibility, JR-West is working to ensure the effectiveness of its initiatives in core areas of internal control such as compliance and crisis management and in areas including information security, disclosure, increasing awareness of human rights, and materials procurement.

CORPORATE GOVERNANCE

Since its establishment, JR-West has invited persons from outside the Company with excellent management skills and exceptional insight to be directors and corporate auditors. (Currently, five of 12 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.



New Corporate Governance Structure

Directors who specialize in monitoring and supervisory functions are clearly distinguished from directors who also conduct the affairs of the Company as executive officers. From June 2006, the number of external directors was increased from three to five, while an external director was appointed as chairman of the Board of Directors, further strengthening its monitoring and supervisory functions.

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.

Board of Directors

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.

Management Committee

The Management Committee is composed of representative directors, directors who also conduct the affairs of the Company, executive officers in the head office, and full-time corporate auditors. In principle, it convenes once a week to discuss matters fundamental to the execution of the Company's businesses.

Corporate Auditors and Board of Corporate Auditors

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.

Internal Control Systems—Fundamental Stance and Current Conditions

(1) Systems to ensure directors and employees observe laws and regulations and the Company's articles of incorporation when executing their duties

In principle, the Board of Directors meets once a month. In addition to deliberating on significant business matters, directors report in a timely and appropriate manner on the execution of business duties and carry out mutual monitoring. Further, in order to ensure transparency and fairness in management, the Company has invited persons from outside the Company with excellent management skills and exceptional insight to be directors and corporate auditors. They provide Company management with a diverse range of guidance and advice and conduct oversight from an objective standpoint. In June 2006, the monitoring and supervisory function for corporate administration was further strengthened by measures to clearly distinguish directors who specialize in monitoring and supervisory functions from directors who also conduct the affairs of the Company as executive officers, by an increase in the number of external directors, by the appointment of an external director as chairman of the Board of Directors, and by bolstering the structure for providing information to external directors.

Regarding compliance, the president serves as the Chairman of the Compliance Committee. Based on the Corporate Philosophy established in April 2006, the Compliance Committee formulates a compliance policy each fiscal year, deliberates and makes decisions about the formulation and improvement of in-Company systems and rules, identifies risks and establishes necessary response measures, and carries out a range of educational and motivational activities. In addition, the Company is also continually inspecting and evaluating its framework for maintaining compliance. The Company's corporate ethics-related efforts include formulating the Code of Company Member Ethical Practices, and establishing the Ethics Office, which serves as a consulting hotline for company members. Further, the Company works to fully convey the meaning and role of these initiatives to company members to ensure they always comply with corporate ethics, such as those pertaining to laws and regulations. For the execution of duties, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. Also, it establishes a variety of committees to ensure duties are executed transparently. In addition, the Inquiry and Auditing Department, which functions as the internal audit department, monitors all Company activities from the perspective of maintaining compliance with laws and regulations.

Further, JR-West's Inquiry and Auditing Department conducts evaluations of the effectiveness of its internal control over financial reporting and its audit system, in order to maintain and improve internal control and ensure accuracy and reliability.

Through these initiatives, the Company strives to maintain systems to ensure compliance, such as with laws and regulations, in all of its business activities.

(2) Systems to store and manage information relating to the directors' execution of their duties

In accordance with its document-management regulations, each department in the Company appropriately prepares, stores, and manages information relating to the directors' execution of their duties, and when necessary makes this information available for inspection by directors or corporate auditors.

(3) Regulations for management of risk of loss and related systems

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki Stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries among passengers. Solemnly accepting responsibility, the Company resolved that such an accident would never again occur. In accordance with its Corporate Philosophy and Safety Charter, it has set "to establish a corporate culture that places top priority on safety" as its most important management objective and has been striving to realize this objective.

In June 2007, a report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission made various remarks, including "proposals" and "opinions." The Company quickly acted in response to the report's recommendations and has been steadily implementing improvement measures. Additionally, the Company formulated a Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, and has been steadily carrying out this plan, in combination with previous measures, toward the goal of realizing higher levels of safety. Also, the Company has worked to entrench a safety management-orientated mindset based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. The Company president serves as the Chairman of the Risk Management Committee. The committee identifies risks and critical events that could have a substantial impact on the Company's management, prepares related manuals, and discusses and decides upon important response measures. The committee also quickly constructs rapid first-response systems for a major crisis, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

Through these measures, the Company is working to maintain and improve systems to achieve appropriate risk management for all Company business activities.

(4) Systems to ensure that directors execute their duties efficiently

Based on the plan for all business activities defined by the Board of Directors at the start of each fiscal year, the directors responsible for each department appropriately carry out the duties necessary to implement the policies of their departments in accordance with their administrative authority and rules for decision making determined by regulations relating to Company organizations and the execution of Company duties. Further, the Company has established the Management Committee, comprised of members including representative directors and executive officers in the head office, to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, broadened the authority of the executive officers to strengthen the supervisory function of the Board of Directors, and enhanced the speed of decision making.

(5) Systems to ensure the appropriateness of operations in the corporate group

The Compliance Committee and the Risk Management Committee determine compliance and risk management policies for the entire JR-West Group. In addition, each subsidiary establishes committees and regulations to construct systems to establish a Groupwide compliance system and carry out appropriate risk management. Furthermore, the Group is striving to ensure officers and employees throughout the Group behave ethically, such as by providing guidance on Group-related ethical matters through the Ethics Office.

The Company works to ensure that the appropriateness and the effectiveness of Group management are preserved. It maintains systems so that Group companies can discuss important management items with the Company prior to decisions being made. In addition, the Company's executives serve as directors and corporate auditors at important Group companies. Further, when required, the Company will confirm that Group companies are observing laws and regulations in their business management through internal audits.

"Evaluation of Internal Controls for Financial Reporting" is carried out as a Groupwide measure because consolidated operations are the subject of these evaluations.

(6) Matters relating to those employees who provide assistance to corporate auditors and the independence of those employees from directors

The Company appoints corporate auditor staff to provide fulltime support to the corporate auditors as they carry out their auditing duties. The staff carries out its duties in accordance with the instructions of the corporate auditor. Further, decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the corporate auditors.

(7) Systems for directors and employees to report to corporate auditors and other systems regarding reporting to corporate auditors

Directors, executive officers, and employees immediately report to the corporate auditors or the Board of Corporate Auditors on serious accidents, behavior that violates laws and regulations or the Company's articles of incorporation, or if they discover a situation that might result in the Company incurring significant damage. In addition, corporate auditors as needed or regularly receive reports on the status of internal audits, details of reporting to the Ethics Office, details of the activities of the special deputies to the president, details of the activities of each department and the issues they face, and any other items as requested by corporate auditors or the Board of Corporate Auditors.

(8) Other systems to ensure that the corporate auditors carry out their audits effectively

To ensure the effectiveness of the audits carried out by corporate auditors, directors and other executives maintain systems for corporate auditors to attend important meetings; to inspect decision-making documents; to cooperate with the internal audit department and accounting auditors; to exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively. Further, the Company works to coordinate the activities of departments that have jurisdiction over offices in the Company and to ensure that surveys in other locations are conducted effectively and efficiently.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of Octover 24, 2009

Board of Directors

Chairman of the Board of Directors

Noritaka Kurauchi[1]
Advisor, Sumitomo Electric Industries, Ltd.

Directors

Yoshio Tateishi[1]
Chairman, OMRON Corporation

Akio Nomura[1]
Senior Advisor, Osaka Gas Co., Ltd.

Satoru Sone[1]
Guest Professor and Counselor of Extension Center,
Kogakuin University

Tadashi Ishikawa[1]
Professor of Graduate School of Law,
Kobe University
Partner, Oh-Ebashi LPC & Partners

Director, President, and Executive Officer

Takayuki Sasaki[2]

Directors, Vice Presidents, and Executive Officers

Naoki Nishikawa[2]
Seiji Manabe[2]

Directors and Senior Managing Executive Officers

Takashi Kondo
Akiyoshi Yamamoto

Directors and Senior Executive Officers

Koichi Inoue
Kenji Nanakawa

Corporate Auditors

Noboru Koide[3]
Tsutomu Iwasaki[3,4]
Kazuo Yoshida[4]
Professor of Graduate School of
Economics and Faculty of Economics,
Kyoto University

Ikuo Uno[4]
Chairman, Nippon Life Insurance Company

1 External Director 2 Representative Director 3 Full-Time Auditor 4 External Auditor

EXECUTIVE OFFICERS

As of December 15, 2009

President, Representative Director, and Executive Officer

Takayuki Sasaki
Head of Corporate Revival Headquarters

Vice Presidents, Representative Directors, and Executive Officers

Naoki Nishikawa
Senior General Manager of Railway Operations Headquarters

Seiji Manabe

Directors and Senior Managing Executive Officers

Takashi Kondo
Senior General Manager of Business Development Headquarters

Akiyoshi Yamamoto
Deputy Head of Corporate Revival Headquarters
General Manager of Osaka Branch

Directors and Senior Executive Officers

Koichi Inoue
Senior General Manager of IT Development Headquarters / Deputy Senior General Manager of Railway Operations Headquarters / Senior General Manager of Marketing Division, Railway Operations Headquarters

Kenji Nanakawa
Deputy Senior General Manager of Railway Operations Headquarters

Senior Executive Officers

Kenji Shiratori
General Manager of Safety Research Institute

Hitoshi Nakamura
Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

Michio Utsunomiya
General Manager of Transport Safety Department, Railway Operations Headquarters

Tatsuo Kijima
Senior General Manager of Corporate Planning Headquarters / Senior General Manager of Tokyo Headquarters

Executive Officers

Teruaki Akahoshi
General Manager of Construction Department

Takao Fukuyama
Deputy Senior General Manager of Business Development Headquarters

Tatsuya Mano
General Manager of Shinkansen Supervising Department, Railway Operations Headquarters / General Manager of Shinkansen Management Division

Masaru Kawakami
General Manager of Kobe Branch

Fumio Hosono
General Manager of Electrical Engineering Department, Railway Operations Headquarters

Shigeki Kitazono
Deputy Senior General Manager of Business Development Headquarters

Makoto Shibata
General Manager of Hiroshima Branch

Yasuki Nishioka
General Manager of Shin-Osaka General Control Center

Hideyuki Miura
General Manager of Finance Department

Yoshinori Tsujiko
General Manager of Wakayama Branch

Tetsuhisa Shima
Deputy General Manager of Shinkansen Management Division / General Manager of Fukuoka Branch, Shinkansen Management Division

Katsunori Matsuura
Deputy Senior General Manager of Corporate Planning Headquarters

Akihiro Horisaka
General Manager of General Affairs Department

Kazuaki Hasegawa
General Manager of Okayama Branch

Masashi Nonaka
Deputy Senior General Manager of Tokyo Headquarters

Kazuyuki Hyakuda
General Manager of Corporate Communications Department

Takao Okubo
General Manager of Fukuchiyama Branch

Yoshiya Suzuki
Technical Research and Development Department, Global Environment

Kouhei Ogino
General Manager of Kanazawa Branch

Osamu Ishimoto
General Manager of Yonago Branch

Kazunori Minato
General Manager of Kyoto Branch

Takaiki Ikoma
General Manager of Transport Department, Railway Operations Headquarters

Shoji Kurasaka
General Manager of Personnel Department

Fumito Ogata
General Manager of Corporate Ethics & Risk Management Department

Taizou Mori
Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

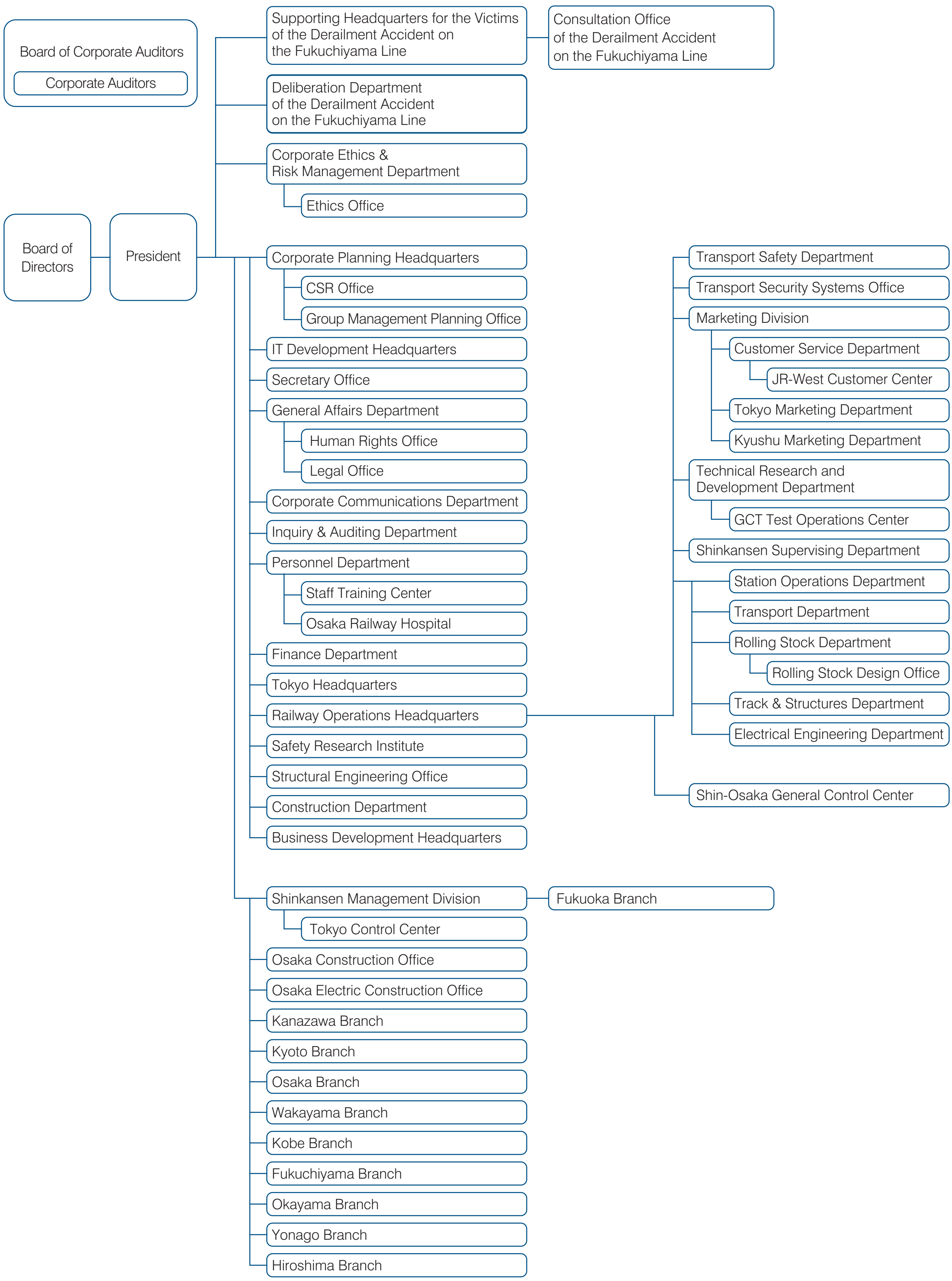
Technical Directors

Yoshifumi Matsuda
General Manager of Structural Engineering Office

Norihiko Yoshie
General Manager of Technical Research and Development Department, Railway Operations Headquarters

ORGANIZATIONAL STRUCTURE

As of December 1, 2009



Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Consolidated Basis

RESULTS OF OPERATIONS

In fiscal 2009, ended March 31, 2009, operating revenues declined 1.2% year on year, to ¥1,275.3 billion, the first decline in six fiscal years, due to decreases in revenues from the Transportation Operations segment and non-transportation businesses. In the Transportation Operations segment, a rapid deterioration in the business climate in the second half of the fiscal year reduced use of Shinkansen and conventional lines, counteracting continued efforts to increase convenience by revising timetables and promoting the use of the Express Reservation system. Meanwhile, in non-transportation businesses, operating revenues from the Sales of Goods and Food Services segment increased. However, operating revenues from the Real Estate Business segment and the Other Businesses segment decreased.

Although operating expenses of ¥1,152.7 billion were at the same level as in the previous fiscal year, operating revenues decreased. As a result, operating income declined 10.8%, to ¥122.5 billion, the first decrease in nine fiscal years.

Despite a reduction in JR-West's interest expense, recurring profit, decreasing for the first time in nine fiscal years, was down 12.9%, to ¥94.8 billion. Net financial expenses improved 2.7%, to ¥34.0 billion.

Extraordinary profit improved because of the absence of the previous fiscal year's recognitions of reserves for environmental safety measures and unredeemed travel coupons at subsidiary companies. Nevertheless, net income declined 5.5%, to ¥54.5 billion, the first decrease in three fiscal years.

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, such as aircraft, rival railway companies, economic conditions, and the falling birthrate and aging population.

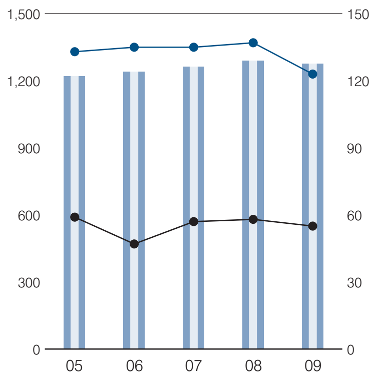
The Sales of Goods and Food Services segment's revenues primarily consist of income from department store businesses, merchandise sales, and restaurant operations. Revenue in this segment is influenced by economic conditions, and competition from other department stores, retailers, and restaurants. Because 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

Operating Results

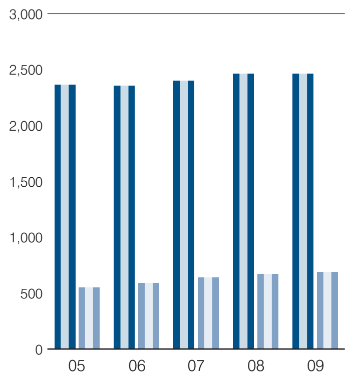
Billions of yen



■ Operating Revenues
● Operating Income (right)
● Net Income (right)

Total Assets and Total Net Assets

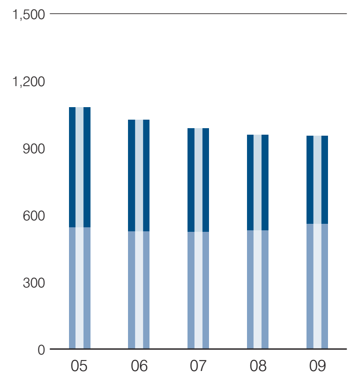
Billions of yen



■ Total Assets
■ Total Net Assets

Long-Term Debt and Payables

Billions of yen



■ Long-Term Payables
■ Long-Term Debt

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

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 ¥1.3 billion from the previous fiscal year, to ¥268.6 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.

In terms of non-personnel costs, JR-West is working to achieve structural reductions of costs related to maintenance through the introduction of rolling stock and equipment that is easily maintained, mechanization, and the improvement of existing infrastructure, while placing the highest priority on ensuring safety. However, we have also continued to implement safety improvement measures in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki. As a result, for the foreseeable future we anticipate a rise in expenses as 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 amounted to approximately ¥16.6 billion.

Among other expenses, interest expense is a major factor. The JR-West Group's total interest expense declined ¥0.8 billion, to ¥34.5 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 decreased ¥43.3 billion, to ¥178.8 billion, which was the result of decreases in operating revenues from the Transportation Operations segment, the Real Estate Business segment, and the Other Businesses segment and an increase in income taxes paid.

Net cash used in investing activities decreased ¥6.6 billion, to ¥172.6 billion, which was mainly attributable to lower purchases of property, plant and equipment.

Net cash used in financing activities decreased ¥45.6 billion, to ¥10.1 billion, principally because of a decrease in reduction of long-term debt.

As a result, cash and cash equivalents at the end of fiscal 2009 decreased ¥3.4 billion from the end of the previous fiscal year, to ¥41.1 billion.

Capital Demand and Capital Expenditures

JR-West made capital expenditures totaling ¥197.7 billion in fiscal 2009, of which the Transportation Operations segment accounted for ¥160.4 billion, the Sales of Goods and Food Services segment ¥2.5 billion, the Real Estate Business segment ¥26.5 billion, and the Other Businesses segment ¥8.3 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 to renovate Osaka Station and develop the New North Building, as well as its plan to expand the ACTY Osaka building. The JR-West Group anticipates capital expenditures for these projects to be approximately ¥210.0 billion at this point, with completion scheduled in fiscal 2012.

Further, in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations, JR-West is implementing various safety improvement measures, including installing operational safety equipment and other infrastructure-based initiatives necessary to further enhance safety, and is considering a range of other measures 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. For short-term financing, we raise necessary capital mainly through short-term bonds.

We have further concluded commitment line contracts allowing use of funds in accordance with prescribed conditions, such as in the event of a major earthquake.

OPERATIONAL AND OTHER RISK INFORMATION

The following are issues related to operational and accounting matters that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of JR-West as of December 1, 2009. Further, the following is a translation of the business risks included in a document the Company submitted pursuant to Japan's Financial Instruments and Exchange Act.

1 RELATING TO SAFETY

An accident may occur in the Company's railway operations that could seriously impact the lives or damage the personal property of passengers. This may also have a significant impact on the Company's management.

The Company, which engages in railway operations as its core business, considers it the most important management priority to provide reliable and high-quality transportation services that give its customers a sense of safety.

However, on April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations. Resolving that such an accident would never again occur, the Company formulated a new Corporate Philosophy, which expresses its vision and its sense of values as a company, and a new Safety Charter, which defines its fundamental safety policies. It has since implemented a series of measures to realize this Corporate Philosophy and Safety Charter. Moreover, the Company has steadily carried out measures in response to the remarks, including "proposals" and "opinions," in the report on the investigation of the railway accident on the Fukuchiyama Line published by the Aircraft and Railway Accidents Investigation Commission in June 2007. In addition, based on the recommendations made by the Safety Promotion Expert Committee established in September 2007, the Company has formulated and been steadily implementing its Basic Safety Plan to run for five years from April 2008. The Company is combining these measures with other safety measures implemented up until the present time to realize higher levels of safety.

It has also been working to create a safety management system based on the Railway Safety Management Manual instituted in accordance with the amended Railway Business Law of Japan implemented in 2006.

2 RELATING TO LEGAL MATTERS IN RAILWAY OPERATIONS

1. The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Railway operators are also required to receive approval from the MLIT for the upper limits of passenger fares and specified surcharges. Subject to prior notification, railway operators can then set or change these fares and surcharges within those upper limits (article 16). Railway operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (articles 28 and 28-2).

2. The Law for Partial Amendment of the Law for Passenger Railway Companies and Japan Freight Railway Company (Hereinafter the "Amended JR Law") (2001, Law No. 61)

The amended JR Law enacted on December 1, 2001 (hereinafter, the "date of enactment"), excluded JR-East, JR-Central, and JR-West (the three passenger railway companies operating on Japan's main island of Honshu, hereinafter the "passenger railway companies in Honshu") from the application of the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law") (1986, Law No. 88). Specifically, the passenger railway companies in Honshu are excluded from the scope of all regulations pertaining to approval of the offering for the purchase of shares and others and approval of long-term borrowings, as defined by the JR Law (article 5); and approval of transfers of important assets (article 8), among others.

According to the amended JR Law's supplementary provisions, the MLIT, based on the details of the restructuring of Japanese National Railways (JNR) and in order to ensure the convenience of passengers and otherwise, shall issue guidelines relating to items that need to be considered for the time being with respect to the management by any entity of all or part of the passenger railway companies in Honshu and their railway operations that occur as a result of assignations, mergers, divisions or successions on or after the date of enactment, and as designated by the MLIT (hereinafter, a "New Company"). The guidelines' stipulations are outlined in the three points below. Those guidelines were issued on November 7, 2001, and applied on December 1, 2001. The MLIT may advise and issue instructions to any New Company to ensure operational management in accordance with those guidelines. Moreover, the amended JR Law enables the MLIT to issue recommendations and directives in the event that its operational management runs counter to the guidelines without any justifiable reason.

• The guidelines' stipulated items:

(a) Items relating to ensuring alliances and cooperation among companies (among New Companies or among any New Company and Hokkaido Railway Company, Shikoku Railway Company, Kyushu Railway Company and Japan Freight Railway Company) with respect to the establishment of appropriate passenger fares and surcharges, the unhindered utilization of railway facilities, and other factors relating to railway operations among those companies

(b) Items relating to the appropriate maintenance of railway routes currently in operation reflecting trends in transportation demand and other changes in circumstances following the restructuring of JNR and items relating to ensuring the convenience of users through the development of stations and other railway facilities

(c) Items relating to consideration that New Companies should give to the avoidance of actions that inappropriately obstruct business activities or unduly hamper the interests of small and medium-sized companies operating businesses within the operational areas of the New Companies that are similar to the businesses of the New Companies

Also, regarding all bonds issued by the passenger railway companies in Honshu prior to the amended JR Law's date of enactment, transitional measures are stipulated, such as the continuance following the date of enactment of the stipulation of general security in article 4 of the JR Law.

3 RELATING TO ESTABLISHMENT OF AND CHANGES TO FARES AND SURCHARGES

1. System and Procedure for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limits of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges") (Railway Business Law, article 16, item 1).

Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, as well as limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

Although passenger railway companies in Honshu, Hokkaido Railway Company, Shikoku Railway Company, and Kyushu Railway Company (hereinafter the "passenger railway companies") can revise fares independently, a system was created among those companies when JNR was restructured to ensure the convenience of users. At present, contracts among those companies enable the realization of total fares and surcharges for passengers and packages requiring services that span two or more such companies. In addition, the passenger railway companies have established a system in which the fares and surcharges per kilometer decrease as distance traveled increases.

2. JR-West's Stance on Fare Revisions

(a) JR-West has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revision (April 1997).

Major private sector railway operators apply for fare revisions, if, following a comprehensive management judgment that takes into account the operations of ancillary departments, it anticipates it will record a loss in after-tax net income in its railway operations. In the majority of cases, the revisions are implemented once the above-described procedures have been completed. In the case of the Company, revenues obtained from ancillary departments constitute a small percentage of its total revenues, and based on this it considers the timely implementation of fair revisions to be a necessary measure to secure a fair level of profit.

(b) The Company strives to promote efficient business management to secure profits and to progress measures toward rationalization. However, efforts such as these are premised on realizing a fair profit. The Company considers the securing of profits at a level that enables it to fund dividend payments to its shareholders, future capital investment, and measures to strengthen its financial structure, to be a prerequisite for its business management.

(c) The Company recognizes the need to independently conduct capital expenditures, which have a substantial impact on the cost structure of its railway operations, based upon its clearly defined management responsibility.

3. Stance of the Ministry of Land, Infrastructure, Transport and Tourism

With respect to the implementation of fare revisions by JR-West, the position of the MLIT is as follows:

(a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including JR-West, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and fair profits, based on the efficient management of those companies ("total cost") (Railway Business Law, article 16, item 2).

In addition, a three-year period is stipulated for the calculation of costs.

(b) Even if the railway operator has non-railway businesses, the calculation of total cost, which comprises reasonable costs and fair profits, including required dividend payments to its shareholders, is based only on the operator's railway operations. Further, railway operators are required to submit their capital expenditure plans for increasing transportation services to ease congestion of commuter services and for other improvements in passenger services. Upon inspections, the capital cost necessary for such enhancements may be approved for the calculation of total cost.

(c) Total cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, in relation to the capital invested in the railway operations. The calculation of total cost is as follows:

total cost = operating cost[1] + operational return

- operational return = assets utilized in railway business operations (rate base) x operational return rate
- assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital[2]
- operational return rate = equity ratio[3] x return rate on equity[4] + borrowed capital ratio[3] x return rate on borrowed capital[4]

1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.
2 Working capital = operating costs and certain stores
3 Equity ratio, 30%; Borrowed capital ratio, 70%
4 Return rate on equity is based on the average of yields to subscribers of public and corporate bonds, the overall industrial average return rate on equity and the dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

(d) Subject to prior notification to the MLIT, railway operators can set or change fares and surcharges or other charges within the upper limits approved. However, the MLIT can issue directives requiring changes in fares and surcharges by specifying the date therefor if the fares and surcharges submitted are deemed to fall within the following categories (Railway Business Law, article 16, item 5):

- The setting or change would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the setting or change would give rise to unfair competition with other railway operators.

4 RELATING TO PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

1. Construction Plans for New Shinkansen Lines

The new Shinkansen lines are the five lines indicated in the plan for the Shinkansen line network that was decided pursuant to the 1970 Nationwide Shinkansen Railway Development Law, namely the Hokuriku Shinkansen Line (Tokyo–Osaka), the Hokkaido Shinkansen Line (Aomori–Sapporo), the Tohoku Shinkansen Line (Morioka–Aomori), the Kyushu Shinkansen Line (the Kagoshima route between Fukuoka–Kagoshima), and the Kyushu Shinkansen Line (the Nagasaki route between Fukuoka–Nagasaki). Of these lines, the Company is the operator of the Joetsu–Osaka segment of the Hokuriku Shinkansen Line.

Construction of the five lines was postponed due to deteriorating management conditions at JNR. However, the development scheme described below was created to solve the financial and other problems after the inauguration of JR companies, and construction has been progressed on a sequential basis. Until the present time, operations have commenced on the Hokuriku Shinkansen Line (between Takasaki–Nagano), the Tohoku Shinkansen Line (between Morioka–Hachinohe), and the Kyushu Shinkansen Line (between Shin-Yatsushiro–Kagoshima-Chuo). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRTT), is progressing construction on the following sections of the five lines: the Hokuriku Shinkansen Line (between Nagano–Hakusan car maintenance center and the Fukui Station segment), the Tohoku Shinkansen Line (between Hachinohe–Shin-Aomori), the Hokkaido Shinkansen Line (between Shin-Aomori–Shin-Hakodate), the Kyushu Shinkansen Line (Kagoshima route between Hakata–Shin-Yatsu-shiro), and the Kyushu Shinkansen Line (Nagasaki route between Takeo Onsen–Isahaya).

Creation of the Development Scheme

- August 1988 (arrangement between the national government and ruling parties)
  Ruling on the start of construction according to a priority sequence and development standards for three Shinkansen lines and five segments
- December 1990 (arrangement between the national government and ruling parties)
  Ruling on a management separation for JR companies of the conventional lines running parallel with the new Shinkansen lines
- December 1996 (agreement between the national government and ruling parties)
  Ruling that JR companies' usage fees and other charges would be within the range of its expected benefits
- December 2000 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
- December 2004 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
  Details of the December 2004 arrangement between the national government and ruling parties on the Hokuriku Shinkansen Line
  - Between Nagano–Hakusan car maintenance center
    Assuming full development standards and following the completion of required approval procedures, construction was to begin on the segments between Toyama–Isurugi and Kanaza-wa–Hakusan car maintenance center at the beginning of fiscal 2006, targeting a coordinated completion date of the end of fiscal 2015. However, every effort was to be made to complete construction ahead of schedule.

- Between Hakusan car maintenance center–Nanetsu
  For heightened efficiency, construction on the Fukui Station segment was to take place in coordination with construction for the elevation of the Echizen Railway Line. Following the completion of required approval procedures, construction was to begin at the beginning of fiscal 2006 with a targeted completion date of the end of fiscal 2009.
- Between Nanetsu–Tsuruga
  Following the completion of necessary procedures, there was to be an immediate application for approval for the construction implementation plan.

Construction on the Hokuriku Shinkansen Line within the Company's Area of Operations

- August 1992
  Between Isurugi–Kanazawa (24 km): Construction commenced as a Shinkansen Railway Standard New Line (Super Express)
- April 2001
  Between Joetsu–Toyama (110 km): Construction commenced at full standard. (Prior to this, in September 1993 construction had commenced on the segment between Itoigawa–Shin-Kurobe as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
- April 2005
  Between Toyama–Kanazawa (59 km): Construction commenced at full standard. (Prior to this, in August 1992 construction had commenced on the segment between Isurugi–Kanazawa as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
  Fukui Station segment: Construction commenced
- April 2006
  Hakusan car maintenance center: Construction commenced

2. Cost Burden of the Development of New Shinkansen Lines

Regarding the construction cost for the development of new Shinkansen lines, based on the agreement in December 1996 between the national government and the ruling parties, in 1997 the Nationwide Shinkansen Railway Development Law and related laws were revised to stipulate that "the national government, local governments, and JR passenger railway companies would assume the cost of new Shinkansen lines," and that "the cost burden by JR passenger railway companies which mainly operate on new Shinkansen lines shall be paid out of their usage fees and other charges, with the upper limit to be determined by the range of expected benefits."

Also, those subsidies that constitute a financial resource that makes up part of the funds made available from the JRTT, to which JR-East, JR-Central, and JR-West make payments of amounts due on their Shinkansen purchase liabilities, shall be considered to be part of the cost burden borne by the national government.

Following the arrangement made between the national government and the ruling parties in December 2004, it was determined that the cost burden of JR passenger railway companies, which correspond to the expected benefits generated accompanying the opening of the Hokkaido Shinkansen Line (Shin-Aomori–Shin-Hakodate) and the Hokuriku Shinkansen Line (Joetsu–Kanazawa), and other new Shinkansen lines, would be carefully investigated when these segments commenced operations. The Company opposes to this ruling as it considers it to lack rationality if the existing Shinkansen operators are required to bear part of the construction costs of new Shinkansen developments on segments on which they do not operate based on the assumption that they receive corresponding external benefits.

Further, following the launch of studies by the national government and ruling parties into methods of securing financing for construction on segments where construction has not yet started, the MLIT has requested the Company to provide it with data to calculate usage fees and other charges prior to the start of operations on these segments. But at the present point in time, the Company has not determined what the nature of its operations or systems for usage fees and other charges will be in the future. Moreover, future trends in social and economic conditions and trends among competing modes of transportation cannot be ascertained at the present point in time. Therefore, the Company's response is that it is extremely difficult to objectively and rationally calculate future usage fees at the current time.

3. The Company's Stance on the Hokuriku Shinkansen Line

Based on the December 2004 arrangement between the national government and ruling parties, the construction scheme of the Hokuriku Shinkansen Line was reviewed based on the premise that it would be developed at full standard. Based on this review, construction commenced on the segment as far as the Hakusan car maintenance center and the Fukui Station segment and an application for approval was made for a plan to implement construction on the segment between Nanetsu–Tsuruga.

At the present time, the Company's position is that the Hokuriku Shinkansen Line will be constructed in a westward direction. This is in accordance with the Company's previous contention and it will continue to appeal to the relevant national government organizations for an extension of segments to undergo construction. But even if segments to undergo construction are extended, then the Company considers it essential that the previous fundamental principles, namely that "the burden of the aforementioned usage fees and other charges will be within the limit of expected benefits" and of "the management separation from JR-West of its conventional lines running parallel with the new Shinkansen line segments," should be protected.

5 RELATING TO CHANGING POPULATION DYNAMICS, SUCH AS THE DECLINING BIRTH RATE AND AGING POPULATION

According to the "Population Projections for Japan (birth rate medium variant and death rate medium variant estimates)" published by the National Institute of Population and Social Security Research in December 2006, Japan's total population of 127.77 million people in 2005 was set to enter a longstanding depopulation process, and by 2046 was projected to fall below 100.00 million people, to 99.38 million people. The working-age population (15 to 64) peaked in 1995, and entered a depopulation phase. By 2005 it had fallen to 84.42 million people, and by 2030 it is forecast to decrease to 67.40 million people. In contrast, the old-age population (65 and over), which was 25.76 million people in 2005, was projected to increase to 36.67 million people by 2030.

Moreover, according to the "Population Projections for Japan by Prefecture" published by the said institute in May 2007, by 2005 population was decreasing in all regions excluding Minami Kanto, Chubu, and Kinki. The population in Kinki was forecast to decrease between 2005 and 2010, and the population in all regions was forecast to decrease by 2035. Further, the working-age population, and also the percentage of this age group relative to the total population is already declining in every prefecture, while the old-age population will increase until 2020. With the exception of certain prefectures, it is projected to exceed 30% of the population.

The JR-West Group's main area of operations is West Japan, where it operates businesses that include railway, retail, real estate, and hotel operations. Depopulation and the declining birthrate and aging population trends are forecast to continue in this region. If the depopulation, declining birthrate, and aging population processes take place as projected, in the long term due to a decrease in the number of passengers and customers at the Group's facilities and stores, this may have an effect on the Group's business results.

6 RELATING TO COMPETITION

1. Railway Operations

The railway operations of the JR-West Group compete with the operations of other railway companies, airline companies, and alternative modes of transportation such as buses or automobiles. In addition, its performance is affected by conditions in the Japanese economy, particularly economic trends in its main area of operations, West Japan. Moreover, its railway operations could be impacted by the significant reduction in expressway tolls that are being implemented between March 2009 and March 2011. Competition trends and economic conditions in the future may have an effect on the Group's financial condition and results of operations.

The Company's Sanyo Shinkansen Line and intercity transportation operations on its conventional lines are primarily in competition with domestic airline companies and buses and automobiles. In particular, the Company faces extremely severe competition from airline companies due to the heightened convenience of travelling by air, because of factors such as the opening of new airports, expanded airport capacities, increased number of flights, and lower airfares. The Company has been working to strengthen its competitiveness by improving convenience for customers. It has enhanced its provision of high-speed transportation services by launching the new N700 Series Shinkansen, by increasing departures of its Nozomi services, and by improving its Internet-reservation services such as the Express Reservation system. In addition, it has been positively working to provide customers with fundamental information on its services, such as the frequency of departures, the time required for the trip, and ticket prices.

In its Urban Network, the Company competes with other railway operators and with automobiles and buses. It has been promoting increased use of its services, by revising timetables to extend the period of operations of its Special Rapid Service trains to later hours in the night, by the opening of new stations, and by the launch of new series of trains.

In addition, it has been heightening convenience for railway passengers by continuing to install barrier-free facilities, including elevators and escalators.

2. Non-Railway Operations

The JR-West Group carries out non-railway operations, principally Sales of Goods and Food Services, Real Estate, and Other Businesses (including hotel business). Non-railway operations are affected by conditions in the Japanese economy, particularly economic trends in the Group's main area of operations, West Japan. Therefore, economic conditions in the future may have an effect on the Group's financial condition and results of operations.

In addition, its non-railway operations are faced with an increasingly severe competitive environment: in Sales of Goods and Food Services, due to the opening of retail stores by competitors in areas surrounding its shops; in Real Estate, due to the entry of new competitors and the upgrade of competitors' commercial facilities in surrounding areas; and in Other Businesses, due to increased competition with existing and new competitors in hotel operations, such as the openings of foreign-affiliated luxury hotels or low-end budget hotels by Japanese companies. These factors may have an effect on the Group's revenues.

However, as the Group develops its operations in the stations and areas surrounding them, it can be considered to possess competitive advantages in terms of advantageous locations. The Group coordinates its non-railway operations with its railway operations, and at the same time cooperates with local authorities to develop areas in and around stations and to revitalize commercial areas under elevated railway tracks.

The Group has been implementing measures to increase the value of its railway belts by making more effective use of its assets, such as the steady progress being made in the Osaka Station Development Project. In addition, it has been taking positive steps to enhance customer convenience, including expanding affiliated stores for ICOCA electronic money and increasing business tie-ups with other companies.

7 RELATING TO LONG-TERM DEBT AND PAYABLES

On its establishment in 1987 and based on the Japanese National Railways Reform Law (1986, Law No. 87), the Company inherited ¥1,015.8 billion of long-term debt from JNR. Further, on October 1, 1991, based on the Law Relating to the Transfer of Shinkansen Line Railway Facilities (1991, Law No. 45), the Company purchased the Sanyo Shinkansen Line railway facilities (excluding rolling stock) at the cost of ¥974.1 billion from the Shinkansen Holding Corporation. Through contracts with the Shinkansen Holding Corporation, of the transfer value, ¥859.1 billion is to be paid over 25.5 years and ¥114.9 billion over 60 years by half-yearly installment payments of equal amounts of principal and interest to the Railway Development Fund (presently, the Japan Railway Construction, Transport and Technology Agency) and the unpaid balance was to be recorded as long-term payables to the acquisition of railway properties.

While investing in safety and carrying out all other necessary investment, the JR-West Group is aiming to increase management stability by reducing its long-term debt (corporate bonds, long-term debt, and long-term payables to the acquisition of railway properties) and thereby decreasing its interest payments. As a result, its consolidated long-term debt at March 31, 2009 was ¥953.2 billion (including the current portion thereof). Interest payments for the years ended March 31, 2007, March 31, 2008, and March 31, 2009 were ¥37.2 billion, ¥35.4 billion, and ¥34.5 billion, respectively, equivalent to 27.6%, 25.8%, and 28.2% of operating income of the JR-West Group.

The Group will continue to pay close attention to its levels of long-term debt and payables and interest payments in order to maintain management stability. However, a reduction in free cash flow due to unforeseen circumstances could affect the JR-West Group's financial condition and results of operations.

8 RELATING TO MAJOR PROJECTS

1. Osaka Higashi Line

a. Details and Current Status

- April 1981
  Approval from Transport Minister based on the Japanese National Railways Law
- April 1987
  Establishment of West Japan Railway Company, which inherited the above-described approval
- May 1996
  In the government budget for fiscal 1997, the project was approved to receive funding identified in "Supplementary Funding for Operational Expenses for the Revitalization of Arterial Railroads."
- November 1996
  Establishment of quasi-public company Osaka Soto-Kanjo Railway Co., Ltd.
- December 1996
  West Japan Railway Company acquired a license for second-type railway operations and Osaka Soto-Kanjo Railway Co., Ltd. for third-type railway operations.
- February 1999
  Approval to carry out construction (Miyakojima–Kyuhoji)
- December 2002
  Approval to carry out construction (Shin-Osaka–Miyakojima)
- February 2005
  Approval to extend the deadline to complete construction (Shin-Osaka–Kyuhoji)
- August 2007
  Resolution on the names of the line and stations (5 stations to be opened in the spring of 2008)
- March 2008
  Start of operations between Hanaten–Kyuhoji
- September 2009
  Approval to extend the deadline to complete construction (Shin-Osaka–Hanaten)

b. Outline of the Plan

(a) Main construction contractor: Osaka Soto-Kanjo Railway Co., Ltd. (third-type railway operator)

(b) Main operator: West Japan Railway Company (second-type railway operator)

(c) Planned line: Starting point; Shin-Osaka Station, Tokaido Main Line; Kyuhoji Station, Kansai Main Line
Length; 20.3 km

(d) No. of stations: 13 (including Shin-Osaka and Kyuhoji Stations)

(e) Total construction cost: Approx. ¥120.0 billion

(f) Planned construction period: Fiscal 1998 to fiscal 2012[1]
(Segment between Hanaten–Kyuhoji completed in fiscal 2008)

c. JR-West's Stance

This line is to reciprocally connect radial railway lines on the outskirts of Osaka by utilizing the Katamachi Line between Hanaten–Yao and Shigino–Suita (commonly known as the Joto freight line) which is currently used as a freight line. The line is expected to contribute to the development of the Kinki region. In addition to contributing to the development of the areas adjacent to the railway line, it will also assist with the redevelopment of the areas to the east of Osaka—such as the Awaji district and the Hanaten/Ryuge district—and in the creation of a multiple-type railway network designed to withstand natural disasters. However, if the plan does not progress as forecast due to various changes in the operating environment or the anticipated benefits may not be obtained, this may have an effect on the Company's financial condition and results of operations.

1 On June 18, 2009, Osaka Soto-Kanjo Railway Co., Ltd. applied for approval to the MLIT to extend the deadline for the completion of construction until March 31, 2019.

2. The Osaka Station Development Project

a. Plan Outline

(a) Station renovations

Project implementing body: West Japan Railway Company

Measures: A new station built over the railway tracks to be constructed in the center part of the existing station; renovation of the concourse inside the ticket gates; improved barrier-free facilities; a Dome to be newly constructed.

(b) Development of passageways and the square

Project implementing body: West Japan Railway Company

Measures: Development of the passageways and the square within the building directly connecting to the square in front of the station; development of the passageways running north to south through the station and the rooftop plaza

(c) Development of the New North Building

Project Implementing bodies: Osaka Terminal Building Company, West Japan Railway Company

Total floor area: Approx. 210,000m^2; excluding planned car parking buildings

Uses: Department store, approx. 90,000m^2; specialty stores, approx. 40,000m^2; offices, etc., approx. 45,000m^2; cinema complex, approx. 10,000m^2; station facilities, etc.

(d) ACTY Osaka Building expansion

Project implementing bodies: Osaka Terminal Building Company, West Japan Railway Company

Total floor area: Approx. 35,000m^2

Uses: Department store, square, etc.

b. Schedule

- May 2004
  Construction of station renovations commenced
- October 2006
  Construction of the New North Building commenced
- May 2008
  Construction of the ACTY Osaka Building expansion commenced
- Spring of 2011
  Start of operations of the New North Building and the ACTY Osaka Building expansion; start of use of the renovated passageways, square, and the station built over the railway tracks (planned)
- Winter of 2011
  Completion of the Dome (planned)

c. Total Project Costs (for all Group companies)

Approx. ¥210.0 billion[2]

- Osaka Station renovations, New North Building development project: Approx. ¥190.0 billion
- ACTY Osaka Building expansion: Approx. ¥20.0 billion

d. JR-West's Stance

The objective of this project is to develop the Osaka Station to a level suitable for its position as the gateway to Osaka City; a pleasant, highly convenient, and lively terminal station. This project will contribute to each of the JR-West's railway operations, real estate operations, and other operations. However, if the project does no progress as forecast due to various changes in the operating environment, this may have an effect on the JR-West Group's financial condition and results of operations.

2 Revised based on various measures, including those to improve safety and for environmental protection

9 RELATING TO COMPUTER SYSTEMS

Computer systems play a vital role in the JR-West Group's operations, and they are utilized not only in its railway operations and for sales of reserved seats, but also in many other areas throughout the Group's operations. Accordingly, if a problem should occur with these computer systems through a human error, a natural disaster, a power failure, a computer virus, or other reasons, it may have an impact on the Group's ability to carry out operations in the area where the problem occurred.

Further, if personal or other information should leak outside of the Group because of a computer virus infection or an erroneous operation of computer systems, it may cause stakeholders to lose trust in the Group, which in turn may have an effect on the Group's financial condition and results of operations.

The Group constantly strives to prevent computer system-related problems or accidents from occurring through regular system inspections, measures to improve system functionality, and employee training. It has also been working to minimize the impact on operations should a problem or accident occur, including the development of a rapid first motion system.

10 RELATING TO NATURAL DISASTERS

It is possible that the JR-West Group's operations or transportation network infrastructure will suffer considerable damage due to a natural disaster, such as an earthquake, typhoon, landslide, or flood; or due to a terrorist attack. In particular, an earthquake has the potential to cause major damage. The Hanshin-Awaji (Kobe) Earthquake that occurred in January 1995 caused substantial damage to the railway network, particularly to the Sanyo Shinkansen Line and Tokaido Main Line.

The possibility that at some point in the future the Company's operations will be adversely affected by a natural disaster or any other event cannot be ruled out. However, aiming to minimize damage in the event a natural disaster or any other event should occur, the Company has introduced earthquake early detection and warning systems onto its Sanyo Shinkansen Line, earthquake emergency news flash systems onto its conventional lines, and carried out measures to reinforce the earthquake resistance of the pillars used to support elevated tracks. The Company has been implementing ahead of schedule earthquake countermeasures that have proven successful in the past in minimizing damage. In addition, under the guidance of the MLIT, it has collaborated with the Railway Technical Research Institute, the Japan Railway Construction, Transport and Technology Agency, and other JR companies operating Shinkansen lines to establish the Shinkansen Derailment Countermeasures

Committee. Based on research carried out by the committee, positive steps are being taken to avoid serious damage should an earthquake occur. These include the development of facilities and equipment that will, to the greatest possible extent, minimize the damage that might occur should an earthquake vibration cause a running train to derail.

To implement measures in response to natural disasters and other events, the Company has established a commitment line according to predetermined conditions with financial institutions should it need to raise capital even if an earthquake should occur. Moreover, it has also acquired damage insurance inclusive of earthquake insurance for its main railway facilities. However, these countermeasures may be unable to entirely compensate for all the damage incurred due to an earthquake or other natural disaster.

11 RELATING TO AN INFECTIOUS DISEASE OUTBREAK AND EPIDEMIC

If a long-term infectious disease epidemic such as Severe Acute Respiratory Syndrome (SARS) that broke out in 2003, or swine influenza should occur in West Japan, it is feared that this would limit economic activities and cause passengers to refrain from taking trips, or even result in trains being unable to run. There is a danger that such an epidemic may temporarily cause the JR-West Group to be unable to continue its operations, particularly its railway operations. Such a situation may have an impact on the Group's results of operations.

While closely collaborating with government organizations and local governments, the Company is investigating ways of continuing operations should an outbreak of an infectious disease occur.

12 RELATING TO COMPLIANCE

The Company, in conducting business activities, is subjected to the Corporation Law, the Financial Instruments and Exchange Law, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act on the Protection of Personal Information and other generally applicable laws and ordinances, as well as the Railway Business Law and other laws and ordinances applicable to the relevant business category and the supervision of the relevant regulatory authorities according to the types of business. If the Company contravenes such statutory regulation or is subjected to investigations by such regulatory authorities or in some situations, to any sanction, the JR-West Group's trust of the public may be undermined and moreover, costs may be incurred to take measures to meet the situation. Such situation may have an impact on the Group's results of operations.

The Company has strived to comply with laws, ordinances and regulations, while its "Compliance Committee" has strived to keep track of risks involving compliance, devise necessary measures and promote various training and educational campaigns. The Company also has instituted an "Ethics Office" and a "Public Interest Information Office" as offices to offer advice or make contact regarding compliance.

However, on September 28, 2009, with regard to a grave issue concerning compliance that had come up in the process of the investigation of the railway accident on the Fukuchiyama Line by the Aircraft and Railway Accidents Investigation Commission, the Company was ordered by the MLIT to conduct fact-finding inquiries, implement remediation measures, including preventive measures, based on the results of such inquiries and make a report thereof.

The Company has established a "Special Committee on Compliance" to be comprised of third-party experts, and will implement measures based on the results of the inquiries of the committee all in an effort to prevent a recurrence of similar problems and continue to strengthen its compliance structure.

13 RELATING TO THE FUKUCHIYAMA LINE TRAIN ACCIDENT

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki, in which 106 passengers lost their lives and more than 500 were injured. Regarding the criminal liability of JR-West personnel for professional negligence resulting in the deaths and injuries in relation to that accident, the Kobe District Public Prosecutors' Office indicted the President and Representative Director (at the time of the indictment) on July 8, 2009. The Company is continuing to sincerely listen to the opinions and requests of the victims of the accident and will strive to the utmost of its abilities to respond appropriately to this accident.

The Company will continue to make compensation payments and other payments relating to the accident. At the present point in time, it is difficult to make a rational estimate of what the total amount of these payments will be.

CONSOLIDATED BALANCE SHEETS

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2009, 2008 and 2007

	Millions of yen			Millions of U.S. dollars (Note 1)
	2009	2008	2007	2009
ASSETS				
Current assets:				
Cash (Notes 3 and 10)	**¥ 41,414**	¥ 44,836	¥ 57,814	**$ 422**
Notes and accounts receivable:				
Unconsolidated subsidiaries and affiliates	**1,974**	2,423	2,483	**20**
Trade	**83,753**	90,834	94,593	**854**
Less allowance for doubtful accounts	**(597)**	(335)	(397)	**(6)**
Inventories (Note 5)	**24,143**	22,246	19,379	**246**
Income taxes refundable (Note 13)	**340**	108	329	**3**
Deferred income taxes (Note 13)	**19,743**	19,938	18,679	**201**
Prepaid expenses and other current assets	**37,771**	41,087	33,217	**385**
Total current assets	**208,544**	221,138	226,100	**2,128**
Investments:				
Unconsolidated subsidiaries and affiliates (Note 6)	**49,249**	42,920	41,013	**502**
Other securities (Notes 4 and 10)	**11,244**	17,117	23,834	**114**
Total investments	**60,494**	60,038	64,847	**617**
Property, plant and equipment, at cost (Notes 7, 8, 10 and 11)**:**				
Land	**657,643**	657,469	658,519	**6,710**
Buildings and structures	**2,777,425**	2,730,404	2,681,260	**28,341**
Machinery, equipment and vehicles	**1,126,245**	1,102,962	1,039,468	**11,492**
Tools, furniture and fixtures	**105,539**	97,320	91,132	**1,076**
Construction in progress	**75,811**	81,301	66,296	**773**
	4,742,665	4,669,458	4,536,677	**48,394**
Less accumulated depreciation	**(2,721,154)**	(2,640,818)	(2,563,530)	**(27,766)**
Property, plant and equipment, net	**2,021,511**	2,028,639	1,973,146	**20,627**
Deferred income taxes (Note 13)	**125,527**	109,035	92,698	**1,280**
Other assets	**45,811**	43,978	44,872	**467**
Total assets	**¥ 2,461,889**	¥ 2,462,831	¥ 2,401,667	**$ 25,121**

See accompanying notes to consolidated financial statements.

	Millions of yen			Millions of U.S. dollars (Note 1)
	2009	2008	2007	2009
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Note 9)	**¥ 28,807**	¥ 13,630	¥ 13,137	**$ 293**
Current portion of long-term debt (Notes 9 and 10)	**63,473**	87,979	49,352	**647**
Current portion of long-term payables (Note 11)	**33,503**	34,630	36,562	**341**
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**2,630**	2,901	3,581	**26**
Trade	**146,492**	171,676	170,967	**1,494**
Prepaid railway fares received	**31,510**	31,260	30,507	**321**
Deposits and advances received	**101,149**	127,306	130,841	**1,032**
Accrued expenses	**60,224**	61,756	60,213	**614**
Accrued income taxes (Note 13)	**24,709**	35,369	20,474	**252**
Allowance for customer point program	**563**	670	—	**5**
Deferred income taxes (Note 13)	**—**	—	198	**—**
Other current liabilities (Note 10)	**16,299**	11,514	12,918	**166**
Total current liabilities	**509,365**	578,698	528,757	**5,197**
Long-term debt (Notes 9, 10 and 21(1))	**500,698**	441,495	473,192	**5,109**
Long-term payables (Note 11)	**359,713**	393,157	427,689	**3,670**
Accrued retirement benefits (Note 15)	**292,774**	257,038	219,693	**2,987**
Allowance for antiseismic reinforcement measures	**—**	2,222	9,931	**—**
Allowance for environmental safety measures	**10,193**	11,466	7,426	**104**
Allowance for unredeemed gift tickets	**2,808**	2,667	—	**28**
Deferred income taxes (Note 13)	**176**	141	113	**1**
Other long-term liabilities	**96,555**	88,748	97,012	**985**
Total long-term liabilities	**1,262,920**	1,213,294	1,235,060	**12,886**
Contingent liabilities (Note 16)				
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	**1,020**
Capital surplus	**55,000**	55,000	55,000	**561**
Retained earnings (Note 21(2))	**531,236**	489,366	443,658	**5,420**
Less treasury stock, at cost	**(30,343)**	(10,343)	(327)	**(309)**
Total shareholders' equity	**655,893**	634,022	598,331	**6,692**
Valuation and translation adjustments:				
Net unrealized holding gain on securities (Note 4)	**1,004**	4,552	8,864	**10**
Net deferred (loss) gain on hedging instruments	**(233)**	95	348	**(2)**
Total valuation and translation adjustments	**770**	4,647	9,212	**7**
Minority interests	**32,938**	32,167	30,305	**336**
Total net assets	**689,602**	670,838	637,849	**7,036**
Total liabilities and net assets	**¥2,461,889**	¥2,462,831	¥2,401,667	**$25,121**

CONSOLIDATED STATEMENTS OF INCOME

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Millions of U.S. dollars (Note 1)
	2009	2008	2007	2009
Operating revenues	¥1,275,308	¥1,290,190	¥1,262,935	$13,013
Operating expenses:				
Transportation, other services and cost of sales	944,505	944,207	919,294	9,637
Selling, general and administrative expenses (Note 12)	208,283	208,569	208,299	2,125
	1,152,789	1,152,777	1,127,593	11,763
Operating income	122,519	137,413	135,341	1,250
Other income (expenses):				
Interest and dividend income	588	461	331	6
Interest expense	(34,592)	(35,424)	(37,298)	(352)
Equity in earnings of affiliates	986	1,298	1,016	10
Amortization of prior service cost	—	(2,826)	(2,142)	—
Loss on impairment of fixed assets (Note 8)	(51)	(4,103)	(242)	(0)
Provision of allowance for environmental safety measures	—	(4,400)	—	—
Other, net	5,200	9,166	3,864	53
	(27,868)	(35,828)	(34,469)	(284)
Income before income taxes and minority interests	94,651	101,584	100,872	965
Income taxes (Note 13):				
Current	52,432	56,559	44,320	535
Deferred	(13,621)	(14,737)	(2,816)	(138)
	38,810	41,822	41,504	396
Income before minority interests	55,841	59,762	59,368	569
Minority interests	(1,311)	(2,054)	(2,576)	(13)
Net income	¥ 54,529	¥ 57,707	¥ 56,791	$ 556

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, 2009, 2008 and 2007

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred (loss) gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
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
Net income for the year	—	—	57,707	—	57,707	—	—	—	—	57,707
Cash dividends	—	—	(12,000)	—	(12,000)	—	—	—	—	(12,000)
Increase in treasury stock resulting from change in shares of an affiliate	—	—	—	(16)	(16)	—	—	—	—	(16)
Purchases of treasury stock	—	—	—	(9,999)	(9,999)	—	—	—	—	(9,999)
Net changes in items other than shareholders' equity	—	—	—	—	—	(4,312)	(253)	(4,565)	1,862	(2,703)
Balance at March 31, 2008	¥100,000	¥55,000	¥489,366	¥(10,343)	¥634,022	¥ 4,552	¥ 95	¥ 4,647	¥32,167	¥670,838
Net income for the year	**—**	**—**	**54,529**	**—**	**54,529**	**—**	**—**	**—**	**—**	**54,529**
Cash dividends	**—**	**—**	**(12,816)**	**—**	**(12,816)**	**—**	**—**	**—**	**—**	**(12,816)**
Purchases of treasury stock	**—**	**—**	**—**	**(19,999)**	**(19,999)**	**—**	**—**	**—**	**—**	**(19,999)**
Decrease in retained earnings resulting from the addition of an affiliate under the equity method	**—**	**—**	**(193)**	**—**	**(193)**	**—**	**—**	**—**	**—**	**(193)**
Increase in retained earnings resulting from merger of an unconsolidated subsidiary	**—**	**—**	**351**	**—**	**351**	**—**	**—**	**—**	**—**	**351**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**(3,548)**	**(328)**	**(3,876)**	**770**	**(3,106)**
Balance at March 31, 2009	**¥100,000**	**¥55,000**	**¥531,236**	**¥(30,343)**	**¥655,893**	**¥ 1,004**	**¥(233)**	**¥ 770**	**¥32,938**	**¥689,602**

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 (loss) gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$1,020	$561	$4,993	$(105)	$6,469	$ 46	$ 0	$ 47	$328	$6,845
Net income for the year	**—**	**—**	**556**	**—**	**556**	**—**	**—**	**—**	**—**	**556**
Cash dividends	**—**	**—**	**(130)**	**—**	**(130)**	**—**	**—**	**—**	**—**	**(130)**
Purchases of treasury stock	**—**	**—**	**—**	**(204)**	**(204)**	**—**	**—**	**—**	**—**	**(204)**
Decrease in retained earnings resulting from the addition of an affiliate under the equity method	**—**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**—**	**—**	**(1)**
Increase in retained earnings resulting from merger of an unconsolidated subsidiary	**—**	**—**	**3**	**—**	**3**	**—**	**—**	**—**	**—**	**3**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**(36)**	**(3)**	**(39)**	**7**	**(31)**
Balance at March 31, 2009	**$1,020**	**$561**	**$5,420**	**$(309)**	**$6,692**	**$ 10**	**$(2)**	**$ 7**	**$336**	**$7,036**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Millions of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 94,651**	¥ 101,584	¥ 100,872	**$ 965**
Adjustments for:				
Depreciation and amortization	**137,009**	128,085	112,827	**1,398**
Loss on impairment of fixed assets	**51**	4,103	242	**0**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**53,338**	24,864	31,076	**544**
Loss on disposal of property, plant and equipment	**7,394**	11,111	12,692	**75**
Increase (decrease) in allowance for doubtful accounts	**520**	275	(1)	**5**
Increase in accrued retirement benefits	**35,729**	37,344	18,016	**364**
(Decrease) increase in accrued bonuses	**(595)**	468	(7)	**(6)**
Decrease in other accruals	**(3,419)**	(157)	(4,649)	**(34)**
Interest and dividend income	**(588)**	(461)	(331)	**(6)**
Interest expense	**34,592**	35,424	37,298	**352**
Equity in earnings of affiliates	**(986)**	(1,298)	(1,016)	**(10)**
Gain on contributions received for construction	**(54,935)**	(25,891)	(31,714)	**(560)**
Decrease (increase) in notes and accounts receivable	**8,095**	4,235	(10,731)	**82**
Increase in inventories	**(1,826)**	(2,866)	(1,439)	**(18)**
(Decrease) increase in notes and accounts payable	**(33,736)**	(21,504)	20,738	**(344)**
Increase (decrease) in accrued consumption taxes	**2,611**	(2,177)	2,039	**26**
Other	**(1,568)**	5,606	(7,293)	**(16)**
Subtotal	**276,338**	298,747	278,617	**2,819**
Interest and dividend income received	**648**	472	265	**6**
Interest paid	**(34,827)**	(35,564)	(37,398)	**(355)**
Income taxes paid	**(63,318)**	(41,472)	(52,865)	**(646)**
Net cash provided by operating activities	**178,840**	222,183	188,618	**1,824**
Cash flows from investing activities				
Payments for time deposits with a maturity of more than three months	**(230)**	(230)	(335)	**(2)**
Proceeds from time deposits with a maturity of more than three months	**230**	230	765	**2**
Purchases of property, plant and equipment	**(201,716)**	(224,864)	(175,024)	**(2,058)**
Proceeds from sales of property, plant and equipment	**2,481**	2,847	4,272	**25**
Contributions received for construction	**40,928**	45,027	41,858	**417**
Increase in investments in securities	**(12,023)**	(1,198)	(1,961)	**(122)**
Proceeds from sales of investments in securities	**18**	44	—	**0**
Increase in long-term loans receivable	**(828)**	(641)	(689)	**(8)**
Collection of long-term loans receivable	**681**	736	266	**6**
Other	**(2,192)**	(1,232)	(928)	**(22)**
Net cash used in investing activities	**(172,651)**	(179,281)	(131,776)	**(1,761)**
Cash flows from financing activities				
Increase in short-term loans	**14,447**	1,526	2,139	**147**
Proceeds from long-term loans	**63,606**	26,300	57,100	**649**
Repayment of long-term loans	**(43,060)**	(49,383)	(89,135)	**(439)**
Proceeds from issuance of bonds	**55,000**	29,982	29,981	**561**
Redemption of bonds	**(45,000)**	—	—	**(459)**
Repayment of long-term payables	**(34,539)**	(36,431)	(36,093)	**(352)**
Purchases of treasury stock	**(19,999)**	(9,999)	—	**(204)**
Cash dividends paid to the Company's shareholders	**(12,825)**	(12,025)	(12,002)	**(130)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(126)**	(112)	(112)	**(1)**
Other	**12,311**	(5,735)	(6,566)	**125**
Net cash used in financing activities	**(10,185)**	(55,879)	(54,690)	**(103)**
Net (decrease) increase in cash and cash equivalents	**(3,996)**	(12,978)	2,151	**(40)**
Cash and cash equivalents at beginning of year	**44,606**	57,584	55,433	**455**
Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiaries	**574**	—	—	**5**
Cash and cash equivalents at end of year (Note 3)	**¥ 41,184**	¥ 44,606	¥ 57,584	**$ 420**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

West Japan Railway Company and its consolidated subsidiaries
March 31, 2009

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 its 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 Financial Instruments and Exchange Act 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 ¥98=U.S.$1.00, the exchange rate prevailing on March 31, 2009. 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 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 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 lower of cost or net selling value, 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 (excluding leased assets)

Property, plant and equipment are stated at cost (see Note 7). 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) Intangible assets

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(8) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of future income or cost savings. Any such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives, generally a period of 5 years.

(9) Leases

The Company and its consolidated subsidiaries have entered into contracts to lease certain equipment under noncancelable leases referred to as finance leases. Until the year ended March 31, 2008, finance leases other than those which transfer the ownership of the leased assets to the lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for as operating leases.

(10) 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.

(11) Allowance for customer point program

Allowance for customer point program is provided for the points granted to customers at a reasonably estimated amount.

(12) 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”, a component of other expenses in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007.

(13) Allowance for antiseismic reinforcement measures

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.

(14) 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. 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.

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, 2009 and 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.

(15) Allowance for unredeemed gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries were credited to income after a fixed period had passed from their respective dates of issuance. Certain consolidated subsidiaries are provided an allowance for unredeemed gift tickets at a reasonably estimated amount which is expected to be incurred based on the historical redemption ratio.

(16) 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 swap contracts 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 STANDARDS

(1) Presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries 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 the 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 these accounting standards amounted to ¥607,195 million at March 31, 2007.

(2) Financial instruments

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on August 11, 2006) and "Practical Guidance on Accounting Standard 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 standards, 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.

(3) Business combinations

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries 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).

(4) Deferred assets

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

(5) Accounting standard for measurement of inventories

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

(6) 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 was 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 the Kyushu Shinkansen to Hakata Station to commence through-service operations between the Kyushu and the 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.

In addition, 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 before April 1, 2007 was changed. Property, plant and equipment acquired before April 1, 2007 which has 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 was 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 ¥9,433 million and decrease operating income, and income before income taxes and minority interests 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 ¥7,199 million for the year ended March 31, 2008 and was included as a part of the increase in depreciation expense mentioned above.

(7) Allowance for unredeemed gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries were credited to income after a fixed period had passed from their respective dates of issuance. Until the year ended March 31, 2007, gift tickets which were utilized after having been credited to income were expensed at the time of exchange. Effective the year ended March 31, 2008, the Company adopted an accounting standard for allowances (Auditing and Assurance Practice Committee Statement No. 42 revised on April 13, 2007). As a result, certain consolidated subsidiaries have provided an allowance for unredeemed gift tickets at a reasonably estimated amount which is expected to be incurred based on the historical redemption ratio. The effect of this change in method of accounting was to increase operating revenues and operating income by ¥67 million and to decrease income before income taxes and minority interests by ¥2,667 million for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method.

(8) Leases

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 revised by the ASBJ on March 30, 2007). Under the new accounting standards, lease transactions commencing on or after April 1, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. Such leased assets under finance lease transactions are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2009 was immaterial.

(9) Related party transactions

Effective the year ended March 31, 2009, the Company has adopted new accounting standards, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13).

There were no items to be disclosed for the year ended March 31, 2009 as a result of the adoption of this new standard.

3. CASH AND CASH EQUIVALENTS

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2009, 2008 and 2007 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

			Millions of yen	Millions of U.S. dollars
	2009	2008	2007	**2009**
Cash	**¥41,414**	¥44,836	¥57,814	**$422**
Time deposits with original maturities in excess of three months included in cash	**(230)**	(230)	(230)	**(2)**
Cash and cash equivalents	**¥41,184**	¥44,606	¥57,584	**$420**

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, 2009, 2008 and 2007. 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, 2009, 2008 and 2007 are summarized as follows:

	2009			2008		
Millions of yen	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥4,117**	**¥6,417**	**¥2,300**	¥6,373	¥13,549	¥7,176
Debt securities:						
Government bonds	**32**	**33**	**0**	3	3	0
Subtotal	**4,150**	**6,450**	**2,300**	6,376	13,553	7,176
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**3,318**	**2,396**	**(921)**	716	644	(72)
Debt securities:						
Government bonds	**—**	**—**	**—**	25	25	(0)
Subtotal	**3,318**	**2,396**	**(921)**	742	669	(72)
Total	**¥7,468**	**¥8,847**	**¥1,378**	¥7,118	¥14,222	¥7,104

	2007		
Millions of yen	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥6,752	¥20,807	¥14,054
Debt securities:			
Government bonds	2	2	0
Subtotal	6,755	20,810	14,054
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	109	62	(47)
Debt securities:			
Government bonds	25	25	(0)
Subtotal	135	88	(47)
Total	¥6,890	¥20,898	¥14,007

	2009		
Millions of U.S. dollars	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$42**	**$65**	**$23**
Debt securities:			
Government bonds	**0**	**0**	**0**
Subtotal	**42**	**65**	**23**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**33**	**24**	**(9)**
Debt securities:			
Government bonds	**—**	**—**	**—**
Subtotal	**33**	**24**	**(9)**
Total	**$76**	**$90**	**$14**

At March 31, 2009, the redemption schedule for investments in securities by maturity date was as follows:

	2009		
Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	**¥ —**	**¥33**	**¥ —**
Corporate bonds	**—**	**—**	**50**
Total	**¥ —**	**¥33**	**¥ 50**

	Millions of U.S. dollars		
	2009		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	**$ —**	**$ 0**	**$ —**
Corporate bonds	**—**	**—**	**0**
Total	**$ —**	**$ 0**	**$ 0**

The carrying value of investments in non-marketable securities at March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Unlisted equity securities	**¥2,276**	¥2,809	¥2,841	**$23**
Other	**120**	85	93	**1**
	¥2,397	¥2,895	¥2,935	**$24**

5. INVENTORIES

Inventories at March 31, 2009 consisted of the following:

	Millions of yen	Millions of U.S. dollars
	2009	2009
Merchandise and real estate for sale	**¥ 5,774**	**$ 58**
Contracts in process	**7,367**	**75**
Rails, materials and supplies	**11,001**	**112**
	¥24,143	**$246**

6. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Investments in:				
Unconsolidated subsidiaries	**¥12,818**	¥ 7,310	¥ 6,668	**$130**
Affiliates	**36,430**	35,609	34,344	**371**
	¥49,249	¥42,920	¥41,013	**$502**

7. 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 the acquisition costs of property, plant and equipment for the years ended March 31, 2009, 2008 and 2007 totaled ¥53,338 million ($544 million), ¥24,864 million and ¥31,076 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2009, 2008 and 2007 amounted to ¥574,718 million ($5,864 million), ¥525,033 million and ¥501,302 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, 2009, 2008 and 2007 totaled ¥10,166 million ($103 million), ¥3,416 million and ¥2,513 million, respectively.

8. 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, 2009, 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 ¥51 million ($0 million), ¥4,103 million and ¥242 million, respectively, in the accompanying consolidated statements of income for the years then ended:

	Millions of yen	
	2008	2007
Assets to be disposed of:		
Land held in Hiroshima City, Hiroshima Prefecture—1 item	¥ —	¥242
Rolling stock held in Chikushi District, Fukuoka Prefecture—48 items	2,225	—
Idle assets:		
Land mainly held in Kobe City, Hyogo Prefecture—29,000 m^2	1,878	—
Total	¥4,103	¥242

Detailed information on loss on impairment of fixed assets for the year ended March 31, 2009 in the amount of ¥51 million ($0 million) was omitted because the amount involved was immaterial.

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.

9. 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, 2009, 2008 and 2007 ranged from 0.26% to 1.16%, from 0.66% to 1.20%, and from 0.15% to 0.99%, respectively.

Long-term debt at March 31, 2009, 2008 and 2007 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	**2009**
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2010 through 2019	**¥130,000**	¥175,000	¥175,000	**$1,326**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 1.70% to 2.49%, due from 2019 through 2029	**159,966**	104,964	74,981	**1,632**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.00% to 8.50%, due in installments from 2010 through 2021	**55,063**	63,956	74,009	**561**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.86% to 2.76%, due in installments from 2010 through 2025	**190,772**	163,669	175,628	**1,946**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2010 through 2019	**5,810**	6,460	7,110	**59**
Finance lease obligations, at rates ranging from 0.00% to 3.59%, due in installments from 2010 through 2020	**4,116**	—	—	**42**
Other	**18,442**	15,425	15,815	**188**
	564,171	529,475	522,545	**5,756**
Less current portion	**(63,473)**	(87,979)	(49,352)	**(647)**
	¥500,698	¥441,495	¥473,192	**$5,109**

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 63,473	$ 647
2011	34,177	348
2012	45,521	464
2013	54,023	551
2014	33,923	346
2015 and thereafter	333,052	3,398
	¥564,171	$5,756

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2009 was as follows:

	Millions of yen 2009	Millions of U.S. dollars 2009
Lines of credit	**¥100,000**	**$1,020**
Credit utilized	**15,000**	**153**
Available credit	**¥ 85,000**	**$ 867**

10. PLEDGED ASSETS

Assets pledged at March 31, 2009 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	¥ 230	$ 2
Investments in other securities	254	2
Land	190	1
Buildings and structures, net	19,831	202
	¥20,505	$209

The indebtedness secured by such collateral at March 31, 2009 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	¥ 630	$ 6
Long-term loans included in long-term debt	5,180	52
Other current liabilities	1,990	20
	¥7,800	$79

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

11. LONG-TERM PAYABLES

Long-term payables at March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2010 through 2017	**¥196,877**	¥230,372	¥265,791	**$2,008**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2010 through 2052	**188,365**	188,838	189,282	**1,922**
Other	**7,974**	8,576	9,176	**81**
	393,217	427,788	464,251	**4,012**
Less current portion	**(33,503)**	(34,630)	(36,562)	**(341)**
	¥359,713	¥393,157	¥427,689	**$3,670**

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, 2009, 2008 and 2007 were 4.21%, 4.28% and 4.33%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 33,503	$ 341
2011	30,058	306
2012	39,127	399
2013	40,878	417
2014	39,734	405
2015 and thereafter	209,913	2,141
	¥393,217	$4,012

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥7,349 million ($74 million), ¥6,716 million and ¥6,403 million for the years ended March 31, 2009, 2008 and 2007, respectively.

13. INCOME TAXES

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2009, 2008 and 2007.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2009, 2008 and 2007 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, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	**2009**
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥ 13,971**	¥ 14,202	¥ 14,010	**$ 142**
Accrued enterprise taxes included in accrued income taxes	**2,378**	3,161	1,931	**24**
Accrued retirement benefits	**118,930**	104,403	89,236	**1,213**
Unrealized gain on property, plant and equipment	**7,354**	7,061	6,698	**75**
Tax loss carryforwards	**229**	152	207	**2**
Other	**24,407**	24,011	23,415	**249**
Gross deferred tax assets	**167,271**	152,993	135,499	**1,706**
Valuation allowance	**(6,270)**	(6,279)	(5,444)	**(63)**
Total deferred tax assets	**161,000**	146,714	130,055	**1,642**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(561)**	(2,892)	(5,702)	**(5)**
Contributions received for construction deducted from acquisition costs of property, plant and equipment	**(13,092)**	(12,883)	(11,313)	**(133)**
Gain on valuation of assets of consolidated subsidiaries	**(1,443)**	(1,443)	(1,443)	**(14)**
Other	**(807)**	(661)	(530)	**(8)**
Total deferred tax liabilities	**(15,905)**	(17,881)	(18,989)	**(162)**
Deferred tax assets, net	**¥145,095**	¥128,832	¥111,065	**$1,480**

14. LEASES

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

Due to the adoption of the new accounting standards including the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007), real estate lease transactions were included in the following tables at March 31, 2009. As a result, the amounts increased significantly compared with those at March 31, 2008.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation / amortization and net book value of the leased assets as of March 31, 2009, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions entered into by Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

						Millions of yen
			2009			2008
	Acquisition costs	Accumulated depreciation / amortization	Net book value	Acquisition costs	Accumulated depreciation / amortization	Net book value
Leased assets:						
Buildings and structures	**¥2,403**	**¥ 179**	**¥2,224**	¥ —	¥ —	¥ —
Machinery, equipment and vehicles	**797**	**340**	**457**	731	207	524
Tools, furniture and fixtures	**2,088**	**1,028**	**1,059**	2,049	829	1,220
Software included in other assets	**141**	**115**	**25**	141	87	54
	¥5,431	**¥1,664**	**¥3,767**	¥2,923	¥1,124	¥1,798

			Millions of yen
			2007
	Acquisition costs	Accumulated depreciation / amortization	Net book value
Leased assets:			
Machinery, equipment and vehicles	¥ 448	¥ 128	¥ 319
Tools, furniture and fixtures	1,975	1,168	807
Software included in other assets	299	248	51
	¥2,723	¥1,544	¥1,178

			Millions of U.S. dollars
			2009
	Acquisition costs	Accumulated depreciation / amortization	Net book value
Leased assets:			
Buildings and structures	**$24**	**$ 1**	**$22**
Machinery, equipment and vehicles	**8**	**3**	**4**
Tools, furniture and fixtures	**21**	**10**	**10**
Software included in other assets	**1**	**1**	**0**
	$55	**$16**	**$38**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2009, 2008 and 2007 totaled ¥646 million ($6 million), ¥492 million and ¥565 million, respectively. These amounts are equal to the depreciation / amortization 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, 2009 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 564	$ 5
2011 and thereafter	3,203	32
	¥3,767	$38

Future minimum lease payments subsequent to March 31, 2009 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 485	$ 4
2011 and thereafter	5,629	57
	¥6,115	$62

Due to the adoption of the new accounting standards including the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007), future minimum lease payments for real estate lease transactions were included in the above tables at March 31, 2009. As a result, the amounts of future minimum lease payments for noncancelable operating leases increased significantly compared with those at March 31, 2008.

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2009, 2008 and 2007 for finance lease transactions in which certain consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

						Millions of yen
			2009			2008
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	**¥3,443**	**¥1,061**	**¥2,382**	¥3,678	¥ 833	¥2,845
Tools, furniture and fixtures	**3,744**	**2,098**	**1,646**	4,328	1,877	2,451
	¥7,188	**¥3,160**	**¥4,028**	¥8,007	¥2,710	¥5,296

			Millions of yen
			2007
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	¥2,725	¥ 836	¥1,888
Tools, furniture and fixtures	4,245	1,479	2,765
	¥6,970	¥2,315	¥4,654

			Millions of U.S. dollars
			2009
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	**$35**	**$10**	**$24**
Tools, furniture and fixtures	**38**	**21**	**16**
	$73	**$32**	**$41**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2009, 2008 and 2007 were ¥1,327 million ($13 million), ¥1,363 million and ¥1,207 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2009, 2008 and 2007 computed by the straight-line method over the respective lease terms amounted to ¥1,229 million ($12 million), ¥1,254 million and ¥1,087 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2009 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥1,127	$11
2011 and thereafter	3,286	33
	¥4,414	$45

Future minimum lease receipts subsequent to March 31, 2009 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2010	¥ 421	$ 4
2011 and thereafter	3,220	32
	¥3,641	$37

Due to the adoption of the accounting standards including the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised by the ASBJ on March 30, 2007), future minimum lease receipts for real estate lease transactions were included in the above tables at March 31, 2009. As a result, the amounts of future minimum lease receipts for noncancelable operating leases increased significantly compared with those at March 31, 2008.

15. 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 accompanying consolidated balance sheets at March 31, 2009, 2008 and 2007 are summarized as follows:

			Millions of yen	Millions of U.S. dollars
	2009	2008	2007	**2009**
Retirement benefit obligation	**¥(373,335)**	¥(377,161)	¥(376,375)	**$(3,809)**
Plan assets at fair value	**8,879**	10,927	11,943	**90**
Unfunded retirement benefit obligation	**(364,455)**	(366,233)	(364,431)	**(3,718)**
Unrecognized net retirement benefit obligation at transition	**36,365**	67,824	99,283	**371**
Unrecognized actuarial loss	**37,536**	43,747	48,009	**383**
Unrecognized prior service cost	**(1,772)**	(2,004)	(2,235)	**(18)**
Net retirement benefit obligation	**(292,326)**	(256,666)	(219,375)	**(2,982)**
Prepaid pension cost	**448**	372	318	**4**
Accrued retirement benefits	**¥(292,774)**	¥(257,038)	¥(219,693)	**$(2,987)**

The components of retirement benefit expenses for the years ended March 31, 2009, 2008 and 2007 are outlined as follows:

			Millions of yen	Millions of U.S. dollars
	2009	2008	2007	**2009**
Service cost	**¥15,315**	¥15,656	¥15,852	**$156**
Interest cost	**7,459**	7,450	7,932	**76**
Expected return on plan assets	**(234)**	(262)	(264)	**(2)**
Amortization of net retirement benefit obligation at transition	**31,458**	31,458	31,458	**321**
Amortization of actuarial loss	**7,573**	7,208	7,291	**77**
Amortization of prior service cost	**(231)**	2,582	1,975	**(2)**
	¥61,341	¥64,093	¥64,245	**$625**

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

	2009	2008	2007
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%

16. CONTINGENT LIABILITIES

At March 31, 2009, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans to companies other than consolidated subsidiaries in the aggregate amount of ¥8,581 million ($87 million).

The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for a train accident on the Fukuchiyama Line, which occurred on April 25, 2005, 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.

17. 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 consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($115 million) at March 31, 2009, 2008 and 2007.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

				Number of shares
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	2,000,000	—	—	**2,000,000**
Treasury stock	18,365	45,219	—	**63,584**

				Number of shares
	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock	2,000,000	—	—	2,000,000
Treasury stock	885	17,480	—	18,365

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

18. AMOUNTS PER SHARE

Amounts per share at March 31, 2009, 2008 and 2007 and for the years then ended were as follows:

			Yen	U.S. dollars
	2009	2008	2007	2009
Net assets	**¥339,113.24**	¥322,294.60	¥303,906.52	**$3,460**
Net income	**27,729.03**	28,954.78	28,415.07	**282**
Cash dividends	**7,000.00**	6,000.00	6,000.00	**71**

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, 2009, 2008 and 2007 since the Company had no potentially dilutive stock at March 31, 2009, 2008 and 2007.

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.

19. 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 their respective internal bylaws. 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.

20. 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, 2009, 2008 and 2007 is outlined as follows:

Millions of yen

2009	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	**¥ 856,184**	**¥215,371**	**¥ 71,140**	**¥132,612**	**¥1,275,308**	**¥ —**	**¥1,275,308**
Intersegment operating revenues and transfers	**16,439**	**44,974**	**13,073**	**168,335**	**242,823**	**(242,823)**	**—**
Operating revenues	**872,624**	**260,345**	**84,213**	**300,947**	**1,518,131**	**(242,823)**	**1,275,308**
Operating expenses	**783,500**	**255,568**	**61,595**	**294,220**	**1,394,884**	**(242,095)**	**1,152,789**
Operating income	**¥ 89,124**	**¥ 4,776**	**¥ 22,618**	**¥ 6,727**	**¥ 123,246**	**¥ (727)**	**¥ 122,519**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	**¥1,831,341**	**¥ 99,729**	**¥306,405**	**¥255,672**	**¥2,493,150**	**¥ (31,261)**	**¥2,461,889**
Depreciation and amortization	**115,792**	**3,317**	**11,334**	**6,564**	**137,009**	**—**	**137,009**
Loss on impairment of fixed assets	**51**	**—**	**—**	**—**	**51**	**—**	**51**
Capital expenditures	**160,407**	**2,522**	**26,544**	**8,320**	**197,793**	**—**	**197,793**

Millions of yen

2008	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	¥ 861,273	¥212,803	¥ 76,757	¥139,356	¥1,290,190	¥ —	¥1,290,190
Intersegment operating revenues and transfers	16,577	42,772	13,883	165,640	238,873	(238,873)	—
Operating revenues	877,850	255,576	90,640	304,996	1,529,064	(238,873)	1,290,190
Operating expenses	780,371	250,305	65,994	293,959	1,390,631	(237,853)	1,152,777
Operating income	¥ 97,479	¥ 5,270	¥ 24,646	¥ 11,036	¥ 138,433	¥ (1,020)	¥ 137,413
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,846,782	¥ 89,093	¥305,049	¥266,962	¥2,507,888	¥ (45,056)	¥2,462,831
Depreciation and amortization	107,026	2,866	11,665	6,527	128,085	—	128,085
Loss on impairment of fixed assets	4,103	—	—	—	4,103	—	4,103
Capital expenditures	194,365	5,320	15,686	9,215	224,588	—	224,588

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
Intersegment 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 U.S. dollars

	2009						
	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	**$ 8,736**	**$2,197**	**$ 725**	**$1,353**	**$13,013**	**$ —**	**$13,013**
Intersegment operating revenues and transfers	**167**	**458**	**133**	**1,717**	**2,477**	**(2,477)**	**—**
Operating revenues	**8,904**	**2,656**	**859**	**3,070**	**15,491**	**(2,477)**	**13,013**
Operating expenses	**7,994**	**2,607**	**628**	**3,002**	**14,233**	**(2,470)**	**11,763**
Operating income	**$ 909**	**$ 48**	**$ 230**	**$ 68**	**$ 1,257**	**$ (7)**	**$ 1,250**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	**$18,687**	**$1,017**	**$3,126**	**$2,608**	**$25,440**	**$ (318)**	**$25,121**
Depreciation and amortization	**1,181**	**33**	**115**	**66**	**1,398**	**—**	**1,398**
Loss on impairment of fixed assets	**0**	**—**	**—**	**—**	**0**	**—**	**0**
Capital expenditures	**1,636**	**25**	**270**	**84**	**2,018**	**—**	**2,018**

As described in Note 2(6), in accordance with the 2007 revision of the Corporate Tax Law, the method of accounting for depreciation of property, plant and equipment was changed to the procedure stipulated in the revised law. Consequently, operating expenses of the “Transportation” segment, “Sales of goods and food services” segment, “Real estate business” segment and “Other” segment increased by ¥8,809 million, ¥86 million, ¥332 million and ¥205 million, respectively, for the year ended March 31, 2008 over the corresponding amounts which would have been recorded under the previous method. In addition, operating income of each segment decreased by the same amount as that of the corresponding increase in operating expenses mentioned above for each segment for the year ended March 31, 2008 from the corresponding amount which would have been recorded under the previous method.

21. SUBSEQUENT EVENTS

(1) Based on a resolution approved at a meeting of the Board of Directors held on March 18, 2009, the Company determined to issue bonds on May 15, 2009. Details of the bond issuance are as follows:

Description	The 20th Series of West Japan Railway Bonds
Issuance date	May 22, 2009
Total issuance amount	¥25,000 million ($255 million)
Issue price	¥100 ($1.02) with a face value of ¥100 ($1.02)
Annual interest rate	1.603%
Type	Unsecured
Maturity	May 22, 2019
Usage of funds	Repayment of long-term payables, loans and redemption of bonds

Description	The 21th Series of West Japan Railway Bonds
Issuance date	May 22, 2009
Total issuance amount	¥15,000 million ($153 million)
Issue price	¥100 ($1.02) with a face value of ¥100 ($1.02)
Annual interest rate	2.247%
Type	Unsecured
Maturity	March 21, 2029
Usage of funds	Repayment of long-term payables, loans and redemption of bonds

(2) At a meeting held on May 18, 2009, the Board of Directors of the Company proposed the following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, and which is to be approved at a meeting of the shareholders of the Company to be held on June 23, 2009:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥3,500 = U.S.$35 per share)	¥6,780	$69

REPORT OF INDEPENDENT AUDITORS

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, 2009, 2008 and 2007, 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, 2009, 2008 and 2007, 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 (6) to the consolidated financial statements, the Company and its consolidated subsidiaries changed their 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 consolidated financial statements with respect to the year ended March 31, 2009 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 LLC

Osaka, Japan
June 22, 2009

Ernst & Young ShinNihon

ANALYSIS OF JR-WEST OPERATIONS

Non-Consolidated 22-Year Financial Summary from the Year of Establishment

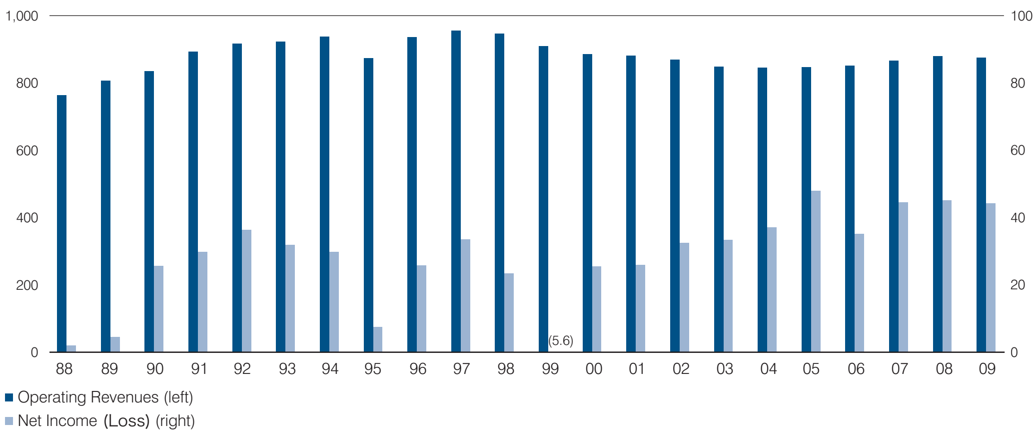
Years ended March 31

	1988	1989	1990	1991	1992	1993	1994	1995[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
Non-personnel:	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 (loss)	2.0	4.6	25.7	29.8	36.4	31.9	29.8	7.5	25.8	33.5
AT YEAR-END:										
Total assets	¥1,440.2	¥1,337.6	¥1,275.1	¥1,314.2	¥2,297.1[4]	¥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

1 Yen figures have been converted into U.S. dollars at the rate of ¥98=U.S.$1.00, the exchange rate prevailing on March 31, 2009.
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 Shinkansen Holding Corporation for a total purchase price of ¥974.1 billion in October 1991.

Operating Revenues and Net Income (Loss)

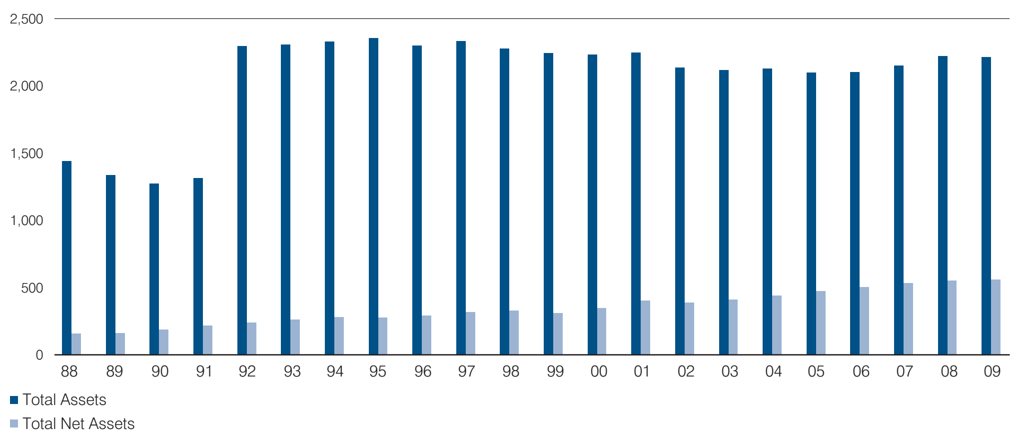
Billions of yen



1998	1999[3]	2000	2001	2002	2003	2004	2005	2006	2007	2008	Billions of yen 2009	Millions of U.S. dollars[1] 2009
¥946.0	¥909.4	¥885.1	¥881.4	¥869.8	¥849.0	¥845.8	¥846.4	¥851.2	¥865.8	¥879.4	**¥875.0**	**$8,928**
830.0	795.5	773.9	773.1	770.2	752.3	750.8	750.9	756.5	765.8	781.7	**773.7**	**7,895**
346.0	326.7	313.0	313.0	314.3	306.0	308.1	313.4	323.8	328.6	343.5	**339.1**	**3,460**
315.3	309.8	306.9	309.3	308.9	303.3	302.0	300.4	297.5	302.4	303.3	**301.5**	**3,077**
167.9	158.4	153.5	150.1	146.4	142.5	140.0	136.5	134.7	134.3	134.4	**132.5**	**1,352**
831.1	796.7	786	784.4	770.3	745.7	740.4	736.4	742.3	756.8	769.6	**772.9**	**7,887**
358.5	357.8	350.1	345.6	330.5	301.6	294.5	286.8	276.1	272.5	269.9	**268.6**	**2,741**
301.2	277.7	276.5	275.0	281.2	288.2	291.0	300.5	320.0	337.9	338.8	**333.9**	**3,407**
43.8	40.5	39.3	38.2	39.2	38.4	36.6	36.9	34.8	34.3	34.4	**38.2**	**390**
120.9	108.0	112.3	114.3	116.8	122.6	121.9	127.1	140.7	148.9	148.6	**135.8**	**1,386**
136.5	129.2	124.9	122.4	125.1	127.1	132.4	136.4	144.4	154.5	155.8	**159.8**	**1,631**
38.0	31.3	31.0	30.3	30.0	29.3	28.2	29.7	28.7	28.1	28.6	**29.1**	**297**
23.0	22.8	23.8	31.5	31.3	31.0	30.8	24.6	24.7	24.6	24.6	**25.3**	**258**
110.2	107.0	104.4	101.8	97.1	95.4	95.7	94.5	92.5	93.5	107.5	**115.9**	**1,182**
114.8	112.7	99.0	97.0	99.5	103.2	105.4	110.0	108.9	108.9	109.8	**102.0**	**1,041**
48.3	50.5	42.3	43.4	54.0	61.3	65.0	74.3	75.9	77.6	79.9	**73.4**	**749**
23.4	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0	35.1	44.6	45.1	**44.3**	**452**
¥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	¥2,222.9	**¥2215.1**	**$22,603**
327.8	312.0	346.6	403.3	388.6	410.7	439.3	474.3	502.2	533.3	552.4	**560.7**	**5,722**

Total Assets and Total Net Assets

Billions of yen



Capital Expenditures and Cash Flows

Years ended March 31

Capital Expenditures

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009
												Billions of yen	Millions of U.S. dollars[1]
CONSOLIDATED BASIS:													
Depreciation expenses	¥126.1	¥125.0	¥122.6	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	**¥137.0**	**$1,398**
Capital expenditures excluding a portion contributed by local governments, etc.	155.0	96.8	100.6	86.3	88.3	105.4	120.8	113.1	125.3	144.9	187.9	**163.9**	**1,672**
NON-CONSOLIDATED BASIS:													
Depreciation expenses	¥110.2	¥107.0	¥104.4	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	**¥115.9**	**$1,182**
Capital expenditures excluding a portion contributed by local governments, etc.	94.0	84.4	100.0	71.8	89.2	85.7	102.3	92.8	106.3	117.2	159.6	**128.4**	**1,310**

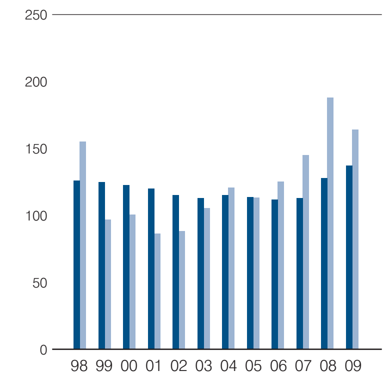
Cash Flows (Consolidated Basis)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009
												Billions of yen	Millions of U.S. dollars[1]
Net cash provided by operating activities	—	—	¥154.7	¥138.7	¥99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	**¥178.8**	**$1,824**
Net cash (used in) provided by investing activities	—	—	(99.2)	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	**(172.6)**	**(1,761)**
Free cash flows	—	—	55.5	148.1	117.3	66.8	48.5	58.0	62.3	56.8	42.9	**6.1**	**63**
Net cash used in financing activities	—	—	(66.5)	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	**(10.1)**	**(103)**

1 Yen figures have been converted into U.S. dollars at the rate of ¥98=U.S.$1.00, the exchange rate prevailing on March 31, 2009.

Depreciation and Capital Expenditures (Consolidated Basis)

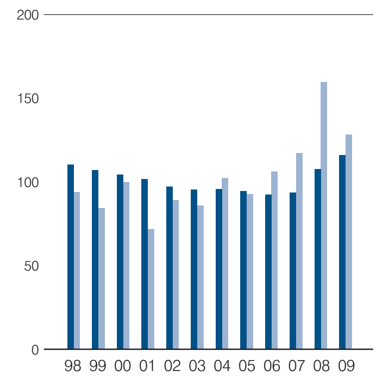
Billions of yen



■ Depreciation
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.

Depreciation and Capital Expenditures (Non-Consolidated Basis)

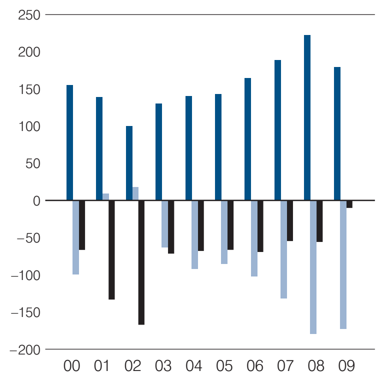
Billions of yen



■ Depreciation
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.

Cash Flows

Billions of yen

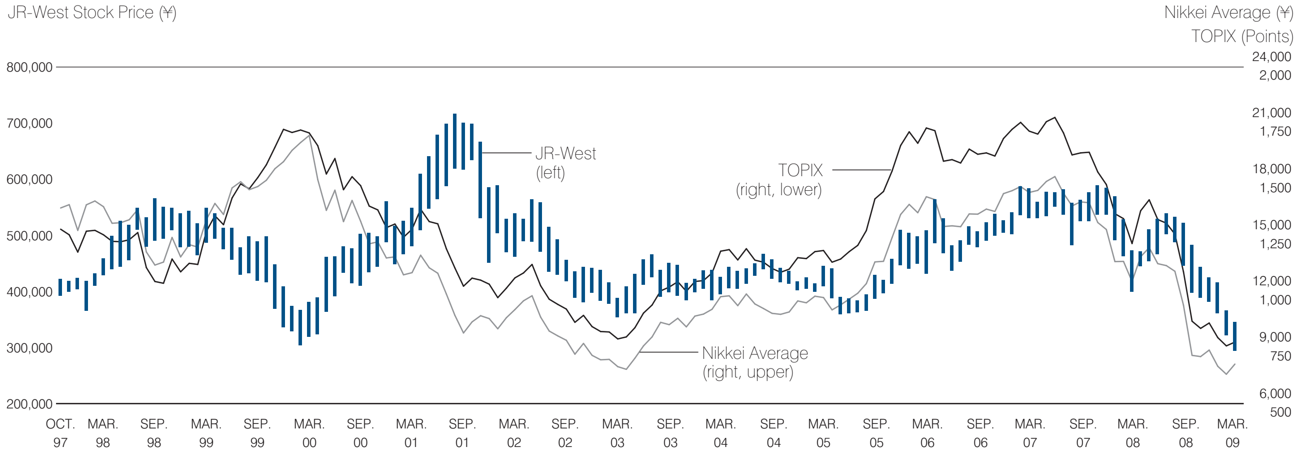


■ Net Cash Provided by Operating Activities
■ Net Cash (Used in) Provided by Investing Activities
■ Net Cash Used in Financing Activities

INVESTOR INFORMATION

As of March 31, 2009

Stock Price and Trading Volume



	Fiscal 1998	Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002		Fiscal 2003	
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	460,000	567,000	552,000	540,000	499,000	503,000	562,000	718,000	700,000	565,000	445,000
Low (¥)	367,000	441,000	465,000	420,000	305,000	324,000	435,000	510,000	452,000	419,000	355,000
Average Daily Trading Volume (Shares)	1592.91	1526.36	1111.34	1408.39	1438.86	1636.97	2151.64	3067.06	3827.91	2472.75	2164.39
Nikkei Average (¥)	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	9,383.29	7,972.71
TOPIX (Points)	1251.70	1043.57	1267.22	1506.83	1705.94	1470.78	1277.27	1023.42	1060.19	921.05	788.00

	Fiscal 2004		Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	467,000	448,000	468,000	446,000	442,000	511,000	565,000	588,000	583,000	590,000	540,000	484,000
Low (¥)	362,000	385,000	406,000	400,000	360,000	398,000	438,000	491,000	484,000	400,000	446,000	294,900
Average Daily Trading Volume (Shares)	3,136.44	5,045.71	6,500.51	5,313.89	8,400.19	8,021.32	6,166.66	6,884.86	6,480.94	8,616.20	6,952.20	9,125.13
Nikkei Average (¥)	10,219.05	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65	16,785.69	12,525.54	11,259.86	8,109.53
TOPIX (Points)	1,018.80	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66

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

Number of Shareholders: 161,045

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Unit 4G)	114,940	5.75
Japan Trustee Services Bank, Ltd. (Trust Unit)	111,599	5.58
The Master Trust Bank of Japan, Ltd. (Trust Unit)	98,387	4.92
Mizuho Corporate Bank, Ltd.	64,500	3.23
Sumitomo Mitsui Banking Corporation	64,000	3.20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.15
JR-West Employee Stock-Sharing Plan	40,568	2.03
Nippon Life Insurance Company	35,000	1.75
The Sumitomo Trust & Banking Co., Ltd.	32,000	1.60
The Dai-ichi Mutual Life Insurance Company	30,000	1.50
Total	653,994	32.70

CONSOLIDATED SUBSIDIARIES

As of March 31, 2009

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	12,000	Department Store	60.0
	West Japan Railway Daily Service Net Company	2,300	Retail Sales	100.0
	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	96.7
	Kyoto Station Center Co., Ltd.	1,000	Real Estate Leasing	59.1
	JR-West Japan Real Estate & Development Company	620	Real Estate Leasing	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	100.0
	Sanyo Station Development Co., Ltd.	120	Real Estate Leasing	100.0
	Hiroshima Station Building 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	98.4
	KOBE SC DEVELOPMENT COMPANY	98	Real Estate Leasing	94.0
	Chugoku SC 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	100.0
	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	100.0
	West Japan Railway Golf Co., Ltd.	50	Golf Course Management	88.1
	JR WEST IT Solutions 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 SHINKANSEN TECHNOS CORPORATION	20	Maintenance for Railcar Facilities	100.0
	West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0

CORPORATE DATA

As of March 31, 2009

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
28,888

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
51 lines; 5,012.7 km
Shinkansen (1 line): 644.0 km; 1,435 mm
Conventional lines (50 lines):
4,360.2 km; 1,067 mm
8.5 km; 1,435 mm

Double- and Multi-Tracked Section Length
2,230.1 km (44.5% of total route length)

Electrified-Section Length
3,385.7 km (67.5% of total route length)

Number of Stations
1,222

Rolling Stock
6,650 cars
- Electric railcars: 5,756
  - Shinkansen: 881
  - Conventional lines: 4,875
- Diesel railcars: 474
- Passenger cars: 96
- Freight cars: 230
- Electric locomotives: 35
- Diesel locomotives: 54
- Steam locomotives: 5

Number of Passengers per Year
1,826 million
- Shinkansen: 62 million
- Conventional lines: 1,778 million

Passenger-Kilometers per Year
54,442 million
- Shinkansen: 15,887 million
- Conventional lines: 38,555 million

Train-Kilometers per Day
548,000 km
- Shinkansen: 106,000 km
- Conventional lines: 441,000 km

Ferry Service

Route Length
1.8 km

Number of Ferryboats
3

Number of Passengers per Year
2.78 million

Other Business

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
Hotels
Advertising services
Electrical engineering
Maintenance for railcar facilities
Construction consulting
Railcar-related cleaning
Rent-a-car services
Management of welfare facilities
Merchandise leasing
Construction
Information service

For further information, please contact the Investor Relations section of the
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WEST JAPAN RAILWAY COMPANY

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