Report of Independent Auditors

The Board of Directors
West Japan Railway Company

We have audited the accompanying non-consolidated balance sheets of West Japan Railway Company as of March 31, 2009, 2008 and 2007, and the related non-consolidated statements of income and changes in net assets for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Japan Railway Company at March 31, 2009, 2008 and 2007, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

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

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 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

West Japan Railway Company

Non-Consolidated Balance Sheets

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	¥ 30,649	¥ 31,471	¥ 39,536	$ 312
Accounts receivable	48,559	50,439	55,010	495
Less allowance for doubtful accounts	(242)	(169)	(161)	(2)
Inventories	9,014	8,015	6,217	91
Deferred income taxes *(Note 9)*	14,644	14,984	13,907	149
Prepaid expenses and other current assets *(Note 3)*	37,374	44,157	29,259	381
Total current assets	140,000	148,899	143,769	1,428
Investments and advances:				
Subsidiaries and affiliates *(Note 3)*	175,323	163,106	155,131	1,789
Other securities	9,888	15,413	21,950	100
Total investments	185,212	178,519	177,082	1,889
Property, plant and equipment, at cost *(Notes 4,5,6 and 7)*:				
Railway *(Note 7)*	3,978,376	3,914,529	3,809,475	40,595
Ferry	1,270	1,229	1,228	12
Other operations	217,007	216,404	214,720	2,214
Construction in progress	55,912	76,390	61,251	570
	4,252,567	4,208,554	4,086,675	43,393
Less accumulated depreciation	(2,498,963)	(2,431,556)	(2,360,472)	(25,499)
Property, plant and equipment, net	1,753,603	1,776,997	1,726,202	17,893
Deferred income taxes *(Note 9)*	109,667	94,525	79,845	1,119
Other assets	26,623	24,005	24,975	271
Total assets	¥ 2,215,108	¥ 2,222,947	¥ 2,151,875	$ 22,603

	Millions of yen			Millions of U.S. dollars (Note 1)
	2009	2008	2007	2009
Liabilities and net assets				
Current liabilities:				
Short-term loans *(Notes 3 and 6)*	¥ 135,717	¥ 136,069	¥ 117,139	$ 1,384
Current portion of long-term debt *(Note 6)*	60,170	85,116	34,876	613
Current portion of long-term payables *(Notes 3 and 7)*	33,791	34,918	36,850	344
Accounts payable *(Note 3)*	126,640	145,562	147,882	1,292
Prepaid railway fares received	31,379	31,211	30,463	320
Deposits and advances received	55,703	77,493	74,159	568
Accrued expenses	46,076	48,108	47,112	470
Accrued income taxes *(Note 9)*	20,110	27,175	13,254	205
Allowance for customer point program	319	480	–	3
Other current liabilities	4,241	1,453	3,893	43
Total current liabilities	514,149	587,589	505,630	5,246
Long-term debt *(Notes 6 and 14(1))*	479,285	420,846	449,679	4,890
Long-term payables *(Notes 3 and 7)*	361,113	394,845	429,665	3,684
Accrued retirement benefits	273,315	238,518	201,188	2,788
Allowance for antiseismic reinforcement measures	–	2,222	9,931	–
Allowance for environmental safety measures	10,193	11,466	7,426	104
Other long-term liabilities	16,260	15,012	15,032	165
Total long-term liabilities	1,140,169	1,082,912	1,112,924	11,634
Contingent liabilities *(Note 11)*				
Net assets:				
Shareholders' equity *(Note 12)*:				
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 14(2))*	435,008	403,444	370,316	4,438
Less treasury stock, at cost	(29,999)	(9,999)	—	(306)
Total shareholders' equity	560,009	548,444	525,316	5,714
Valuation and translation adjustments:				
Net unrealized holding gain on securities	780	4,000	8,003	7
Total valuation and translation adjustments	780	4,000	8,003	7
Total net assets	560,789	552,445	533,320	5,722
Total liabilities and net assets	¥2,215,108	¥2,222,947	¥2,151,875	$ 22,603

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Income

Years ended March 31, 2009, 2008 and 2007

	Millions of yen			*Millions of U.S. dollars (Note 1)*
	2009	2008	2007	2009
Operating revenues:				
Transportation	¥773,757	¥781,787	¥765,893	$ 7,895
Transportation incidentals	21,874	22,274	22,503	223
Other operations	20,902	19,625	18,229	213
Miscellaneous	58,494	55,772	59,183	596
	875,030	879,460	865,810	8,928
Operating expenses *(Note 8)*:				
Personnel	268,618	269,922	272,509	2,741
Energy	38,237	34,430	34,376	390
Maintenance	135,845	148,644	148,995	1,386
Depreciation	115,932	107,540	93,533	1,182
Rent	25,336	24,637	24,684	258
Miscellaneous taxes	29,124	28,639	28,149	297
Other	159,841	155,820	154,594	1,631
	772,935	769,635	756,844	7,887
Operating income	102,094	109,824	108,966	1,041
Other income (expenses):				
Interest and dividend income	1,333	1,054	782	13
Interest expense	(34,910)	(35,438)	(36,208)	(356)
Gain on sales of property, plant and equipment	4,556	8,016	9,578	46
Loss on disposal of property, plant and equipment	(345)	(1,104)	(3,441)	(3)
Amortization of prior service cost	–	(2,826)	(2,142)	–
Loss on impairment of fixed assets *(Note 5)*	(51)	(4,103)	(242)	(0)
Provision of allowance for environmental safety measures	–	(4,400)	–	–
Other, net	1,865	5,067	(1,496)	19
	(27,551)	(33,733)	(33,171)	(281)
Income before income taxes	74,543	76,090	75,795	760
Income taxes *(Note 9)*:				
Current	42,755	43,973	33,640	436
Deferred	(12,592)	(13,010)	(2,528)	(128)
	30,162	30,962	31,111	307
Net income	¥ 44,380	¥ 45,128	¥ 44,683	$ 452

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Changes in Net Assets

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	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2006	¥ 100,000	¥ 55,000	¥ 337,633	¥ –	¥ 492,633	¥ 9,596	¥ 9,596	¥ 502,229
Net income for the year	–	–	44,683	–	44,683	–	–	44,683
Cash dividends	–	–	(12,000)	–	(12,000)	–	–	(12,000)
Net changes in items other than shareholders' equity	–	–	–	–	–	(1,592)	(1,592)	(1,592)
Balance at March 31, 2007	¥ 100,000	¥ 55,000	¥ 370,316	¥ –	¥ 525,316	¥ 8,003	¥ 8,003	¥ 533,320
Net income for the year	–	–	45,128	–	45,128	–	–	45,128
Cash dividends	–	–	(12,000)	–	(12,000)	–	–	(12,000)
Purchases of treasury stock	–	–	–	(9,999)	(9,999)	–	–	(9,999)
Net changes in items other than shareholders' equity	–	–	–	–	–	(4,003)	(4,003)	(4,003)
Balance at March 31, 2008	¥ 100,000	¥ 55,000	¥ 403,444	¥ (9,999)	¥ 548,444	¥ 4,000	¥ 4,000	¥ 552,445
Net income for the year	–	–	44,380	–	44,380	–	–	44,380
Cash dividends	–	–	(12,816)	–	(12,816)	–	–	(12,816)
Purchases of treasury stock	–	–	–	(19,999)	(19,999)	–	–	(19,999)
Net changes in items other than shareholders' equity	–	–	–	–	–	(3,220)	(3,220)	(3,220)
Balance at March 31, 2009	¥ 100,000	¥ 55,000	¥ 435,008	¥ (29,999)	¥ 560,009	¥ 780	¥ 780	¥ 560,789

	Millions of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2008	$ 1,020	$ 561	$ 4,116	$ (102)	$ 5,596	$ 40	$ 40	$ 5,637
Net income for the year	–	–	452	–	452	–	–	452
Cash dividends	–	–	(130)	–	(130)	–	–	(130)
Purchases of treasury stock	–	–	–	(204)	(204)	–	–	(204)
Net changes in items other than shareholders' equity	–	–	–	–	–	(32)	(32)	(32)
Balance at March 31, 2009	$1,020	$561	$ 4,438	$ (306)	$ 5,714	$ 7	$ 7	$ 5,722

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2009

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

Basis of Presentation of Financial Statements

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

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

The accompanying non-consolidated financial statements are stated in yen, the currency of the country in which the Company is incorporated and operates. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥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 non-consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Summary of Significant Accounting Policies

(1) Investments in securities

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

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

(2) Inventories

The Company's inventories consist of rails, materials and supplies and they are stated at lower of cost or net selling value, determined by the moving average method.

(3) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost (see Note 4). Depreciation is determined by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(4) Intangible assets

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

(5) 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.

(6) Leases

The Company 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.

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

(7) 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.

(8) Allowance for customer point program

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

(9) Accrued retirement benefits

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

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

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

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

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

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

(10) 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.

(11) 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.

2. Adoption of New Accounting Standards

(1) Presentation of net assets in the balance sheet

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

Total shareholders' equity prior to the adoption of these accounting standards amounted to ¥533,320 million at March 31, 2007.

(2) Financial instruments

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

As a result of the adoption of 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) Accounting standard for measurement of inventories

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

2. Adoption of New Accounting Standards (continued)

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

In accordance with the 2007 revision of the Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 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 Kyushu Shinkansen to Hakata station to commence through-service operations between Kyushu and Sanyo Shinkansen at the end of the year ending March 31, 2011. In addition, the Company will steadily go ahead with its plan for the renovation of Osaka station and the development of the New North Building. The Company will also continuously improve the stations in order to make them convenient, attractive and selectable by more users such as via the installation of barrier-free facilities, which are more convenient and functional, and making changes to the designs of existing stations resulting from the development of commercial facilities in the stations.

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

In addition, in accordance with the 2007 revision of Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired before April 1, 2007 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.

2. Adoption of New Accounting Standard (continued)

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

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

(5) Leases

Effective the year ended March 31, 2009, the Company has 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 is 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 are accounted for in the same manner as operating leases.

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

3. Balances with Subsidiaries and Affiliates

Investments in and advances to 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:				
Subsidiaries	¥113,143	¥ 98,352	¥ 97,902	$ 1,154
Affiliates	25,619	25,319	25,085	261
Advances to subsidiaries	36,561	39,434	32,143	373
	¥175,323	¥163,106	¥155,131	$ 1,789

Amounts due from and due to subsidiaries and affiliates at March 31, 2009, 2008 and 2007 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen			*Millions of U.S. dollars*
	2009	2008	2007	2009
Due from subsidiaries and affiliates:				
Short-term loans receivable included in prepaid expenses and other current assets	¥ 17,143	¥ 28,041	¥ –	$ 174
Due to subsidiaries and affiliates:				
Short-term loans	¥119,799	¥135,148	¥116,234	$1,222
Current portion of long-term payables	288	288	288	2
Accounts payable	99,962	106,479	102,317	1,020
Long-term payables	1,400	1,688	1,976	14
	¥221,449	¥243,603	¥220,815	$2,259

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			*Millions of U.S. dollars*
	2009	2008	2007	2009
Land	¥ 640,307	¥ 640,410	¥ 641,828	$ 6,533
Buildings	361,940	359,479	353,760	3,693
Railway fixtures	2,043,877	2,007,364	1,971,445	20,855
Rolling stock and other vehicles	832,626	823,120	774,786	8,496
Ships	997	992	992	10
Machinery and equipment	259,922	247,718	233,416	2,652
Furniture and fixtures	56,784	53,078	49,195	579
Leases	199	–	–	2
Construction in progress	55,912	76,390	61,251	570
	4,252,567	4,208,554	4,086,675	43,393
Less accumulated depreciation	(2,498,963)	(2,431,556)	(2,360,472)	(25,499)
Property, plant and equipment, net	¥ 1,753,603	¥ 1,776,997	¥ 1,726,202	$ 17,893

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 were ¥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 ¥10,116 million ($103 million), ¥3,416million and ¥2,503 million, respectively.

5. Loss on Impairment of Fixed Assets

The Company groups its fixed assets relating to railways, vessels, sales of goods and food services and other businesses at each business which manages the receipts and payments separately. It also groups its fixed assets in the real estate business, fixed assets which it has determined to dispose of and idle assets at each asset. Consequently, for the years ended March 31, 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 non-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 Country, 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.

6. 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 1.17%, 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 from2.41% 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 1.4% to 8.5%, due in installments from 2010 through 2018	40,347	47,373	55,559	411
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.86% to 2.36%, due from 2010 through 2025	190,700	163,200	163,200	1,945
Other	18,442	15,425	15,815	188
	539,455	505,962	484,555	5,504
Less current portion	(60,170)	(85,116)	(34,876)	(613)
	¥ 479,285	¥ 420,846	¥ 449,679	$ 4,890

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

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2010	¥ 60,170	$ 613
2011	30,962	315
2012	42,360	432
2013	50,996	520
2014	31,012	316
2015 and thereafter	323,955	3,305
	¥539,455	$5,504

6. Short-Term Loans and Long-Term Debt (continued)

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

7. 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	9,662	10,552	11,440	98
	394,905	429,764	466,515	4,029
Less current portion	(33,791)	(34,918)	(36,850)	(344)
	¥ 361,113	¥ 394,845	¥ 429,665	$ 3,684

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.

7. Long-Term Payables (continued)

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	¥ 33,791	$ 344
2011	30,346	309
2012	39,415	402
2013	41,166	420
2014	40,022	408
2015 and thereafter	210,161	2,144
	¥394,905	$ 4,029

8. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥7,153 million ($72 million), ¥6,544 million and ¥6,231 million for the years ended March 31, 2009, 2008 and 2007, respectively.

9. Income Taxes

The aggregate statutory tax rate applicable to the Company 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 of these tax rates were less than five percent of the statutory tax rate.

9. Income Taxes (continued)

The significant components of the Company's deferred tax assets and liabilities 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	¥ 10,552	¥10,827	¥ 10,784	$ 107
Accrued social insurance premiums included in accrued expenses	1,304	1,362	1,384	13
Accrued enterprise taxes included in accrued income taxes	1,894	2,406	1,363	19
Accrued retirement benefits	111,211	97,053	81,863	1,134
Allowance for antiseismic reinforcement measures	—	904	4,041	—
Allowance for environmental safety measures	4,174	4,672	3,021	42
Other	13,988	13,081	12,473	142
Valuation allowance	(5,860)	(5,863)	(5,099)	(59)
Total deferred tax assets	137,266	124,443	109,833	1,400
Deferred tax liabilities:				
Unrealized holding gain on securities	(535)	(2,744)	(5,491)	(5)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,419)	(12,189)	(10,590)	(126)
Total deferred tax liabilities	(12,954)	(14,934)	(16,081)	(132)
Deferred tax assets, net	¥ 124,311	¥ 109,509	¥ 93,752	$ 1,268

10. 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 are accounted for in the same manner as operating leases.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2009, 2008 and 2007, which would have been reflected in the accompanying non-consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2009			2008		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:						
Railway operations	¥ 861	¥ 435	¥ 426	¥ 940	¥ 339	¥ 600
Other operations	39	19	19	42	10	31
	¥ 900	¥ 454	¥ 445	¥ 982	¥ 350	¥ 632

	Millions of yen		
	2007		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:			
Railway operations	¥1,879	¥ 1,254	¥ 625
Other operations	189	171	18
	¥2,069	¥ 1,426	¥ 643

	Millions of U.S. dollars		
	2009		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:			
Railway operations	$ 8	$ 4	$ 4
Other operations	0	0	0
	$ 9	$ 4	$ 4

10. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2009, 2008 and 2007 totaled ¥191 million ($1 million), ¥349 million and ¥680 million, respectively. These amounts are equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 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	¥ 171	$ 1
2011 and thereafter	274	2
	¥ 445	$ 4

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	¥ 90	$ 0
2011 and thereafter	168	1
	¥ 259	$ 2

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.

11. Contingent Liabilities

At March 31, 2009, the Company was contingently liable for guarantees of loans to subsidiaries and an affiliate in the aggregate amount of ¥22,546 million ($230 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.

12. Shareholders' Equity

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

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying non-consolidated balance sheets and non-consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($115 million) at March 31, 2009, 2008 and 2007.

Treasury stock

Movements in 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
Treasury stock	17,434	45,219	–	62,653

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

	Number of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock	–	–	–	–

13. 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	¥289,462.54	¥278,651.89	¥266,660.13	$ 2,953
Net income	22,557.62	22,632.52	22,341.69	230
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.

14. 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 non-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