LINKING People, BUILDING Communities

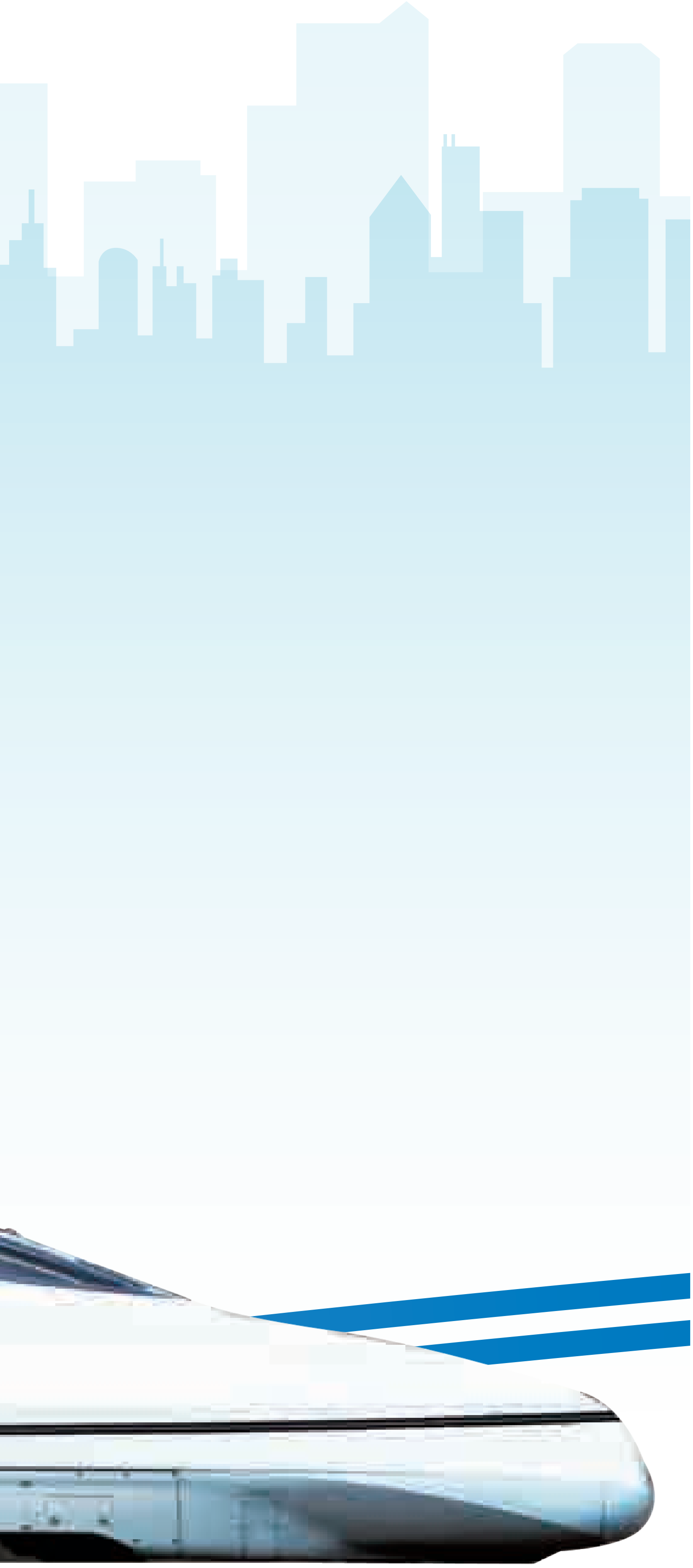
Annual Report 2012

WEST JAPAN RAILWAY COMPANY

with **SAFE RAILWAYS**

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.



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 other 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 September 2011 based on information available to JR-West as of September 2011, 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.

LINKING
Our Business to People's Lives

JR-West's business is central to people's daily lives. We operate a railway network that stretches across an area of approximately 104,000 square kilometers, covering 18 prefectures (approximately 20% of Japan's land area) 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, we operate retail, real estate, and other businesses that offer synergistic benefits with the railway business. The area served by our railway network is home to approximately 43 million people—34% of Japan's population—with a nominal GDP of ¥155 trillion.

Going forward, JR-West will continue to contribute to people's lives through these business operations.

TRANSPORTATION OPERATIONS

JR-West's railway network comprises the Sanyo Shinkansen and conventional lines in the Kansai Urban region and other regions.

Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service operating at a maximum speed of **300kph** between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in the northern tip of Kyushu. With the cooperation of JR-Central and JR Kyushu, JR-West provides direct services linking the Tokyo metropolitan area with the Kyushu area and providing access to Osaka and several major cities in between.

Kansai Urban Region (including the Urban Network)

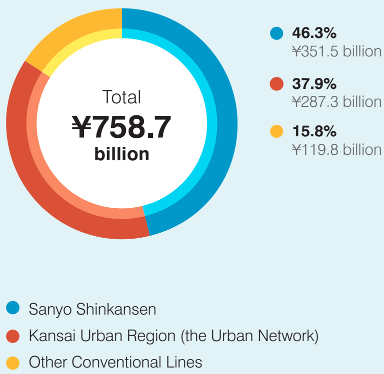
The Kansai Urban region (including the Urban Network) provides passenger transport services to the densely populated cities of Kyoto, Osaka, and Kobe and their surrounding areas. In fiscal 2012, JR-West served a daily average of **3.93 million passengers** in the Kansai Urban region. These passengers were mainly people commuting to and from work or school.

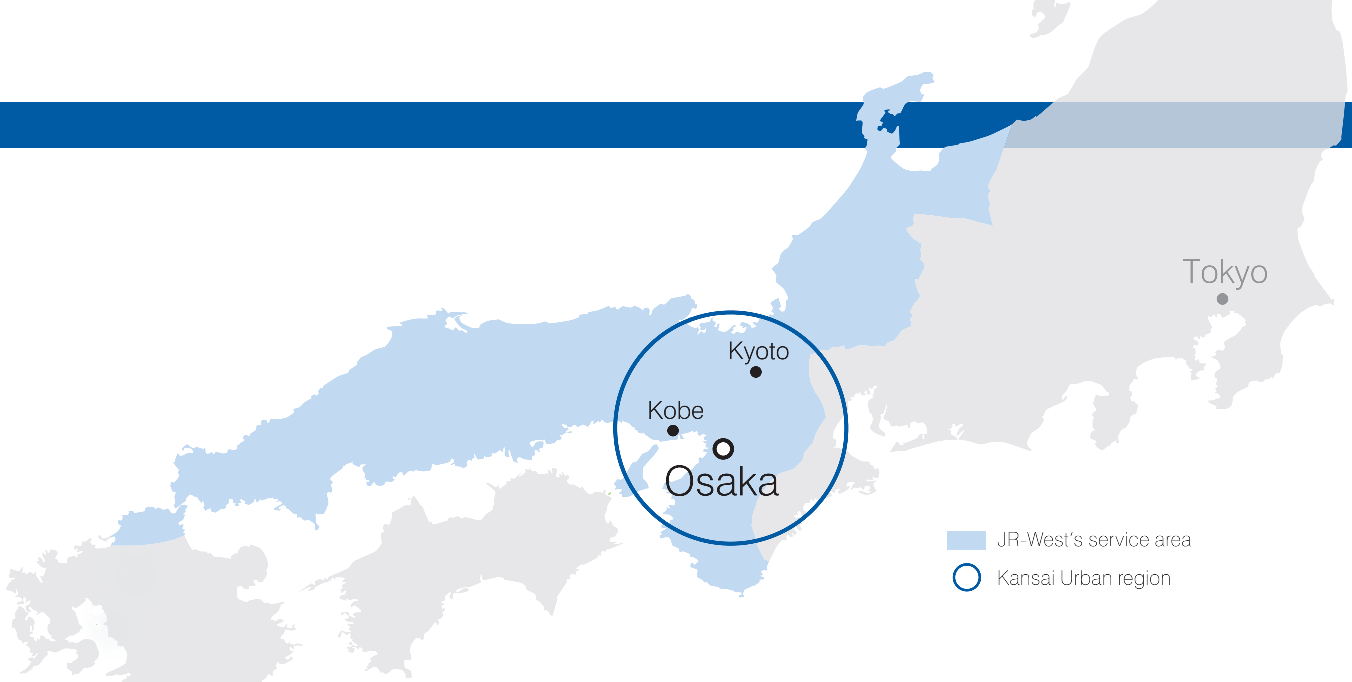
Other Conventional Lines

JR-West's other conventional lines consist of limited express and express service trains for intercity transport, local transport for commuting to and from work or school in such core urban areas as Hiroshima and Okayama, and local lines through less-populated areas.

See page 17 for more details

RAILWAY OPERATIONS REVENUES
by Service Category





ROUTE LENGTH

5,012.7 km

POPULATION

43 million

GDP

¥155 trillion

RETAIL BUSINESS

JR-West's retail business mainly targets railway passengers, consisting of convenience stores, specialty stores, and food and beverage establishments located in and around station buildings, as well as department stores.

See page 20 for more details

REAL ESTATE BUSINESS

JR-West's real estate business consists 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.

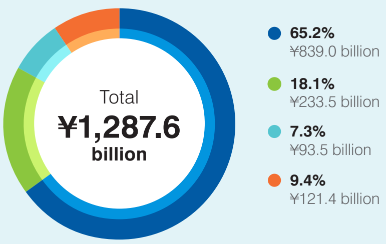
See page 21 for more details

OTHER BUSINESSES

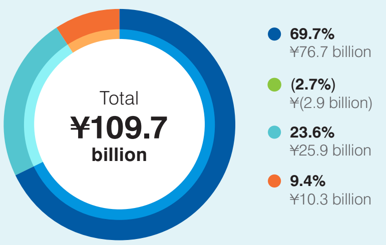
JR-West's other businesses consist of a travel agency business, a hotel business, as well as an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

See page 22 for more details

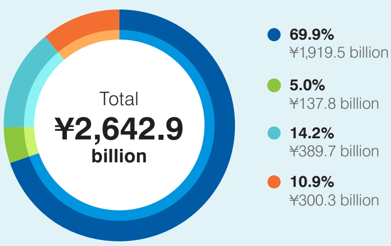
OPERATING REVENUES
by Business Segment (From Third Parties) (Consolidated)



OPERATING INCOME (LOSS)*
by Business Segment (Consolidated)



TOTAL ASSETS
by Business Segment (Consolidated)



● Transportation Operations ● Retail Business ● Real Estate Business ● Other Businesses

* Retail business have been excluded.

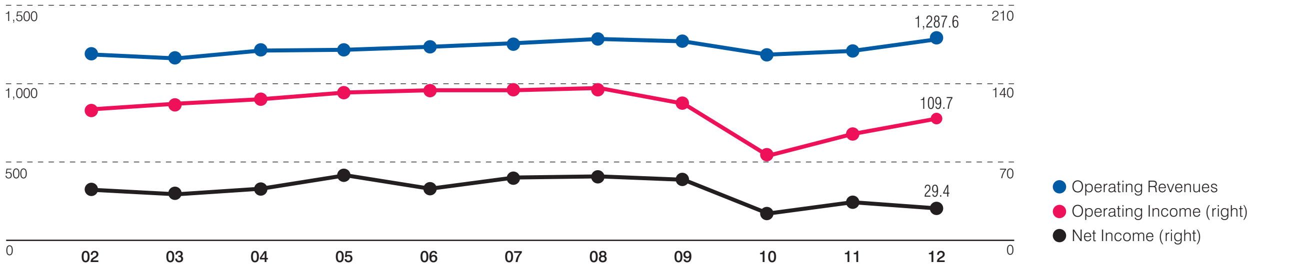
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

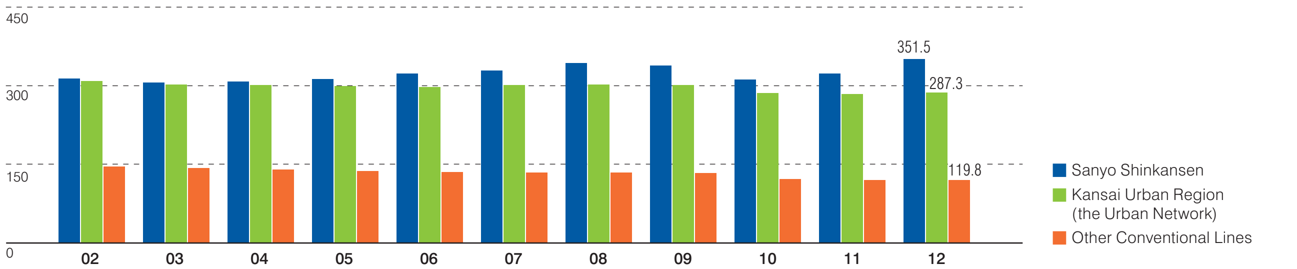
	Billions of yen			Millions of U.S. dollars[1]
	2012	2011	2010	2012
OPERATIONS:				
Operating revenues	**¥1,287.6**	¥1,213.5	¥ 1,190.1	**$15,703**
Operating income	**109.7**	95.9	76.5	**1,339**
Net income	**29.4**	34.9	24.8	**359**
BALANCE SHEETS:				
Total assets	**2,642.9**	2,672.4	2,546.3	**32,231**
Long-term debt and payables[2]	**1,068.8**	1,102.6	1,038.9	**13,034**
Total net assets	**733.5**	721.2	702.1	**8,945**
CASH FLOWS:				
Net cash provided by operating activities	**206.2**	223.2	161.3	**2,514**
Net cash used in investing activities	**(199.1)**	(246.2)	(208.7)	**(2,428)**
Net cash provided by (used in) financing activities	**(36.8)**	51.4	54.6	**(449)**
OTHER DATA:				
Depreciation and amortization	**169.3**	150.8	141.9	**2,065**
Capital expenditures, excluding contributions received for construction	**195.4**	260.0	210.1	**2,383**
EBITDA[3]	**279.1**	246.8	218.4	**3,404**
			Yen	U.S. dollars[1]
PER SHARE DATA[4]:				
Net income	**¥ 152.29**	¥ 180.66	¥ 128.37	**$ 1.85**
Cash dividends	**90.00**	80.00	70.00	**1.09**
Net assets	**3,632.41**	3,557.13	3,455.68	**44.29**
			%	
RATIOS:				
ROA (Operating Income Basis)	**4.1**	3.7	3.1	
ROE	**4.2**	5.2	3.7	
DOE	**2.5**	2.3	2.0	
Equity ratio	**26.6**	25.8	26.3	

1 Yen figures have been converted into U.S. dollars at the rate of ¥82=U.S.$1.00, the exchange rate prevailing on March 31, 2012.
2 Long-term debt and payables includes the current portion of long-term debt and long-term payables.
3 EBITDA = Operating income + Depreciation
4 The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share.
The per share data at March 31, 2012, 2011, and 2010 and for the years then ended was calculated on the assumption that the stock split had been executed on April 1, 2009.

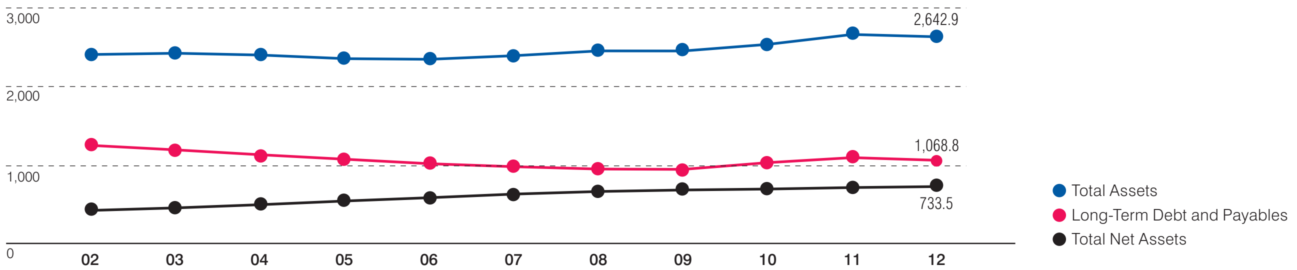
OPERATIONS
Billions of yen



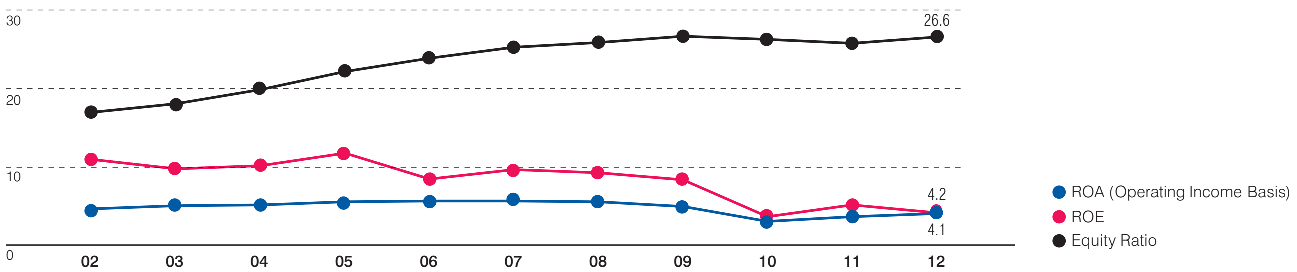
RAILWAY OPERATING REVENUES
Billions of yen



BALANCE SHEETS
Billions of yen



RATIOS
%



Seiji Manabe
President, Representative Director,
and Executive Officer

I would like to begin by first introducing myself. My name is Seiji Manabe, and I recently assumed the position of President, Representative Director, and Executive Officer of West Japan Railway Company.

Following the extremely serious accident that occurred on the Fukuchiyama Line on April 25, 2005, the Company has focused its efforts on the three pillars of management—"measures to have ourselves accepted as acting with the best intentions by the victims of the train accident," "measures to enhance safety," and "furthering of reform." Going forward, I will assume responsibility for guiding JR-West in this quest, driving us steadily ahead as we continue to practice management based on the three pillars.

I hope to help the Company achieve undeniable levels of safety and fully recover the trust of society, while also fulfilling its social responsibility as a supplier of social infrastructure. Looking ahead, we will use this as the base on which JR-West will grow sustainably into the future.

LAYING tracks toward the future
SHAPING the next era

"Striving to be a company truly in touch with the people around us, we will continue to place emphasis on our customers and the communities"

Initiatives for the Fiscal Year Ending March 31, 2013—
Final Year of the Basic Safety Plan and the Medium-Term Management Plan

The fiscal year ending March 31, 2013, will be the final year of both the Basic Safety Plan and the JR-West Group's Medium-Term Management Plan 2008–2012, which were launched in the fiscal year ended March 31, 2009. The Groupwide promotion of the Basic Safety Plan has already produced a steady decline in operational railway accidents, and we will work to add further depth and greater quality to our risk assessment efforts going forward. Striving to complete all the objectives laid out by the Basic Safety Plan, we will continue to improve the safety of our operations.

The JR-West Group's Medium-Term Management Plan 2008–2012 was revised in October 2010. While the three pillars of management defined in this plan remained unchanged, we newly defined the Group's mission as contributing to the invigoration of the West Japan area through our business activities and also solidified the future direction of management by outlining three new strategies: coexistence with local communities, innovation by technology, and thinking and acting based on the field. In the fiscal year ending March 31, 2013, we will be faced by a harsh operating environment plagued by unclear economic conditions. However, even in midst of such adversity, we will prioritize the improvement of safety and customer satisfaction while also securing revenues and strengthening the Company's overall constitution.

Specifically, we will focus on the two major projects launched last year: the starting of direct services between the Sanyo and the Kyushu Shinkansen lines and the operation of Osaka Station City. Striving to maximize the returns from these projects in their second year of operation, we will increase the number of direct services between the Sanyo and the Kyushu Shinkansen lines and further invigorate Osaka Station City. We also aim to develop strong foundations to ensure that the Company can continue to grow in a sustainable manner. To this end, we are developing a new risk management system in reflection of the Great East Japan Earthquake, which occurred on March 11, 2011. Based on our experience with this disaster, the new system includes reinforced measures for responding to electricity shortages and large-scale disasters.

A JR-West for the Next Era

In April 2012, JR-West marked its 25th anniversary since its founding. Our ability to mark this milestone is due to the support of all of our stakeholders. The fiscal year ending March 31, 2013, is a year in which we will take our first steps toward creating a new JR-West for the next era. As part of this process, we will confirm our progress in achieving the goals of the JR-West Group's Medium-Term Management Plan 2008–2012, based on which we will formulate a new safety plan and a new medium-term management plan. Looking ahead, it is clear that the social climate in Japan and the operating environment for railway companies will present difficulties for the Group due to such factors as unclear economic conditions, falling birthrates and an aging population, and energy issues. Regardless, in preparation for the next quarter century, we will look back over the past 25 years, identify the challenges we have overcome and the problems we have faced, and envision the ideal form for the railways of the future in consideration of the current changes in the operating environment. We will then establish a long-term management concept based on this vision, and subsequently formulate concrete strategies for realizing this vision and raising corporate value. Throughout this process, striving to be a company truly in touch with the people around us, we will continue to place emphasis on our customers and the communities in which we operate.

I hope that we continue to receive the ongoing support of our shareholders and other investors as we undertake this bold endeavor.

June 2012

Seiji Manabe

Seiji Manabe
President, Representative Director, and Executive Officer

Revision of the Medium-Term Management Plan 2008–2012 (announced October 2010)

The Medium-Term Management Plan 2008–2012 was established in May 2008. The basic policies of this plan emphasized the importance of returning to the starting point of the Group's business, which can be described as realizing the JR-West Corporate Philosophy. The plan also outlined medium- to long-term strategies geared toward accomplishing this objective.

However, the operating environment has become significantly harsher than it was at the time the JR-West Group's Medium-Term Management Plan 2008–2012 was formulated. Factors contributing to this harsh environment include the rapid deterioration of the economy that began in fall 2008 and the implementation of government initiatives such as the March 2009 lowering of expressway tolls.

Further, in fall 2009, a serious compliance-related issue was uncovered within the Company, which not only caused great emotional distraught for the victims of the Fukuchiyama Line accident, but also severely damaged society's trust in the Company. Faced with this unprecedented harsh environment, we decided to revise the current medium-term management plan, scheduled to end in fiscal 2013. We want to focus emphasis on long-term sustainability in our approach to management while further clarifying and realizing our medium- to long-term management vision.

Under this new plan, all Group employees will come together as one, working to rebuild society's trust in the Company and facilitate the recovery of its business results.

New Strategies to Realize our Management Vision

Management Vision

Ever mindful of the Fukuchiyama Line accident and with a view to realizing our Corporate Philosophy, we aim to be a corporate group that pursues sustainable growth based on safety and reliability, contributes to the invigoration of the West Japan area through its business activities, establishes superior safety management, and earns the trust of customers, communities, and society.

Three Pillars of Management Unchanged

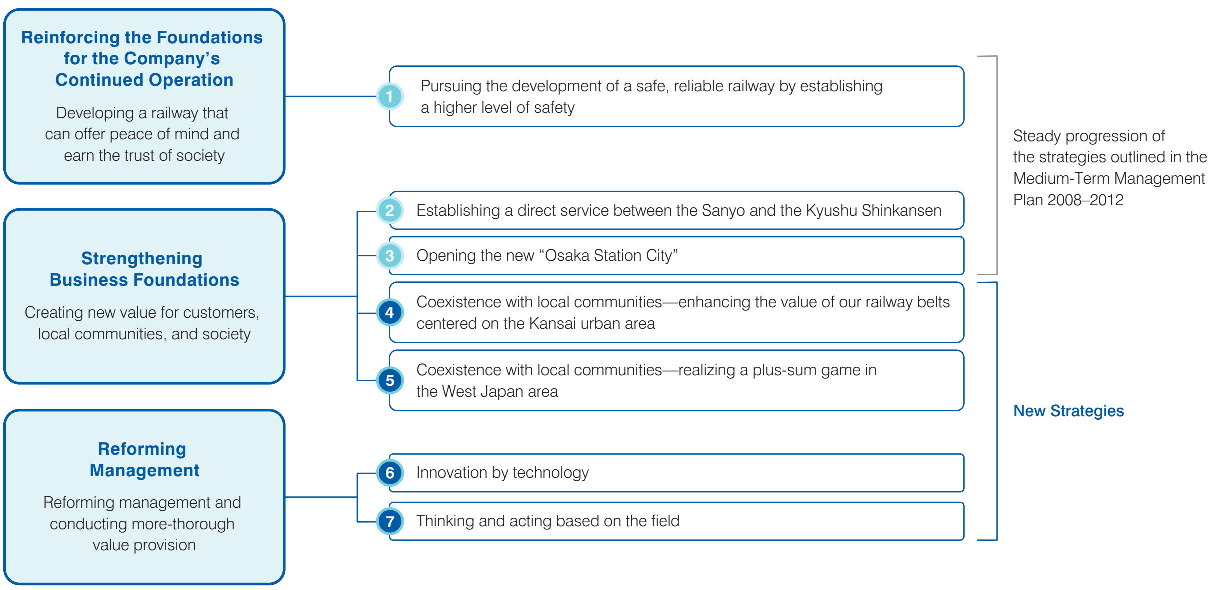
Under the revised medium-term management plan, we will continue vigorously advancing the three pillars of management below and mount a concerted Group effort to build railway operations that consistently put safety first, thereby affording customers peace of mind and earning their trust.

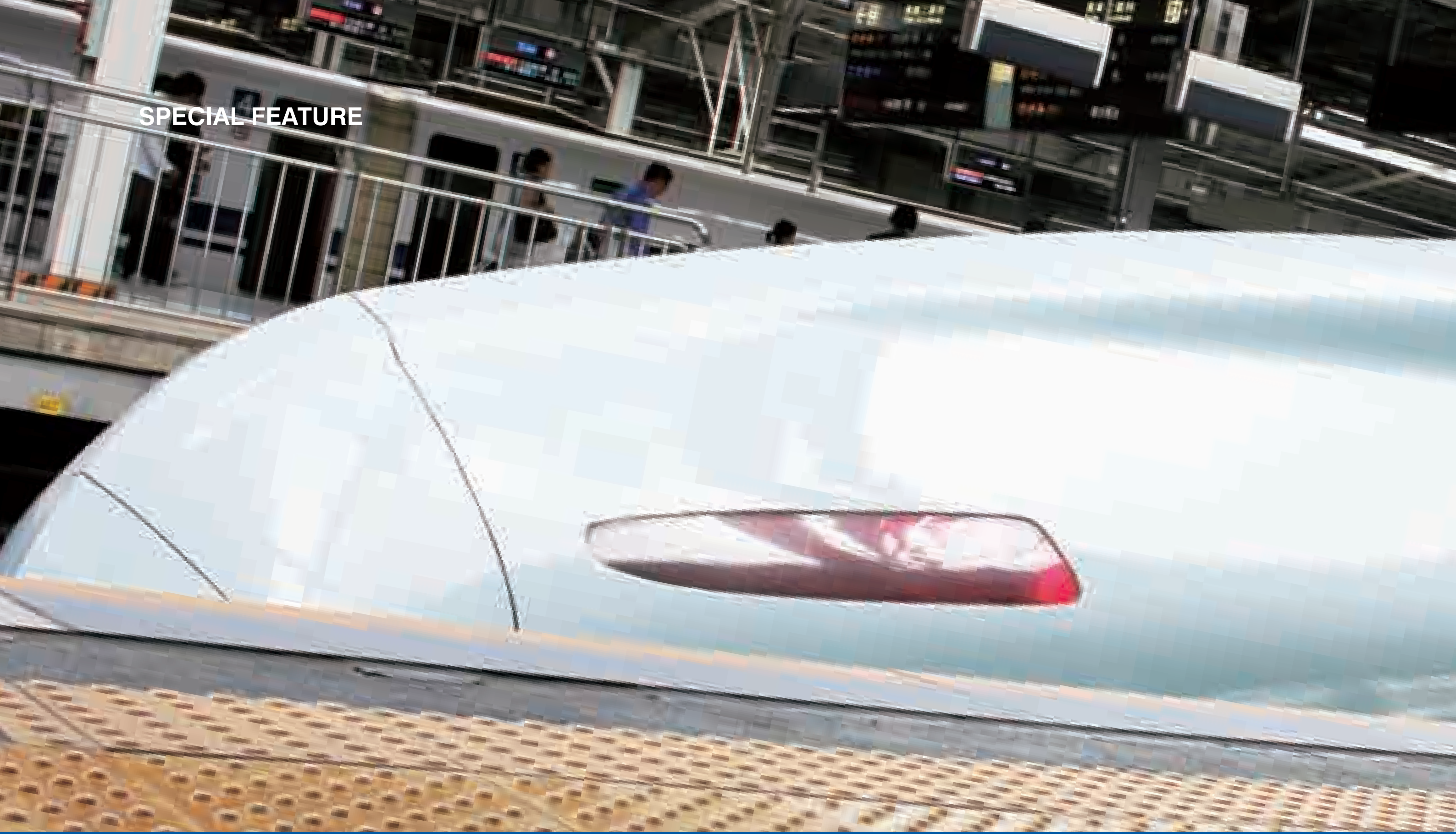
- Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident
- Measures to enhance safety
- Furthering of reform

Three New Strategies

In October 2010, JR-West revised the medium-term management plan prepared in May 2008, adding three strategies: coexistence with local communities, innovation through technology, and thinking and acting based on sites. Previously, JR-West has addressed each of these themes in a variety of different ways. However, JR-West has set out these strategies to indicate clearly how the Company will sustain growth as Japan enters an era of population decline in earnest.

KEY STRATEGIES TO REALIZE OUR MANAGEMENT VISION





LINKING People, BUILDING Communities

Direct Service with the KYUSHU SHINKANSEN LINE

On March 2011, in conjunction with the commencement of operations of all sectors of the Kyushu Shinkansen, the Company began offering direct services between the Sanyo and Kyushu Shinkansen lines. Using these new direct services, passengers can travel between Shin-Osaka Station and Kagoshima-Chuo Station in as little as 3 hours and 42 minutes, and between Shin-Osaka Station and Kumamoto Station in as little as 2 hours and 58 minutes. We are aiming to offer a higher quality Shinkansen experience through these direct services by introducing new rolling stock based on the state-of-the-art, highly reliable N700 Series trains. At the same time, we are working to stimulate tourism demand in Kyushu by advertising the appeal of Kyushu's various sightseeing spots.

Online Reservation Service "e5489"

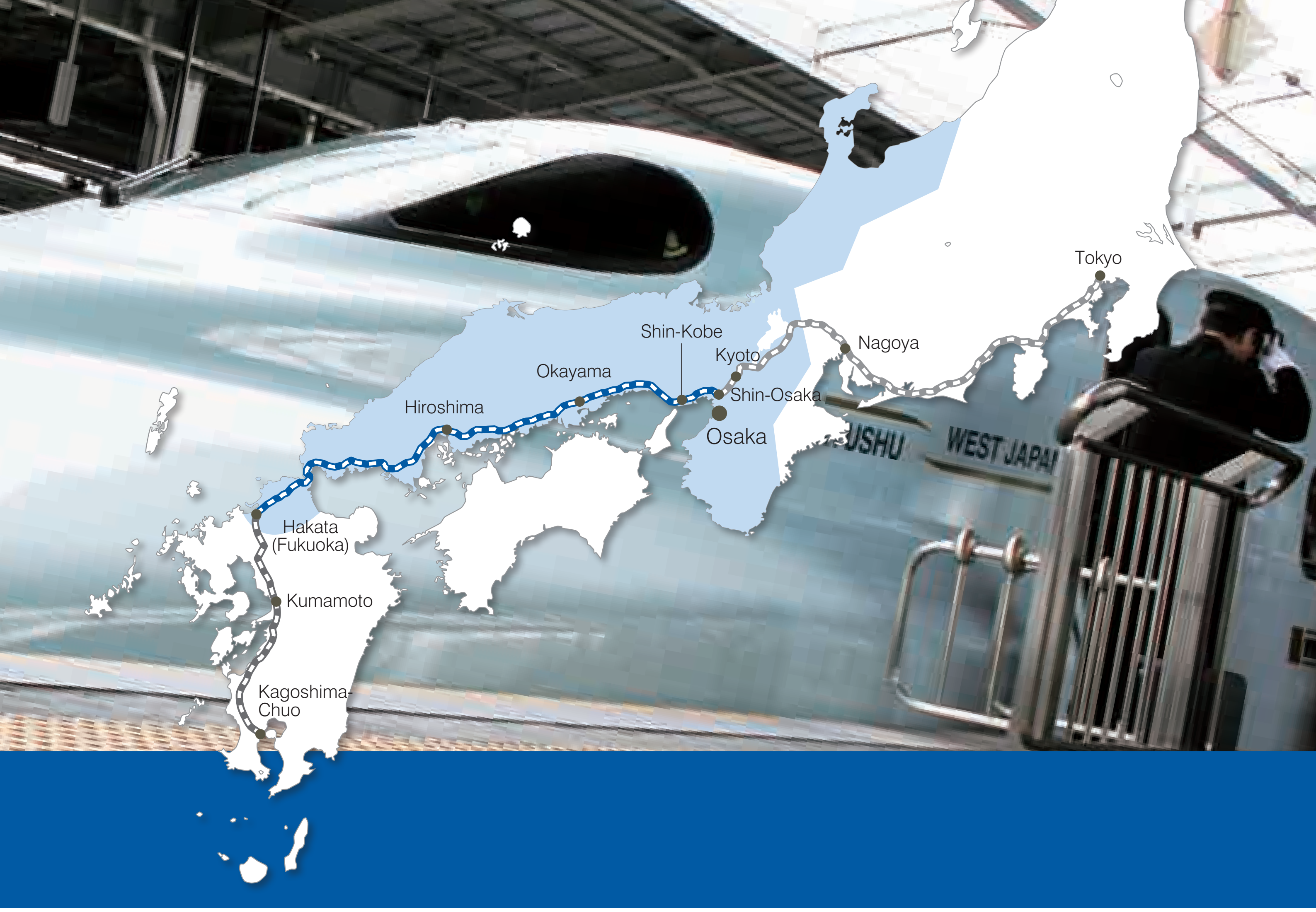
We launched the online reservation service "e5489" in March 2011. This service increases the convenience of railway travel by allowing passengers to reserve tickets online for the Mizuho and Sakura Shinkansen services, which are used on the new direct services, as well as for the Company's traditional Nozomi and Hikari Shinkansen services. JR-West is also taking steps to ensure that its Shinkansen services offer sufficient price competitiveness relative to airlines. For example, the newly introduced Internet early reservation discount tickets through "e5489" feature reduced prices. Using these tickets, a passenger can travel between Shin-Osaka and Kagoshima-Chuo stations for ¥17,000 one way, and between Shin-Osaka and Kumamoto stations for ¥14,400 one way.

Number of Passengers

As a result, in fiscal 2012 passenger volume of the Sanyo Shinkansen between Kokura and Hakata increased approximately 20%. Market size also increased for fiscal 2012 based on totals for the use of Shinkansen and airline services, with passenger volume increasing approximately 30% between the Kyoto–Osaka–Kobe area and Kumamoto and between the Kyoto–Osaka–Kobe area and Kagoshima.

Regarding our market share in comparison with the airlines, JR-West's share of travel between the Kyoto–Osaka–Kobe area and Kumamoto has increased from 30% to around 60%, and for travel between the Kyoto–Osaka–Kobe area and Kagoshima from 10% to around 40%.

* As a result of preliminary calculations up to June 2011. Looking at the trend of passenger volume, we believe that this trend remained roughly unchanged throughout the fiscal year.



SERVICE, DAILY FREQUENCY, TRAVEL TIME, AND FARE

	Service	Frequency (Round trips per day)	Travel Time (Fastest service)	Fare
Shin-Osaka–Kagoshima-Chuo	Mizuho	5	3h 42m	¥21,600 ¥17,000*
	Sakura	17.5	4h 06m	¥21,300 ¥17,000*
Shin-Osaka–Kumamoto	Mizuho	5	2h 58m	¥18,320 ¥14,400*
	Sakura	18	3h 18m	¥18,020 ¥14,400*

* Prices of Internet early reservation discount tickets.

TRAVEL TIME (REDUCTION)

	Hiroshima	Okayama	Shin-Osaka
Kumamoto	1h 37m (52m)	2h 13m (53m)	2h 58m (59m)
Kagoshima-Chuo	2h 21m (73m)	2h 57m (74m)	3h 42m (80m)

Note: Travel times are for the fastest Mizuho Shinkansen service.
Times in parentheses represent the reduction in travel time following the establishment of direct services.

Future Initiatives

We further enhanced convenience with the timetable revision in March 2012, including increasing the number of trains providing direct service with the Kyushu Shinkansen from 15 to 23 round trips per day, and shortened the fastest service between Shin-Osaka and Kagoshima-Chuo by 3 minutes, to 3 hours and 42 minutes. We undertook measures to highlight these timetable revisions, as well as other basic information such as the online reservation service “e5489,” in an effort to meet the needs of not only the tourists who currently account for around 40% of our business, but also businesspersons, individuals, and all manner of travelers.

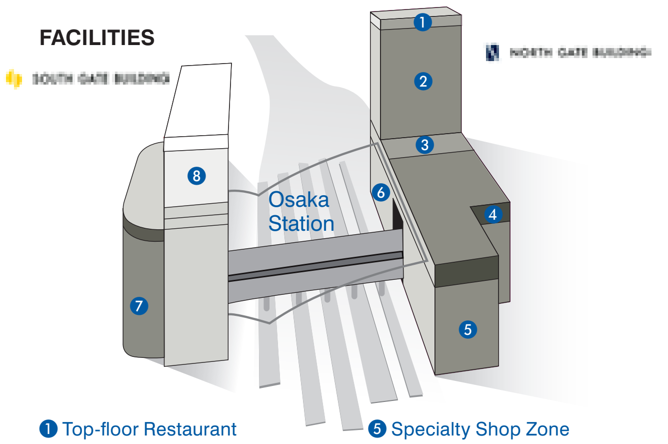
We expect that the direct service with the Kyushu Shinkansen will provide a revenue boost of around ¥15.0 billion (compared to the fiscal year ended March 31, 2011) in the fiscal year ending March 31, 2013, roughly equivalent to that in the previous fiscal year. We are wary of the possibility of a falloff in demand from the rebound effect following the extraordinary demand when the service was launched, and are steadily implementing a variety of measures to maximize the benefit from the new service.

SPECIAL FEATURE

LINKING People, BUILDING Communities

OSAKA STATION CITY

FACILITIES



❶ Top-floor Restaurant
Name: LAGUNAVEIL PREMIER
Total floor space: approx. 2,000m²

❷ Office Zone
Total floor space: approx. 40,000m²

❸ Service Zone
Name: Konami Sports Club Grancise Osaka, etc.
Total floor space: approx. 5,000m²

❹ Entertainment Zone
Name: OSAKA STATION CITY CINEMA
Total floor space: approx. 10,000m²

❺ Specialty Shop Zone
Name: LUCUA
Total floor space: approx. 40,000m², Store floor space: approx. 20,000m²

❻ Department Store Zone
Name: JR Osaka Mitsukoshi Isetan
Total floor space: approx. 90,000m², Sales floor area: approx. 50,000m²

❼ Extension
Expands the area of Daimaru Osaka Umeda's sales floor to approx. 64,000m²

❽ Hotel Zone
Name: Hotel Granvia Osaka
Floor area: approx. 33,000m²
Executive Floor (27F) opened April 2012

With approximately 800,000 passengers using it each day, Osaka Station, JR-West's largest hub station, opened as Osaka Station City on May 4, 2011. It has a floor area of 245,000 square meters and accounted for a total investment of ¥210 billion.

Results in the Fiscal Year Ended March 31, 2012

Osaka Station City has attracted a cumulative total of more than 120 million visitors, as of the end of March, and increased railway usage, with Osaka Station seeing an approximately 10% year-on-year rise in the use of short-haul tickets.

The LUCUA shopping center has been popular since its opening, with tenant sales of ¥34.0 billion, far exceeding the initial target of ¥25.0 billion. Revenue from JR Osaka Mitsukoshi Isetan, however, was just ¥31.0 billion, falling below initial targets.

The overall revenue boost provided by Osaka Station City during the fiscal year ended March 31, 2012, was ¥46.9 billion. Broken down by segment, this comprised ¥5.0 billion from transportation operation, ¥31.0 billion from retail business, and ¥10.9 billion from real estate business.

	Amount	Notes
Transportation Operations	¥5.0 billion	Revenue from passenger tickets
Retail Business	¥31.0 billion	Department stores sales (JR Osaka Mitsukoshi Isetan)
Real Estate Business	¥10.9 billion	LUCUA, office rental income, etc.
Total	**¥46.9 billion**	

Each of these businesses had highs and lows, but overall the project is off to a good start. Also, completion of the new station building will stimulate activity at Osaka Station, which will provide a steady increase in earnings over the longer term.

Future Initiatives

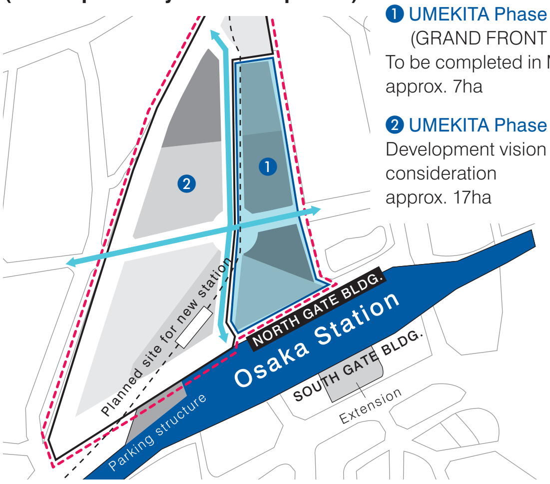
In this second year for the project, we consider further enhancing customer drawing power to be an issue, and are planning various events to generate excitement. For example, at JR Osaka Mitsukoshi Isetan, we are attracting customers by holding a storewide lottery drawing, and providing special incentives to cardholders. We are also furthering concerted group efforts in product development and promotions, such as offering travel packages and promotional tickets that include special benefits in Osaka Station City.

By these initiatives, in comparison with the fiscal year ended March 31, 2011, ¥50.3 billion of positive impact is expected in total, including ¥5.0 billion in transportation revenues, ¥34.0 billion in retail business which is ¥3.0 billion higher than last year, and ¥11.3 billion in real estate business.

Since the Umekita Phase I project will open in spring 2013, we will focus more intently on area management with local businesses, and take steps to enhance the appeal of the Umeda district around Osaka Station.

[REFERENCE]

OUTLINE OF UMEKITA PROJECT (Development by other companies)



1 UMEKITA Phase I project
(GRAND FRONT OSAKA)
To be completed in March 2013
approx. 7ha

2 UMEKITA Phase II project
Development vision under consideration
approx. 17ha

GRAND FRONT OSAKA

	Rental Store Floor Space, Houses, and Capacity
Offices	153,200m^2
Rental Facilities	42,000m^2; approx. 300 shops
Convention Center	Approx. 3,000 people
Hotel / Serviced Apartments	Hotel: approx. 200 rooms Serviced Apartments: approx. 50 rooms
Condominiums	525 houses

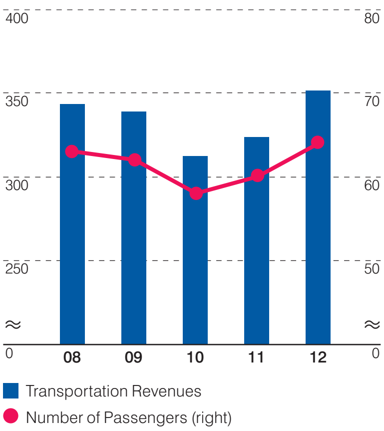
CONTRIBUTING
to Regional Development through Our Business

TRANSPORTATION OPERATIONS

JR-West's transportation operations segment consists of railway operations and small-scale bus and ferry services. Its railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The railway network comprises a total of 1,222 railway stations, with an operating route length of 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network includes the Sanyo Shinkansen, a high-speed intercity railway line; the Urban Network, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines (excluding the three JR-West branch offices in Kyoto, Osaka, and Kobe).

Sanyo Shinkansen

TRANSPORTATION REVENUES
Sanyo Shinkansen
Billions of yen / Millions of passengers



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 has 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.

The Nozomi, Hikari, and Kodama services have been operating on the Sanyo Shinkansen Line for some years. Many of the Nozomi services allow passengers to travel from Tokyo or Nagoya to the major stations of the Sanyo Shinkansen Line, such as Okayama, Hiroshima, and Hakata, without changing trains. These services are enabled by direct services with the services of the Tokaido Shinkansen Line, which Central Japan Railway Company (JR-Central) operates between Tokyo and Shin-Osaka. In addition, following the March 12, 2011 commencement of operations on all lines of the Kyushu Shinkansen, JR-West launched the Mizuho and Sakura services, which travel directly between the Sanyo Shinkansen and Kyushu Shinkansen lines. These new services enable customers to travel between Shin-Osaka and Kagoshima-Chuo in as little as 3 hours and 42 minutes.

Development of the Hokuriku Shinkansen

Nagano–Kanazawa Segment (approximately 230 km)

Currently, the Japan Railway Construction, Transport and Technology Agency (JRTT) is constructing the Nagano–Kanazawa segment of the Hokuriku Shinkansen Line. East Japan Railway Company (JR-East) plans to operate services between Tokyo and Joetsu in Niigata Prefecture, while JR-West plans to operate services between Joetsu and Kanazawa. Both companies will pay JRTT usage fees, which will not exceed the corresponding benefits of the applicable lines. Although specific timetables are still under consideration, the beginning of services promises to heighten convenience by shortening the travel time from Kanazawa and Toyama to Tokyo considerably.

Scheduled completion:
The end of fiscal year ending March 2015
JR-West's operating area:
Joetsu (provisional name) – Kanazawa (approximately 170 km)
Travel times:

	JR		Aircraft[3]
	Present[1]	After services begin[2]	
Kanazawa–Tokyo	Approx. 3h 50m	Approx. 2h 40m	Approx. 2h 50m
Toyama–Tokyo	Approx. 3h 10m	Approx. 2h 20m	Approx. 2h 30m

1 Using Joetsu Shinkansen and limited express train "Hakutaka"
2 Assuming average Shinkansen speed of 190km/h
3 Including travel time between airports and city centers

Kanazawa–Tsuruga Segment (approximately 130 km)

Furthermore, on June 29, 2012, the Japanese government authorized the beginning of construction of the Kanazawa–Tsuruga segment. JR-West's basic position is to seek the establishment of a complete Shinkansen line to Osaka as early as possible. For the time being, however, this segment will link the Kansai / Chukyo region and the Hokuriku region. Therefore, we consider the extension to Tsuruga, which promises to generate some benefits, as steady progress toward the establishment of a complete Shinkansen line.
In addition, to heighten convenience for passengers when changing between conventional lines and the Shinkansen at Tsuruga Station, after Shinkansen services begin there, the Japanese government has proposed introducing gauge change trains*. JR-West intends to study this proposal with a view to practical application.

* Gauge change trains can adjust the distance between the wheels of their railcars by passing through a gauge changer. This enables direct operation, and therefore direct services, between conventional lines and Shinkansen lines, which have different gauges.

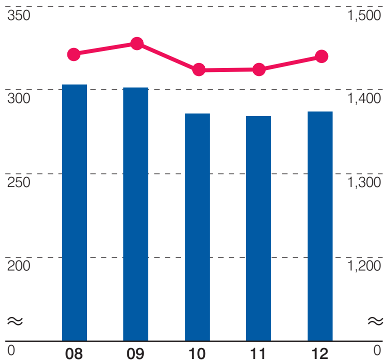

Hokuriku Shinkansen W7 series

Kansai Urban Region (including the Urban Network)

TRANSPORTATION REVENUES

Kansai Urban Region (including the Urban Network)

Billions of yen / Millions of passengers



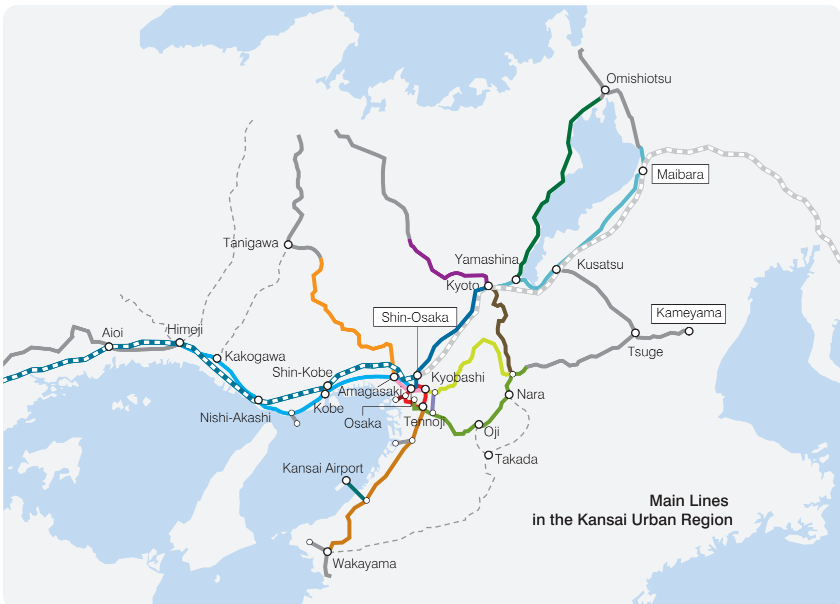
Transportation Revenues

Number of Passengers (right)

The Urban Network provides passenger services for the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. (Population of the Kyoto–Osaka–Kobe metropolitan area is more than 20 million.). It has an operating route length of 622.0 kilometers (943.0 kilometers including the three JR-West 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 section of the Fukuchiyama Line between Tsukaguchi Station and Amagasaki Station, the location where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

Furthermore, we held the grand opening of Osaka Station—the largest JR-West-operated hub station—as Osaka Station City on May 4, 2011. Osaka Station serves as the gateway to the Kansai region as well as the gateway into Osaka itself. For this reason, we hope that Osaka Station City will serve as a new landmark in Osaka, a landmark that embodies a sense of flair and sophistication befitting its role as a gateway. This strong desire was a key factor in our naming of Osaka Station City. Furthermore, it is our wish that it will come to be loved by all who visit it as a "city" that is both highly appealing and convenient.



Boundary Stations between JR-West and Other JR Companies
Shinkansen Line (Bullet Train)
Intercity Lines
Regional Lines

Osaka Loop Line
JR Kobe Line (Osaka–Himeji)
JR Kyoto Line (Osaka–Kyoto)
Biwako Line (Kyoto–Nagahama)
JR Tozai Line (Kyobashi–Amagasaki)
JR Yumesaki Line (Nishi-Kujo–Sakurajima)
JR Takarazuka Line (Osaka–Sasayamaguchi)
Sagano Line (Kyoto–Sonobe)
Gakkentoshi Line (Kyobashi–Kizu)
Nara Line (Kyoto–Kizu)
Yamatoji Line (JR-Namba–Kamo)
Hanwa Line (Tennoji–Wakayama)
Kansai Airport Line (Hineno–Kansai Airport)
Osaka Higashi Line (Hanaten–Kyuhoji)

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 the areas it serves. However, considering that this network plays a role as a feeder for Shinkansen services as well as functions as a vital part of the overall JR-West railway network, we are working to provide more community-oriented services and undertake other management efforts, while placing priority on ensuring safety.

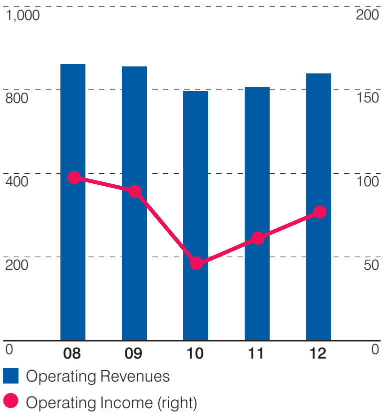
Bus and Ferry Services

JR-West's transportation operations segment includes bus services and ferry services. In bus services, JR-West heightened customer convenience by establishing flexible fares that are based on usage trends and by making the Osaka Station Bus Terminal more functional.

In ferry services (the Miyajima Line), JR-West secured revenue through such initiatives as marketing to travel companies.

Fiscal 2012 Results

OPERATING RESULTS
Billions of yen



In transportation operations, the full opening of the Kyushu Shinkansen and the grand opening of Osaka Station City led to increased use of the Sanyo Shinkansen and JR-West's Urban Network. We implemented several measures to enhance convenience, including revision to train timetables in March 2012, increasing the number of Mizuho Shinkansen and Sakura Shinkansen services providing direct service on the Sanyo Shinkansen and Kyushu Shinkansen lines, introducing new railcars to Kuroshio limited express trains, and replacing train cars on the Takarazuka and Hanwa lines with newer models.

In marketing initiatives, following the full opening of the Kyushu Shinkansen in March 2011 and the commencement of direct service operations between the Sanyo Shinkansen and Kyushu Shinkansen lines, JR-West worked to promote use of the railway through an ongoing proactive information campaign stressing the convenience and price advantages of the Internet early reservation service "e5489." Furthermore, for the "Kumamoto, Miyazaki, and Kagoshima Destination Campaign" and the "Sanyo Shinkansen and Kyushu Shinkansen Direct Service First Anniversary Campaign" conducted in cooperation with local governments, other JR companies, and travel agents, JR-West developed travel packages and held tourism events in conjunction with local governments to help expand mutual exchanges between West Japan and Kyushu. We also conducted a variety of campaigns to stimulate travel demand, such as the "Detective Conan Okayama and Kurashiki Mystery Tour," the "San-in and Nakaumi Campaign," and the "Japanese Beauty Hokuriku Campaign." Furthermore, in March 2012 we began providing the ICOCA e-money service at JR Shikoku's Takamatsu and Sakaide stations.

For customer service initiatives, JR-West expanded efforts including the use of video on station and in-car displays to provide guidance to help passengers use the railway in safety and comfort. In addition, in April 2011 we expanded service hours for "women only" cars to all day.

For the renovation of Osaka Station, in April 2011 we fully opened the renewed facilities and in May held the grand opening of Osaka Station City, an event that attracted an extremely large number of customers.

Typhoon No. 12 in September 2011 caused extensive damage, including washing out a bridge on the Kisei Main Line in Wakayama. As a result of a concerted restoration effort, operations on all lines had resumed by December 2011. We also conducted the "Wakayama Campaign" as one of our regional revitalization initiatives and other initiatives in conjunction with local governments and travel agencies to bolster restoration efforts.

In environmental issues, JR-West implemented the "Think and Act Eco" initiative to encourage all employees to reconsider their lifestyles and work from an environmental perspective. We also continued with Groupwide measures incorporating customer participation, such as the "Eco Life Point" service.

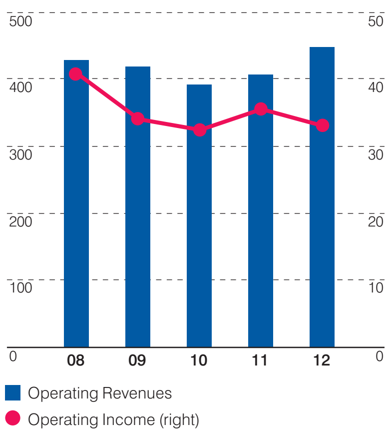
As a result, operating revenues for the transportation operations segment increased 4.0% from the previous fiscal year, to ¥839.0 billion, with operating income up 25.5%, to ¥76.7 billion.

Future Initiatives in Transportation Operations

In order to maximize the benefits of direct services between the Sanyo Shinkansen and Kyushu Shinkansen lines, we will further increase the competitiveness of Shinkansen services by providing high-quality services through such initiatives as establishing even more convenient timetables and increasing the use of the "e5489" online reservation service. In conjunction with these efforts, JR-West will collaborate with regions to encourage mutual exchanges between regions; generate tourism demand, including visitors from overseas; and develop IT infrastructure. In addition, JR-West intends to enhance the practical capabilities and skills of its personnel, promote system changes in railway operations, and innovate technology to protect the global environment and realize other benefits.

NON-TRANSPORTATION OPERATIONS

OPERATING RESULTS
Billions of yen



JR-West's non-transportation operations segment comprises three operations: retail business, 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 increased 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 individual railway stations and their surrounding areas.

In development initiatives, 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 develop commercial facilities in and around railway stations as well as 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 era, JR-West is furthering initiatives to create new businesses through collaborations both inside and outside the Group.

Retail Business

JR-West's retail services, centered on railway passengers, consist of convenience stores, specialty stores, and food and beverage outlets located in and around station buildings, as well as the Isetan department stores.

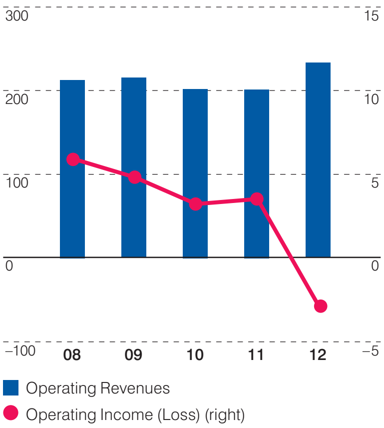
Fiscal 2012 Results

May 2011 saw JR-West launch the JR Osaka Mitsukoshi Isetan department store in Osaka Station's North Gate Building. Since then, we have offered highly original goods and services and created stores able to earn local customers' endorsement in the challenging commercial climate. Other initiatives to make stations even more appealing included opening stores and restaurants, such as Daily-In and Deli Cafe Express, as part of Osaka Station's renovation and opening the Entree Marche commercial center as part of Shin-Osaka Station's renovation.

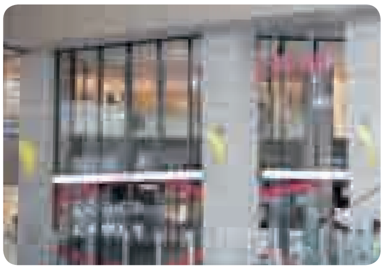
As a result, operating revenues in the retail business segment rose 16.0% from the previous fiscal year, to ¥233.5 billion. However, the segment incurred an operating loss of ¥2.9 billion, mainly due to higher non-personnel costs stemming from the opening of the JR Osaka Mitsukoshi Isetan department store.

OPERATING RESULTS

Billions of yen

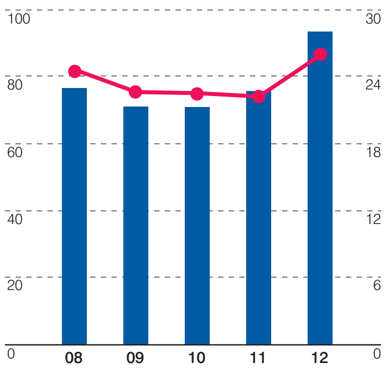


Real Estate Business



OPERATING RESULTS

Billions of yen



Operating Revenues

Operating Income (right)

JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at hub railway stations, the 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.

Fiscal 2012 Results

JR-West further developed stations and their surrounding areas. New openings included the VIERA Okubo commercial center on the south side of Okubo Station, the ALBi commercial center underneath the elevated tracks on the west side of Osaka Station, VIERA Nara underneath the elevated tracks of Nara Station, and the PLiCO Kobe shopping center in the newly renovated area underneath the elevated tracks on the east side of Kobe Station. As part of the Osaka Station Development Project, we unveiled Osaka Station City in May 2011. In the North Gate Building, we opened the LUCUA specialty shop zone, which has met with a favorable reception, and began leasing office space. Aiming to revitalize the area around Osaka Station, we collaborated with nearby businesses to manage the area. Also, we developed condominiums on the former sites of company housing. Furthermore, JR-West merged two consolidated subsidiaries that manage shopping centers at Tennoji Station in July 2011 to enhance their competitiveness and overall strength.

As a result, the real estate business segment achieved year-on-year increases of 23.5% in operating revenues, to ¥93.5 billion, and 16.8% in operating income, to ¥25.9 billion.

Other Businesses

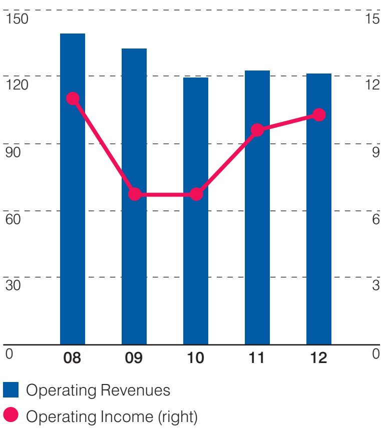
JR-West's other businesses consist of the travel agency business operated by Nippon Travel Agency, the hotel business, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

Fiscal 2012 Results

In the hotel business, JR-West worked to increase sales through such measures as opening restaurant facilities and hosting various events. In the travel agency business, we strengthened inbound marketing, sought to increase Internet sales, and worked to increase sales of products that utilize the services of our railway network, such as the Sanyo Shinkansen and Kyushu Shinkansen services. For the J-WEST Card, we increased cardholders by recruiting members for the Osaka Station City J-WEST Card. Regarding the ICOCA e-money service, we increased its usability beyond stations. For example, we made it usable for a major home delivery company, a major restaurant chain, convenience stores in Shikoku, and entry tickets for events and tourist attractions.

Despite these efforts, operating revenues for the other businesses segment declined 6.5% year on year, to ¥121.4 billion, primarily reflecting lower revenue from the travel agency business due to sluggish domestic travel demand. Nevertheless, operating income rose 7.3%, to ¥10.3 billion, thanks to lower non-personnel costs.

OPERATING RESULTS
Billions of yen



Future Initiatives in Non-Transportation Operations

JR-West will ensure that Osaka Station City realizes its full potential while intensifying area management for the environs of Osaka Station. Also, JR-West will increase the number of J-WEST Card cardholders, add to the number of stores where the ICOCA e-money service is usable, and take other steps to enhance convenience for customers in conjunction with their use of the Company's railway service.

Furthermore, JR-West aims to enhance the value of railway belts. To this end, working in collaboration with local governments and communities, railway divisions and related business divisions will mount concerted efforts focused on maximizing asset efficiency, enhancing the potential of stations and their surrounding areas, and stimulating the growth of areas between stations.

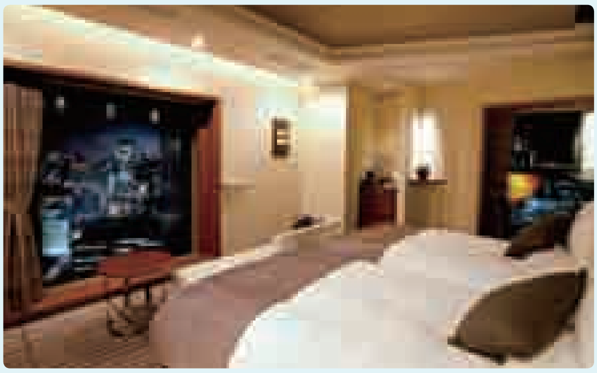
Hotel Granvia Osaka—The Granvia Floor

Aiming to Be a New Type of City Hotel and Further Enhance Brand Appeal

Hotel Granvia Osaka, located in Osaka Station City's South Gate Building, expanded its floor area to include the building's top floor. On this floor, the hotel created its highest class of guest rooms and unveiled them as the Granvia Floor in April 2012. This hotel is directly linked to Osaka Station and its environs. This area is set to strengthen its position as the Kansai region's hub by accumulating amenities through such development projects as Osaka Station City, which has already opened, and the Osaka Station North District Development Plan. Moreover, as well as such development initiatives, expansion and improvement of transportation infrastructure and increasing demand for offices promise to attract a broad group of customers that includes business and leisure customers.

During the 30 years since launching operations, the Hotel Granvia Osaka has accommodated numerous guests thanks to favorable access, the reputation for hospitality it has earned, and themed remodeling of guest rooms. However, in recent years the hotel has sought to cater to the diversifying needs of guests, including those that seek high-end interior decoration, facilities, and services. As a result, responding to changes in the area and the types of customers it attracts, the hotel designated the existing 21st to 23rd floors, which comprise standard guest rooms, the "standard floors" and the 24th to 26th floors, each of which has a different theme aimed at customers with highly developed tastes, the "concept floors." Furthermore, the hotel expanded to include the building's uppermost floor, the 27th floor, where it established new premium-quality guest rooms.

This initiative has given the hotel a wide range of guest room categories, from standard through to premium quality. The Hotel Granvia Osaka's goal is to be a new type of city hotel—at the heart of the region and able to meet the needs of many different guests.



ENRICHING
People's Lives through Our CSR Initiaives

CSR OVERVIEW

Corporate Philosophy

The JR-West Corporate Philosophy describes the direction in which the JR-West Group should move toward as well as identifies the corporate values it wishes all employees and executive officers to apply in their day-to-day work. It embodies the unwavering devotion of each JR-West employee and executive officer to reflect upon the Fukuchiyama Line accident with sincerity and their unwavering devotion to rebuild JR-West accordingly. It also serves as a message to all its stakeholders, including society at large, that communicates this unwavering devotion.

The title of "Corporate Philosophy" and the use of "We" placed at the beginning of each item of this philosophy represent the combined determination of all of our employees and executive officers. Simultaneously, these words are the driving force behind the actions of each employee, each executive officer, and the company that each of these employees and executive officers come together to form.

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.

Basic Approach to CSR

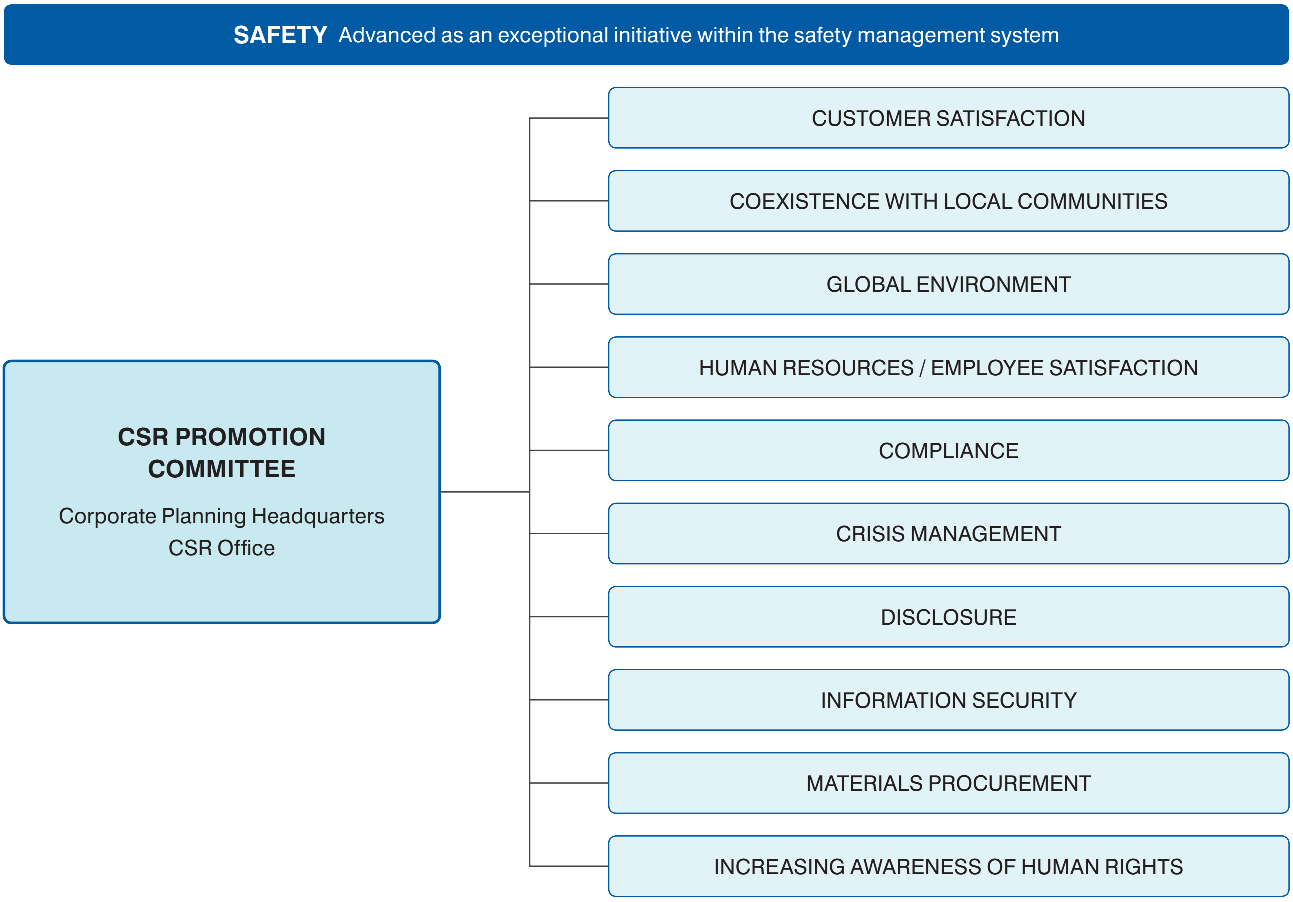
JR-West's responsibility as a good corporate citizen is to work toward realizing its Corporate Philosophy. In order to underpin and foster the key values set out in its Corporate Philosophy, and in light of society's expectations, JR-West has established priority areas relating to its corporate social responsibility (CSR) activities. The Company's most important responsibility is to ensure the safety of its customers and employees alike. The other four priority areas include customer satisfaction, coexistence with local communities, the global environment, and human resources / employee satisfaction.

JR-West recognizes these five areas as areas where it can make unique contributions. JR-West also prioritizes compliance, crisis management, disclosure, information security, materials procurement, and increasing awareness of human rights. JR-West recognizes these six areas as the foundations of its operations. Going forward, JR-West intends to communicate sincerely with society and actively promote dialogue with all its stakeholders. At the same time, the Company will heighten the quality of its business activities from the standpoint of its CSR-related activities.

Through those efforts, JR-West hopes to meet society's expectations and to enhance its level of safety and reliability while realizing sustainable growth.

System to Promote CSR

To enhance our ability to promote CSR as one of management's core tasks, we established the CSR Promotion Committee in June 2006. The president serves as chairperson of the committee, while its membership comprises full-time directors, full-time corporate auditors, and general managers of headquarter divisions. We also established the CSR Office—within the Corporate Planning Headquarters—as the executive office of the CSR Promotion Committee.



SAFETY MEASURES

Since the Fukuchiyama Line accident, the first item of JR-West's Corporate Philosophy—our most significant policy as a company—has stipulated 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."

Safety Charter

JR-West has established a Safety Charter as a specific code of conduct for employees regarding safety.

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.

Stance of Safety Measures

Because we were unable to detect in advance factors that led to a serious accident on the Fukuchiyama Line, we have sought to heighten our sensitivity to safety and to build a system that enables preemptive safety measures. To this end, we are further instilling safety awareness among employees.

Establishment of a Framework

With regard to the detection of dangers and risks before they materialize and the implementation of measures to address serious risks, we have introduced risk assessments as a specific means of enabling uniform responses on a Companywide basis.

As a system to facilitate the smooth and appropriate implementation of such measures, we have radically overhauled the Company's entire concept of accidents, and are working to enhance our technical capabilities, improve communication, enhance frontline safety capabilities, and reinforce coordination with Group companies.

Instilling Safety Awareness

Safety awareness is the starting point for safety and is also essential as a means of compensating for any incompleteness within the system. For these reasons, we formulated the Safety Charter as a specific code of conduct regarding safety and have encouraged employees to take concrete action in accordance with the values set in the Charter.

Furthermore, in training programs conducted at our Railway Safety Education Center, which we consider the starting point for our safety education, and at each operational site, we are pursuing measures to ensure that we maintain the lessons learned from the accident.

STANCE OF SAFETY MEASURES

DEVELOPING SYSTEMS FOR PROACTIVE SAFETY MEASURES

Establishment of a framework

Introduction of risk assessments

- Overhaul concept of accidents
- Enhance safety-based technical capabilities
- Improve safety-related communication
- Improve safety based on human factors
- Enhance frontline safety capabilities
- Reinforce coordination between Group companies in shared pursuit of safety improvement

Instillment of safety awareness

Education of entire organization and each employee

- Specify the Safety Charter
- Conduct safety training at the Railway Safety Education Center
- Improve safety awareness through participation in risk management
- Ensure internalization of lessons learned
- Hold safety meetings

Basic Safety Plan

Our Basic Safety Plan sets out initiatives aimed at establishing the effective structures and instilling the safety awareness needed to develop a system that enables preemptive safety measures.

We are working together with our Group companies in an all-out effort to reach our attainment targets under the Basic Safety Plan.

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:

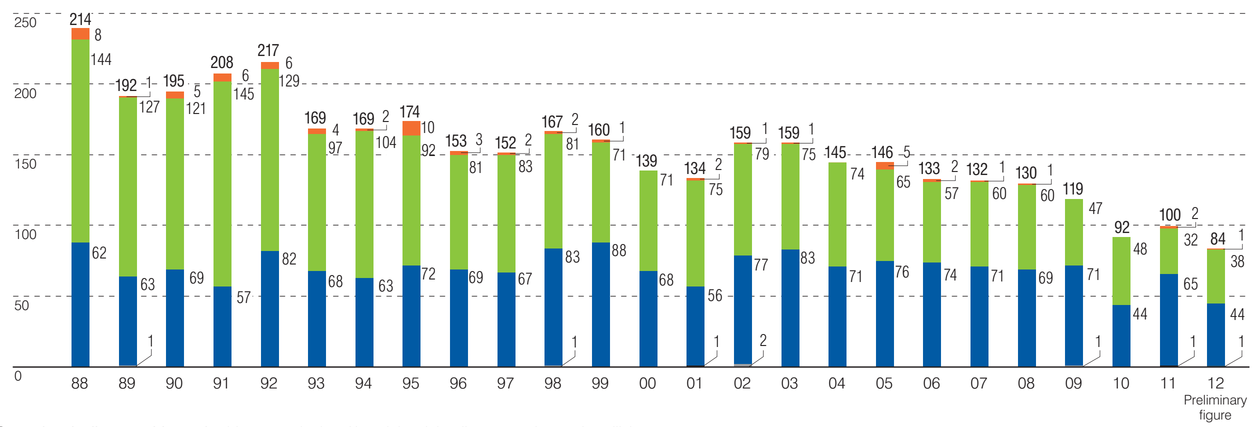
(1) Identification of risks that could lead to the death or injury of customers or serious labor accidents among employees, sharing results of evaluations on the seriousness of each risk among related individuals

(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

Operational Railway Accidents

In fiscal 2012, there were 84 operational railway accidents. Since its establishment, JR-West has improved safety through personnel-related and infrastructural countermeasures. As a result, operational railway accidents have reached their lowest level since our establishment. However, given that accidents still occur, we will continue aggressively implementing measures to improve safety.



Operational railway accidents: Accidents as stipulated by ministerial 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 to people 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

IMPLEMENTING EARTHQUAKE AND TSUNAMI COUNTERMEASURES

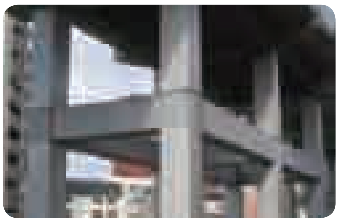
Heightening Safety in Relation to Earthquakes

Since the Great Hanshin-Awaji (Kobe) Earthquake, JR-West has been steadily taking measures to reinforce the earthquake resistance of structures, enhance derailment prevention, and strengthen its system of seismometers for detecting seismic activity as a measure to prevent trains entering disaster-affected areas. Further, in light of the damage to railway structures that the Great East Japan Earthquake caused, we are continuing measures to reinforce the earthquake resistance of bridge piers and stations currently under construction. At the same time, we are planning countermeasures in preparation for earthquakes anticipated in the Tokai, Tonankai, and Nankai regions.

Countermeasures for Structures

We have been implementing measures to reinforce the earthquake resistance of structures continuously since the Great Hanshin-Awaji (Kobe) Earthquake. For Shinkansen lines, we have completed engineering work on the pillars of elevated railway tracks (pillars susceptible to shear failures), engineering work to prevent bridges collapsing, and engineering work on tunnels. As for conventional lines, we have completed more than 95% of engineering work on the pillars of elevated railway tracks (pillars susceptible to shear failures) and engineering work to prevent bridges collapsing. Currently, we are strengthening the earthquake resistance of reinforced concrete bridge piers and stations steadily.

Also, in light of the Great East Japan Earthquake and in anticipation of earthquakes in the Tokai, Tonankai, and Nankai regions, we are currently preparing plans for engineering work to reinforce the earthquake resistance of the pillars of elevated railway tracks (pillars susceptible to failure due to bending), banking and steel bridge piers, and station buildings.



Elevated railway tracks with reinforced earthquake resistance

Measures to Mitigate Disasters after Derailment

As a measure to mitigate disasters, JR-West is considering the installation of derailment prevention guards between railway tracks. When a train derails due to an earthquake, railcar wheels hit these guards. This prevents major derailments, thereby mitigating damage. We plan to initially install guards on the Sanyo Shinkansen Line between Shin-Osaka Station and Himeji Station.

Derailment prevention guards

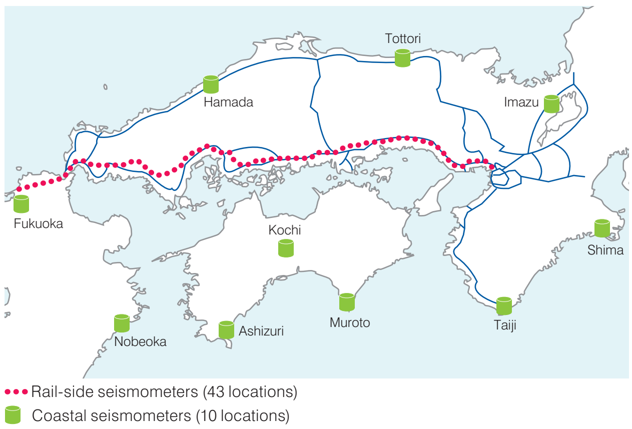
Measures to Prevent Trains Entering Disaster-Affected Locations

To ensure safety when earthquakes occur, we have installed seismometers, which are part of a system that stops trains rapidly when earthquakes occur.

In particular, we have heightened safety by installing seismometers at 43 rail-side sites in 10 locations along the Sanyo Shinkansen Line. If the seismometers detect seismic movement above a certain level, electricity supply to the Shinkansen is stopped automatically, slowing them.

Further, aiming to enhance the precision of seismometers installed along coastal areas, we are upgrading them by adding detection capabilities for S-waves to existing detection capabilities for P-waves. S-waves originate from the principal motion and transmit through the ground slowly, while P-waves originate from preliminary tremors and transmit through the ground rapidly.

SEISMOMETER INSTALLATIONS (Sanyo Shinkansen)



Heightening Safety in Relation to Tsunamis

We are taking a variety of infrastructural and personnel-related countermeasures for tsunamis accompanying earthquakes anticipated in the Tokai, Tonankai, and Nankai regions. Specifically, these measures are for times when tsunamis are expected to damage the Shingu Station–Wakayama Station segment of the Kisei Line, which runs along the coastal area of Wakayama Prefecture.

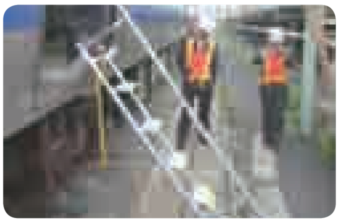
Developing Signs and Other Infrastructural Countermeasures

By March 2009, we have installed evacuation guidance signs to clearly indicate rail-side areas for which there is a danger of flooding due to tsunamis. These signs have also made it easier to understand the evacuation sites that municipalities stipulate.

Based on the signs, on-site train crew members will guide passengers to evacuation sites. Furthermore, to enable train crew members to gather information during emergencies, we equipped them with radios in fiscal 2012.


Evacuation guidance signs

In addition, to facilitate evacuation from trains, we have installed ladders with handrails in trains and built steps to enable evacuation from railway lines to highways and other elevated ground.


Ladder with handrail

Implementing Training and Other Personnel-Related Tsunami Countermeasures

To enable train crew members to ascertain which areas are flooded in the event of a tsunami, we have been preparing tsunami flooding maps since 2007. And since 2008, we have been conducting training in which train crew members use and check actual tsunami evacuation routes and evacuation guidance signs.

In March 2012, with the cooperation of municipalities, we conducted training that involved guiding passengers to safe locations.


Tsunami flooding maps

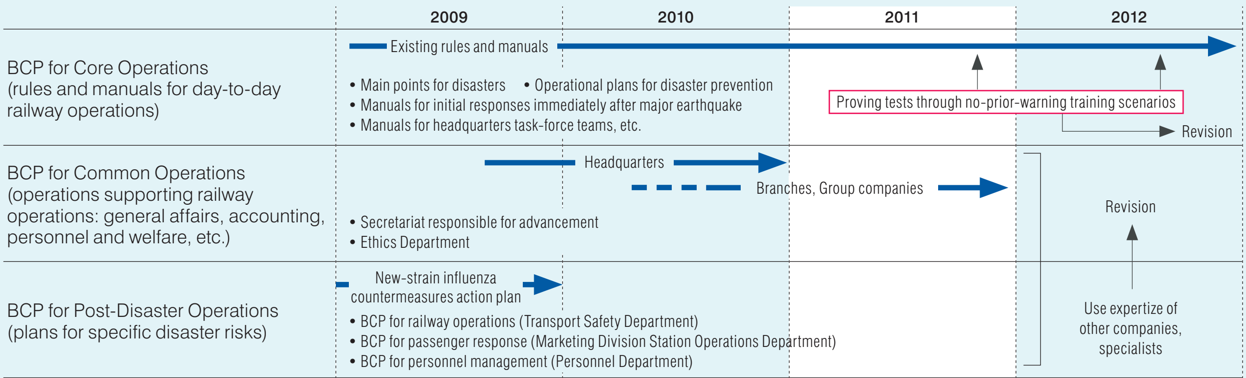

Train crew members checking evacuation routes


Tsunami training exercise

Preparation of a Business Continuity Plan

Business continuity plans (BCPs) establish systems to enable the continuation of operations in the event of an emergency, mainly following disasters, after ensuring the safety of customers and personnel as a first priority. Given that railway operations are a “battle with natural disasters,” JR-West has accumulated expertise and infrastructure relating to disaster countermeasures and post-disaster restoration that includes its experience acquired during the era of Japanese National Railways (JNR). JR-West largely completed preparation of its BCP in fiscal 2012. We did not approach the preparation of the plan as something entirely new, rather we focused our efforts on improving and recategorizing existing manuals and rules, based on ensuring the safety of customers and personnel as a first priority. Currently, we are drawing on the expertise on other companies and specialists to hone the plan and check its effectiveness.

PREPARATION OF A BUSINESS CONTINUITY PLAN (BCP)



ENVIRONMENT

Basic Approach

Initiatives to protect the environment are an indispensable part of fulfilling our CSR. Accordingly, JR-West has introduced energy-saving railcars, built and entrenched an environmental management system, and advanced other Groupwide environmental measures steadily.

The Great East Japan Earthquake on March 11, 2011, created power supply problems for JR-West. Railways have always been an energy-saving mode of transportation. However, with the cooperation of customers, we stepped up energy-saving efforts. While redoubling energy-saving efforts with a view to building a sustainable society, we will heighten the convenience and appeal of railways to encourage more customers to select railways as a mode of transportation, thereby helping realize an energy-saving society.

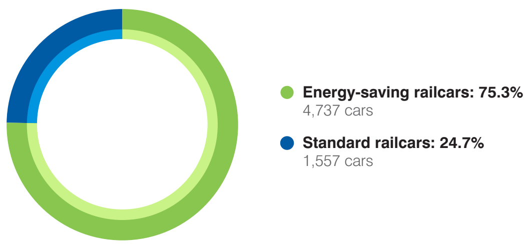
Initiatives for Global Warming Prevention

Preparing and implementing concrete action plans for reducing CO_2 emission volumes

As well as introducing energy-saving railcars, in seven locations we have installed direct current (DC) feeding systems between up and down lines that reduce power transmission loss to trains and increased the energy efficiency of power regenerative brakes. Also, aiming to realize further energy savings, we have begun implementing energy-saving train operations, developing systems for the realization of "eco stations," and conducting basic research.

JR-WEST'S ENVIRONMENTAL PROTECTION INITIATIVES

ENERGY-SAVING RAILCARS
as percentage of total railcars

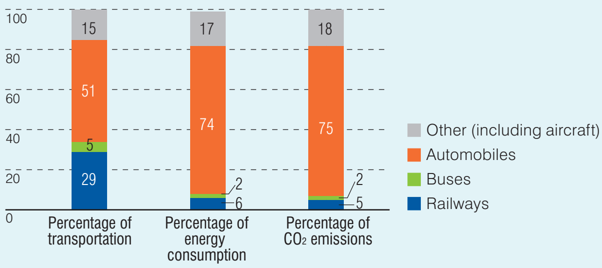


Railways—A Mode of Transportation with Low Environmental Burden

Although transporting large numbers of passengers, railways have comparatively low energy consumption and CO_2 emissions. In Japan, railways account for roughly one third of passenger transportation but only 6% of energy consumption and 5% of CO_2 emissions.

Railways emit less CO_2 and are more environment-friendly than other modes of transportation. Per unit of transportation volume, railways generate CO_2 emissions that are approximately one ninth of those from private automobiles.

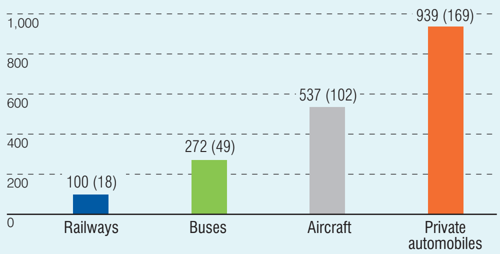
TRANSPORTATION, ENERGY CONSUMPTION, AND CO_2 EMISSIONS BY MODE OF TRANSPORTATION
(Fiscal 2010: Japan)



Sources: Calculated based on *Summary of Transportation Statistics*, Transport Research and Statistics Office, Ministry of Land, Infrastructure, Transport and Tourism and *The GHGs Emissions Data of Japan*, Greenhouse Gas Inventory Office of Japan

Note: Certain totals are not 100% due to rounding.

CO_2 EMISSIONS PER UNIT OF TRANSPORTATION VOLUME FOR PASSENGERS IN FISCAL 2011
Index: Railways=100

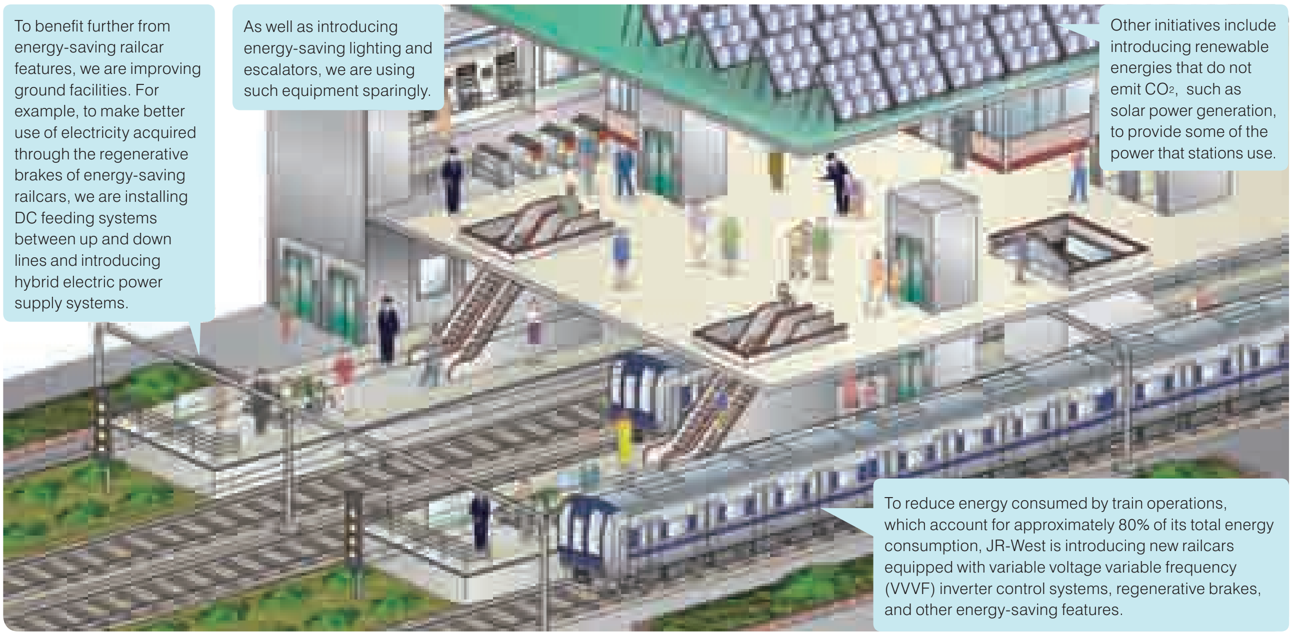


Note: Prepared based on information from the website of the Ministry of Land, Infrastructure, Transport and Tourism. Numbers in parentheses are actual CO_2 emission volumes (g-CO_2 / passenger-kilometers).

Aiming to Save Energy and Reduce CO_2 Emissions

Although railways place less burden on the environment than other modes of transportation, they still use significant amounts of power and fuel. In response, to prevent global warming JR-West is not only reducing the energy consumption of train operations, which account for the majority of energy consumption, but is also curbing energy consumption in an array of other areas, such as offices and stations.

Furthermore, we are realizing an even more energy-efficient railway system by developing new technologies and creating eco stations.



Realization of a Recycling-Based Society

The JR-West Group practices the "3Rs" (reduce, reuse, and recycle) with respect to all waste produced during the construction and maintenance of its facilities as well as the operation of its stations and trains.

Disposal of Waste Produced During Facility Maintenance and Construction

The JR-West Group performs regular maintenance and construction of facilities in order to ensure that its railways can operate safely. In fiscal 2012, the total waste produced through these activities and contracted construction amounted to 231 thousand tons. To address this waste production, the Group employs construction designs and methods that utilize resources more efficiently and limit waste production. It is also proactive in its efforts to reuse such waste. In fiscal 2012, the Group was able to recycle 95.4% of the waste produced through these means.

Compliance Initiatives

Management of Chemical Substances

As well as monitoring the types and volumes of chemical substances it stores and uses at respective operating bases, JR-West manages storage strictly and is taking measures to reduce usage volumes.

Managing and Disposing of PCBs

Equipment that has used polychlorinated biphenyls (PCBs) and other items that have been contaminated by PCBs are carefully stored and managed in accordance with relevant laws and regulations. Further, the Group is steadily disposing of such materials according to laws and regulations. As of March 31, 2012, it had disposed of 615 tons of materials contaminated by PCBs.

Transfer of PCB waste

Taking Steps to Address the PRTR Law

Certain chemical products that JR-West handles, such as organic solvents used for train maintenance, are subject to the Pollutant Release and Transfer Register (PRTR) Law, which requires companies to report the volumes of chemical substances they release or transfer. In fiscal 2012, the Company reported these substances pursuant to the PRTR Law for six of its operational sites.

COEXISTENCE WITH LOCAL COMMUNITIES

Basic Approach

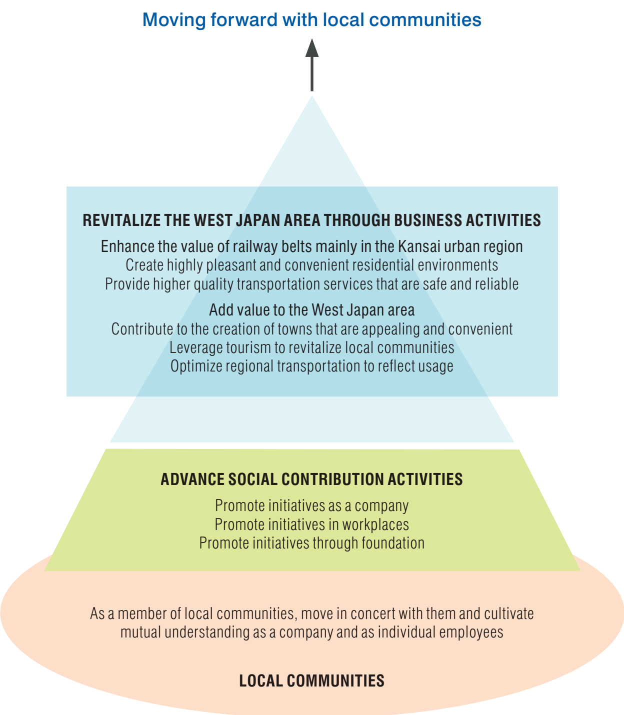
As a company operating businesses centered on railways, JR-West cannot exist without local communities. Accordingly, as a company moving forward with these communities, we want to develop sustainably with them through our business activities. Based on this commitment, we revised our medium-term management plan in 2012, setting out coexistence with local communities as a new strategy.

Reflecting the viewpoints of local communities, the JR-West Group will strengthen collaboration with other modes of transportation and municipalities to revitalize the West Japan area through its business activities.

With this as our overriding goal, we intend to advance social contribution activities rooted in local communities, concentrating on five areas: safety, the global environment, social welfare, railway culture, and local communities.

Aiming to earn the trust of society and local communities through the accumulated effect of these activities, we are committed to moving forward with local communities.

COEXISTENCE WITH LOCAL COMMUNITIES—OVERVIEW



Revitalizing the West Japan Area through Business Activities

Reflecting the viewpoints of local communities, the JR-West Group will strengthen collaboration with other modes of transportation and municipalities to build cooperative relationships that benefit all parties. We will establish five cross-divisional teams tasked with creating highly pleasant and convenient residential environments, providing higher quality transportation services that are safe and reliable, contributing to the creation of towns that are appealing and convenient, leveraging tourism to revitalize local communities, and optimizing regional transportation to reflect usage. Through the Groupwide initiatives of these teams, we will help enrich the lives of the residents of local communities.

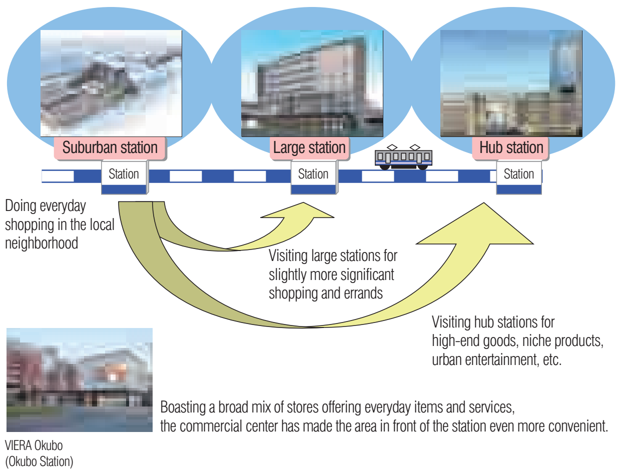
Enhancing the Value of Railway Belts Mainly in the Kansai Urban Region

Creating Highly Pleasant and Convenient Residential Environments

JR-West is creating railway belts that are convenient and desirable places to live and which have stations and station neighborhoods offering a full range of facilities and services.

Specifically, we are upgrading station facilities by renewing restrooms and platform benches. Furthermore, to improve access to stations, we are improving bus access, expanding the *Ekirinkun* rental bicycle service, and planning to establish parking areas.

Also, based on the characteristics of each area, we aim to create railway belts that are amenable and appealing to parents raising children. In fiscal 2012, we increased child daycare facilities by inviting accredited daycare centers to become tenants of our station buildings.

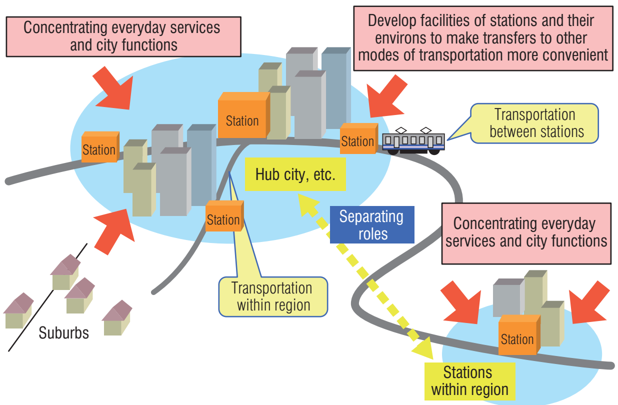


Adding Value to the West Japan Area

Contributing to the Creation of Towns that Are Appealing and Convenient

By making transferring at stations to other modes of transportation easier, we aim to increase the convenience of public transportation for local communities. In cooperation with municipalities and local residents, JR-West aims to enhance the facilities and services of stations and their environs as the "entrances" of towns. Through these initiatives, we hope to play a leading role in town development that originates from stations. One example of such efforts is the November 2010 memorandum for mutual cooperation toward improving the convenience of public transportation in Okayama Prefecture that we concluded with the Ryobi Group.

Also, we intend to facilitate the efficient operation of cities by contributing to the construction of "compact cities" through the concentration of everyday services and city functions at stations.

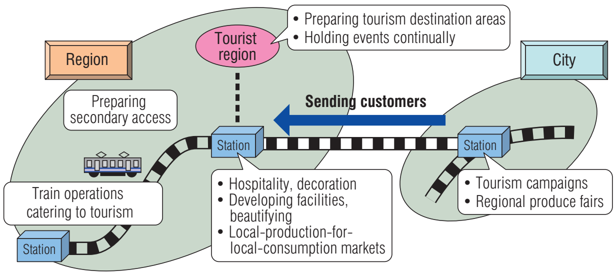


Leveraging Tourism to Revitalize Local Communities

Our collaborations with local communities are not limited to transportation, but they encompass a broad range of areas. We work with local communities to develop tourism by attracting customers to regions and welcoming them with abundant hospitality.

In particular, looking ahead to the "Sanyo Destination Campaign" scheduled for fall 2012, we are communicating intensively with municipalities and tourism service providers to maximize the benefits of this initiative.

As campaigns aimed at readying destination areas and disseminating information for the "Sanyo Destination Campaign," we jointly organized the "Tottori Campaign" in spring 2011 and the "Sanyo Nakaumi Campaign" in fall 2011 with local communities.

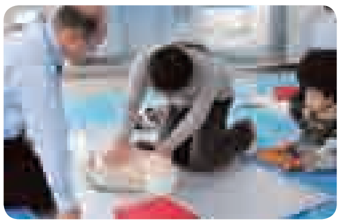


Contributing through the JR-West Relief Foundation

A public-interest association established in the wake of the Fukuchiyama Line accident by a donation from JR-West, the JR-West Relief Foundation contributes to the realization of a society that affords safety and peace of mind.

Aiming to provide opportunities to reflect on aspects of life and foster a mutually supportive society, the foundation organizes Heart Seminars as well as Safety Seminars, which use railway operations as starting points to consider safety. Also, the foundation jointly hosts Emergency First Aid Fairs, which are educational events that focus on the importance of initial response and first aid and provide the public with firsthand experience using automated external defibrillators (AEDs) and cardiopulmonary resuscitation.

Also, the foundation contributes to mental and physical care and the building of safe local communities by providing support and donations to such initiatives as the "Learning about Grief" public lectures that Sophia University's Grief Care Research Institute holds and Kyoto University's "Lectures on Safety Engineering for Public Infrastructure." And, we are also assisting in the Great East Japan Earthquake restoration effort by appealing to the public for support of the restoration effort.


An Emergency First Aid Fair


Public donations presentation ceremony

BUILDING
Corporate Governance Systems to Support Future Growth

Fundamental Stance on Corporate Governance

Based on its Corporate Philosophy and Safety Charter, JR-West will work to fulfill its CSR and strive for sustained future growth through continuous efforts to establish a corporate culture that places top priority on safety. To realize these goals, from the perspective of enhancing the soundness, transparency, and efficiency of management, JR-West is striving to reinforce its corporate governance by putting in place systems to establish corporate ethics, strengthen oversight and supervisory functions, and expedite the execution of business operations.

Overview of the Corporate Governance System and Reasons for Adopting this System

JR-West adopted the structure of a Company with Auditors pursuant to the Corporation Law of Japan as its corporate governance system. By subjecting the execution of duties by directors to appropriate auditing by each of the four corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management.

The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors. In addition to participating in decision making related to the execution of important management issues as full members of the Board of Directors, the external directors work to further strengthen oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge. In addition, the Company has adopted the executive officer system with the aim of further enhancing managerial efficiency.

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current corporate auditor system outlined above, JR-West considers it appropriate to put in place a system for management decision making and operational execution as well as oversight and supervision.

To establish corporate ethics, the Company institutes its code of conduct and code of ethics, makes its officers comply with these codes and exercise the initiative in materializing the Corporate Philosophy, and generates a sense of common values that will constitute the basis of honest and fair business behavior.

The Company established a Corporate Ethics Committee chaired by the President, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.

The Company also established a system to accept consultations as to questionable acts from the perspective of law or corporate ethics through contacts with the its Ethics Office and outside attorneys and improved its whistle-blowing system.

Directors and executive officers submit “Letters of Confirmation of Execution of Duties,” which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

In principle, the Board of Directors meets once a month. In addition to receiving timely and appropriate reports on such matters as the status of the execution of business operations and corporate ethics, the Board of Directors deliberates on important management matters and carries out expeditious decision making. The Board also undertakes mutual oversight of the execution of duties.

To strengthen the Board of Directors’ oversight and supervisory functions, of the 14 directors the Company appoints, five are external directors, whose specialized role focuses on oversight and supervision. The Company is working to reinforce the system for conveying information to the external directors through such measures as increasing the opportunities for briefing the external directors on the status of operational execution.

In accordance with the selection procedures for directors, the President proposes the candidates for director to be recommended to the General Shareholders’ Meeting to the Board of Directors, which makes decisions on the candidates through a resolution. The Company has abolished the directors’ bonus system and director compensation has been unified as a system of monthly compensation. With the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Furthermore, the Company has established the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, to discuss items fundamental to the execution of business duties. In principle, the Management Committee convenes weekly. In addition, by delegating authority to the executive officers, the Company aims to expedite decision making and business execution. Moreover, the highest responsibility for the execution of business operations has been integrated into the office of the President.

Status of the Internal Control System (Including the Risk Management System)

Pursuant to the Corporation Law of Japan, the Board of Directors formally approved the Company's fundamental stance regarding the internal control system and the status of this system. An overview of this system is as follows.

1. Systems to ensure directors and employees observe laws and regulations and the Company's Articles of Incorporation when executing their duties

To establish corporate ethics, the Company institutes its code of conduct and code of ethics in accordance with its Corporate Philosophy and generates a sense of common values that will constitute the basis of honest and fair business behavior by encouraging its officers to comply with these codes and exercise the initiative in materializing the Corporate Philosophy. The Company established a Corporate Ethics Committee chaired by the President, which deliberates on and evaluates important matters for the establishment of corporate ethics and submits necessary reports to the Board of Directors. The Company also accepts consultations as to questionable acts from the perspective of law or corporate ethics through its Ethics Office and outside attorneys and improved its whistle-blowing system.

JR-West absolutely rejects relationships with antisocial forces. To this end, the Company collaborates closely with specialist outside agencies and has established a supervisory department and prepared relevant manuals.

The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner, and allow directors to mutually monitor the execution of their duties. The Company makes a clear distinction between directors who engage exclusively in monitoring and supervision and directors who execute business (concurrently serving as executive officers) as well. The Company is committed to having two or more external directors, and has improved its information provision system to the external directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company clarified the criteria for selection of directors and executive officers to ensure objectivity and transparency.

With regard to the execution of duties by directors and employees, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. The Company also establishes various committees from time to time to ensure duties are executed transparently. In addition, the Inquiry & Auditing Department, which is responsible for internal audits, audits the Company's business in general from the perspectives of compliance with laws or ordinances and regulations.

Furthermore, for the purpose of the establishment of systems to evaluate and audit internal control over financial reporting, the Company shall maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.

Directors and executive officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

Through these measures, the Company endeavors to improve its systems to ensure compliance with laws and establish corporate ethics in its business operations in general.

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

In accordance with laws and regulations and the Company's document-management policies, 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 the 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, JR-West 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 the Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, toward the goal of realizing higher levels of safety. Also, the Company works to establish safety management systems based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. In addition, the President serves as the Chairman of the Risk Management Committee, which 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 major crises, such as a large-scale natural disaster, 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. Furthermore, the Management Committee—comprised of members including representative directors and executive officers mainly in the head office—in principle convenes weekly to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, under which authority is delegated to the executive officers to strengthen the oversight and supervisory functions of the Board of Directors and to enhance the speed of decision making.

5. Systems to ensure the appropriateness of operations in the corporate group

Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Groupwide corporate ethics. The Risk Management Committee determines fundamental matters related to Groupwide risk management. Based on policies and stipulations, each subsidiary establishes committees and regulations to construct systems to establish a Groupwide corporate ethics system and carry out appropriate risk management. Furthermore, the whistle-blowing system may be utilized for consultations related to Group companies through internal and external consultation services established by the Company.

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. Furthermore, when required, the Company will confirm that Group companies are observing relevant 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 full-time 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.

Furthermore, 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. Furthermore, corporate auditors receive regular reports and additional reports as needed 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 important documents, including documents related to decisions; to cooperate with the internal audit department and accounting auditors; to regularly exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively.

Furthermore, 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.

Overview of Contracts for Limitation of Liability

In accordance with article 427, item 1, of the Companies Act of Japan, the Company provides in the Articles of Incorporation that external directors and external corporate auditors are to enter into a contract for limitation of liability with the Company, limiting the liability of the external directors and external corporate auditors under article 423, item 1, to a specified amount. As of the release date of the Company's *Yuho* securities report, all external directors and external corporate auditors had entered into such a contract with the Company.

Status of Audits by the Corporate Auditors, Internal Audits, and Accounting Audits

In accordance with the auditing policies and audit 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 as well as to deliberate and make decisions. With regard to the support system provided for the corporate auditors, including the external corporate auditors, the Company has expanded and strengthened the corporate auditor staff, whose duty is to provide full-time assistance to the corporate auditors. The staff carry out their duties in accordance with the instructions of the corporate auditors. Corporate auditor Yasumi Katsuki holds the qualifications of a certified public accountant (CPA) and possesses a wealth of knowledge relating to finances and accounting.

With regard to internal audits, the Inquiry & Auditing Department, which is tasked with internal auditing functions, comprises approximately 30 staff, including five support staff for the corporate auditors. Through this structure, the Inquiry & Auditing Department conducts audits covering the Company's overall business operations, from the perspective of compliance with relevant laws and internal regulations and the adequacy of business operation management, including evaluation of internal controls relating to financial reporting.

Furthermore, the corporate auditors and the Inquiry & Auditing Department, which is responsible for internal audits, conduct regular exchanges of opinion on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, the corporate auditors and the Inquiry & Auditing Department strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

With regard to independent accounting audits, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which carries out appropriate audits that are conducted by an audit team comprising three partners and an auditing support staff consisting of 32 members: 14 other CPAs and 18 other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the corporate auditors, the Inquiry & Auditing Department, and the accounting auditors involve close mutual cooperation and the ongoing exchange of information regarding each other's respective audit plans, methodology, and results, to facilitate efficient and effective auditing.

In fiscal 2012, auditing procedures were conducted by the following CPAs.

Name		Affiliated auditing firm	Consecutive years of auditing
Designated limited liability partners Partners	Mikio Konishi	Ernst & Young ShinNihon LLC	—
	Yutaka Matsumura		—
	Yoshihiro Shibata		—

Policies Regarding the Functions, Roles, Relationship with the Company and Independence of the External Directors and External Corporate Auditors

JR-West adopts the structure of a Company with Auditors as its corporate governance system. Specifically, by subjecting the execution of duties by directors to appropriate auditing by each of the four corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management. Furthermore, five of the 14 directors are external directors, whose role is focused on oversight and supervision. The external directors work to further strengthen the oversight and supervisory functions of the Board of Directors. Applications for all external directors and auditors have been submitted to the securities exchanges on which the Company is listed to identify them as independent officers.

All five external directors—Satoru Sone, Tadashi Ishikawa, Yumiko Sato, Yuzo Murayama, and Norihiko Saito—were selected due to their rich backgrounds in fields such as academia, law, and management. The Company hopes to reflect the expertise of these individuals in its management.

Based on the fact that there is very little likelihood of a conflict of interest arising between the five external directors and ordinary shareholders—none of the external directors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external directors are able to maintain a sufficient level of independence. The Company believes that the external directors are able to provide management oversight from an independent position.

All three external corporate auditors were selected due to their rich backgrounds in a variety of fields—Tsutomu Iwasaki in politics, and Ikuo Uno and Yasumi Katsuki as managers and CPAs. The Company hopes to reflect the expertise of these individuals in its management.

Based on the fact that there is very little likelihood of a conflict of interest arising between the three external corporate auditors and ordinary shareholders—none of the external corporate auditors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external corporate auditors are able to maintain a sufficient level of independence. The Company believes that the external corporate auditors are able to audit the execution of duties of the directors from an independent position. External corporate auditor Ikuo Uno is also a consultant to Nippon Life Insurance Company, with which the Company has transactions in the form of long-term debt.

Director Compensation, etc.

1. Total compensation amount by officer classification, total compensation amount by type of compensation, and number of recipient officers

Officer classification	Total compensation amount (Millions of yen)	Total compensation amount by type of compensation (Millions of yen)				Number of recipient officers
		Basic compensation	Stock options	Bonus	Retirement bonus	
Directors (excluding external directors)	¥350	¥321	—	—	—	10
Corporate auditors (excluding external corporate auditors)	¥ 27	¥ 27	—	—	—	1
External directors and external corporate auditors	¥ 89	¥ 87	—	—	—	9

2. Total compensation amounts for individual officers

No disclosure is made owing to the fact that no individual officer received total compensation of ¥100 million or higher.

3. Policy for determining the amount of director compensation, etc.

With regard to compensation for directors and corporate auditors, the Company has abolished the directors' bonus system and the directors' retirement bonus system, and has instead implemented a unified system of monthly compensation.

The directors' monthly compensation comprises "basic remuneration" and "performance-evaluation remuneration," the latter of which is determined using such factors as business operating results during the previous fiscal year as a guide. The level of compensation takes into account compensation levels at other companies, with such information drawn from specialist external organizations, to ensure an appropriate level of compensation.

In addition, with the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Corporate auditor compensation comprises only "basic remuneration," and the level of compensation takes into account compensation levels at other companies, with such information drawn from external special organizations, to ensure an appropriate level of compensation.

The compensation for each individual director is determined by a resolution of the Board of Directors, and the compensation for each individual corporate auditor is determined through consultations among the corporate auditors. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all corporate auditors approved by a resolution of the General Shareholders' Meeting.

Status of Stock Holdings

1. Investments in stocks for which the holding purpose is other than pure investment

Number of companies: 38

Total carrying amount on the balance sheet: ¥8,577 million

2. Holding purpose, name of holding company, number of shares, and amount on the balance sheet holdings of investments in stocks for which the holding purpose is other than pure investment

Fiscal 2011

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
The Sumitomo Trust and Banking Co., Ltd.	2,947,000	¥1,270	To maintain a good relationship, facilitate smooth business operations
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥1,121	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥1,055	
Japan Tobacco Inc.*	3,050	¥ 916	
Electric Power Development Co., Ltd.*	192,840	¥ 494	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 374	
Chuo Mitsui Trust Holdings, Inc.*	943,500	¥ 278	
Mizuho Financial Group, Inc.*	1,755,010	¥ 242	
Asia Air Survey Co., Ltd.*	710,000	¥ 191	
Mizuho Trust & Banking Co., Ltd.*	2,467,000	¥ 185	
Resona Holdings, Inc.*	299,300	¥ 118	
East Japan Railway Company*	200	¥ 0	

* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, the 12 largest holdings are presented in the table.

Fiscal 2012

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
Japan Tobacco Inc.	3,050	¥1,421	To maintain a good relationship, facilitate smooth business operations
Sumitomo Mitsui Trust Holdings, Inc.	5,334,530	¥1,408	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥1,203	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥1,111	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 486	
Electric Power Development Co., Ltd.*	192,840	¥ 432	
Mizuho Financial Group, Inc.*	1,767,410	¥ 238	
Asia Air Survey Co., Ltd.*	710,000	¥ 168	
Resona Holdings, Inc.*	299,300	¥ 114	
East Japan Railway Company*	200	¥ 1	

* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, the 10 largest holdings are presented in the table.

3. Stocks for which the holding purpose is purely investment purposes

There are no applicable items.

Number of Directors

The Company's Articles of Incorporation stipulates that the number of directors shall be 40 or less.

Requirements Relating to Resolutions for the Appointment of Directors

The conditions stipulated by JR-West's Articles of Incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights. Furthermore, the Company's Articles of Incorporation stipulates that resolutions for the appointment of directors shall not be conducted using cumulative voting.

Resolutions to be Decided by the General Shareholders' Meeting that May Be Resolved by the Board of Directors

1. Acquisition of treasury stock

With regard to the acquisition of treasury stock, to facilitate expeditious management decisions, pursuant to article 165, paragraph 2, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may acquire its own shares through market transactions, etc., based on a resolution of the Board of Directors.

2. Interim dividend

To expand the opportunities for shareholder return, pursuant to article 454, paragraph 5, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may pay an interim dividend based on a resolution of the Board of Directors.

Conditions for Special Resolutions of the General Shareholders' Meeting

The conditions stipulated by JR-West's Articles of Incorporation for resolutions based on article 309, paragraph 2, of the Corporation Law of Japan are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the General Shareholders' Meetings by relaxing the quorum required for special resolutions of the General Shareholders' Meeting.

As of June 22, 2012

Board of Directors

Chairman of the Board of Directors

Takayuki Sasaki

Directors

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

Tadashi Ishikawa[1]
Partner, Oh-Ebashi LPC & Partners

Yumiko Sato[1]
Senior Research Fellow, Suntory Foundation

Yuzo Murayama[1]
Professor of Business Institution,
Graduate School, Doshisha University

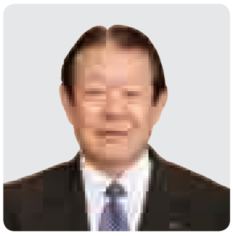
Norihiko Saito[1]
Chairman, KINDEN CORPORATION

Director, President, and Executive Officer

Seiji Manabe[2]

Directors, Vice Presidents, and Executive Officers

Akiyoshi Yamamoto[2]



Shizuka Yabuki[2]

Tatsuo Kijima[2]

Director and Senior Managing Executive Officer

Kenji Nanakawa

Directors and Senior Executive Officers

Makoto Shibata
Akihiro Horisaka
Kazuaki Hasegawa

Corporate Auditors

Yasutaka Kikuchi[3]
Tsutomu Iwasaki[3,4]
Ikuo Uno[4]
Advisor, Nippon Life Insurance Company

Yasumi Katsuki[4]
Certified public accountant, Katsuki Office

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

EXECUTIVE OFFICERS

As of June 22, 2012

President, Representative Director, and Executive Officer

Seiji Manabe

Vice Presidents, Representative Directors, and Executive Officers

Akiyoshi Yamamoto
Senior General Manager of Railway Operations Headquarters

Shizuka Yabuki
Senior General Manager of Business Development Headquarters

Tatsuo Kijima

Director and Senior Managing Executive Officer

Kenji Nanakawa
Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line

Directors and Senior Executive Officers

Makoto Shibata
Deputy Senior General Manager of Railway Operations Headquarters / Senior General Manager of Marketing Department, Railway Operations Headquarters

Akihiro Horisaka
General Manager of General Affairs Department

Kazuaki Hasegawa
Senior General Manager of Kansai Urban Area Regional Head Office

Senior Executive Officers

Kenji Shiratori
General Manager of Safety Research Institute

Tatsuya Mano
Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Shinkansen Supervising Department, Railway Operations Headquarters

Masaru Kawakami
Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Transport Safety Department, Railway Operations Headquarters

Katsunori Matsuura
General Manager of Finance Department

Nobutoshi Nikaido
Senior General Manager of Corporate Planning Headquarters / Senior General Manager of Tokyo Headquarters

Executive Officers

Masashi Nonaka
Deputy Senior General Manager of Tokyo Headquarters

Takao Okubo
General Manager of Electrical Engineering Department, Railway Operations Headquarters

Kouhei Ogino
General Manager of Construction Department

Takaiki Ikoma
General Manager of Okayama Branch

Shoji Kurasaka
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka Branch, Kansai Urban Area Regional Head Office

Fumito Ogata
General Manager of Corporate Communications Department

Takayuki Sugiki
General Manager of Hiroshima Branch

Masato Yamaguchi
Deputy Senior General Manager of Business Development Headquarters

Atsushi Sugioka
Deputy Senior General Manager of Corporate Planning Headquarters

Katsumi Imai
General Manager of Personnel Department

Hidehiko Kanehira
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kobe Branch, Kansai Urban Area Regional Head Office

Toshihiko Kunihiro
General Manager of Fukuchiyama Branch

Katsuyoshi Miura
General Manager of Kanazawa Branch

Fumio Tanaka
Deputy General Manager of Shinkansen Management Division / General Manager of Fukuoka Branch, Shinkansen Management Division

Kei Fukushima
Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

Yoshifumi Yokoyama
General Manager of Yonago Branch

Shinichi Handa
General Manager of Wakayama Branch

Kunimasa Kojima
Senior General Manager of IT Headquarters

Kuniaki Morikawa
General Manager of Transport Department, Railway Operations Headquarters

Keijiro Nakamura
General Manager of Shinkansen Management Division

Noriaki Ejiri
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka General Control Center, Kansai Urban Area Regional Head Office

Masafumi Ise
Deputy Senior General Manager of Business Development Headquarters

Ushio Kurahara
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kyoto Branch, Kansai Urban Area Regional Head Office

Technical Directors

Yoshifumi Matsuda
General Manager of Structural Engineering Office

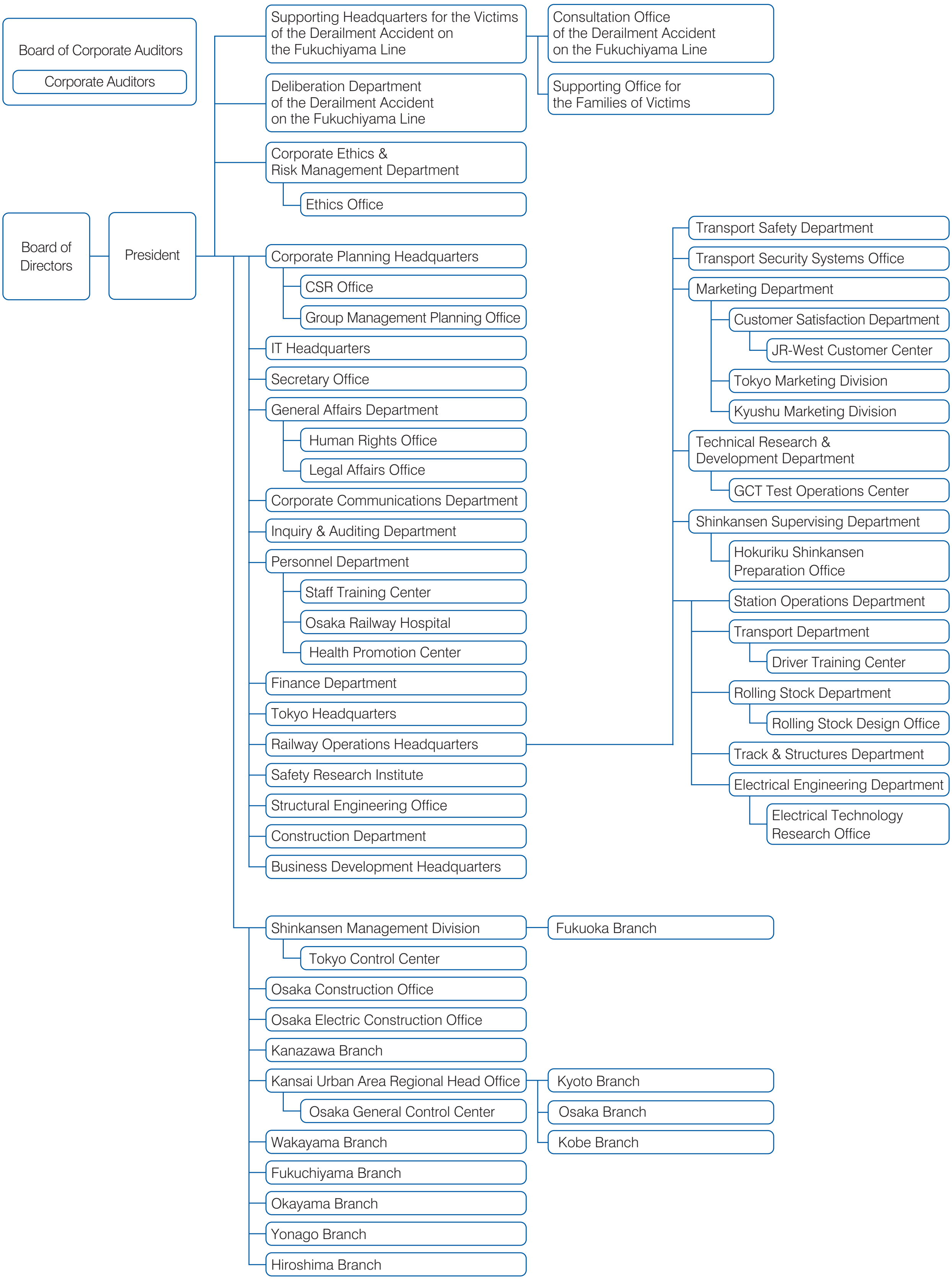
Norihiko Yoshie
General Manager of Technical Research & Development Department, Railway Operations Headquarters

Katsumi Tsuchida
Deputy General Manager of Construction Department

Yoshihisa Hirano
General Manager of Transport Security Systems Office, Railway Operations Headquarters

ORGANIZATIONAL STRUCTURE

As of June 1, 2012



FINANCIAL SECTION

Contents

Results of Operations

For fiscal 2012, ended March 31, 2012, operating revenues increased ¥74.1 billion, or 6.1%, year on year, to ¥1,287.6 billion, because the numerous passengers using the Group's transportation services as a result of the Group's concerted effort to maximize the benefits of two major projects—direct services with the Kyushu Shinkansen Line and Osaka Station City—compensated for the effect of the Great East Japan Earthquake, which occurred in March 2011.

Total operating expenses rose ¥60.3 billion, or 5.4%, year on year, to ¥1,177.8 billion, reflecting increases in the cost of sales, non-personnel costs, and depreciation and amortization, which accompanied the opening of the two major projects. Nevertheless, operating income was up ¥13.8 billion, or 14.4%, year on year, to ¥109.7 billion.

Total non-operating expenses increased ¥0.3 billion, to ¥27.3 billion, because equity in losses of affiliates offset lower interest expense.

Total extraordinary losses improved ¥5.7 billion year on year, to ¥2.2 billion. The Company recognized extraordinary losses because extraordinary profits resulting from gain on contributions received for constructions did not fully absorb a loss on reduction of fixed assets associated with these constructions and loss incurred as a result of a major disaster.

Net income declined ¥5.4 billion, or 15.7%, year on year, to ¥29.4 billion, due to a revision of deferred tax assets accompanying the promulgation of a law related to the lowering of income tax rates.

Factors Affecting Revenues

The transportation operations segment's revenue from passenger tickets is derived mainly from railway transportation. Because revenue from passenger tickets depends mainly on passenger numbers, numerous factors affect it, including competition from other modes of transportation, such as airlines; competition from rival railway companies; economic conditions; and the falling birthrate and aging population. Furthermore, we believe that railway passengers make railway usage decisions based on the safety and reliability of the railway while considering such factors as travel times, the comprehensiveness of the railway network, fares, and levels of comfort. Given that the number of business and leisure passengers using the line is the principal factor affecting it, revenue from the Sanyo Shinkansen Line reflects economic conditions and competition with domestic airlines. A large proportion of revenues from JR-West's Urban Network are derived from passengers commuting to work or school. Consequently, these revenues are less susceptible to the effect of economic conditions. However, the Group anticipates that demographic changes, including the declining birthrate and an aging population, and continuing urbanization will affect these revenues. For some of JR-West's other conventional lines, such factors as economic conditions and competition with intercity bus services and private automobiles affect revenues from passengers traveling between cities. As for local lines, such factors as competition with private automobiles, local economic conditions, and demographic trends affect revenues.

The retail business segment's revenues primarily come from department store businesses, merchandise sales, and restaurant operations. As well as economic conditions, competition from other department stores, retailers, and restaurants affects this segment's revenues. Furthermore, because businesses in this segment are predominantly located in stations or their surrounding areas, traffic volume also affects revenues. However, because the number of passengers using stations is relatively stable, this segment's revenues are less susceptible to the effect of such competition compared with the revenues of other companies in the same industries. Also, the number of new store openings and store closings affects the segment's revenues.

The Real Estate Business segment's revenues are derived mainly from leasing income from the leasing of facilities in and around stations. Although economic conditions affect this segment, it is affected less than competitors, because stations enjoy relatively stable traffic, and tenants prefer offices that are conveniently located either on station premises or in the surrounding area. Most of the Group's real estate leasing contracts comprise fixed rent and rent that varies depending on the tenant's sales. Consequently, fluctuations in tenants' sales affect the real estate business segment's revenues. Attracting popular stores as tenants is important not only to bolster sales-linked rent but also to increase the customer-drawing power of the Group's stations and shopping centers. Further, remodeling stores is an important facet in enhancing customer-drawing power.

The other businesses segment's revenues primarily comprise revenues from hotel and travel agency operations. Economic conditions, room rates, and competition from other hotels mainly affect revenues from hotel operations. Competition from other travel agents as well as others factors deterring travel, such as adverse economic conditions or terrorist attacks, affect revenues from travel agency operations. In addition to hotel and travel agency operations, the Other Businesses segment includes construction, advertising, and other businesses. The Company conducts these businesses primarily with a view to expanding the customer base of its mainstay railway business and to enhancing its stations and other facilities.

Factors Affecting Expenses

Due to an increase in retirees as a result of the Company's early retirement program, the Company is recruiting new employees required for the operation of its businesses. For fiscal 2012, personnel costs rose ¥2.6 billion year on year, to ¥237.9 billion.

The characteristics of railway operations include (i) the ownership of a large amount of facilities and equipment that incur comparatively high costs for maintenance needed to ensure safety and (ii) a high proportion of fixed costs that are not linked to revenues. Given these characteristics, for non-personnel costs the JR-West Group focuses on structural reductions in costs 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, the Company is currently implementing safety improvement measures in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations. As a result, in relation to safety enhancement we envision costs rising for the foreseeable future. Furthermore, we anticipate additional costs arising from initiatives to improve the Company's competitiveness relative to other modes of transportation. These initiatives will include enhancing service quality, introducing information technologies (IT) to promote sales, and increasing outsourcing to improve operational efficiency.

With regard to railway usage charges, 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, taking into consideration interest rate fluctuations and other factors. As a result, railway usage charges have been reduced from fiscal 2012 onward. For fiscal 2012, expenses paid were approximately ¥15.2 billion.

Interest expense is a major component of non-operating expenses. The JR-West Group pays close attention to the level of total long-term liabilities and total interest expense with the aim of ensuring the stability of business management. For fiscal 2012, the Group's interest expense declined ¥0.8 billion, to ¥32.9 billion, as a result of interest rate reductions on total long-term liabilities.

Cash Flows

Net cash provided by operating activities decreased ¥16.9 billion year on year, to ¥206.2 billion, primarily due to a decrease in notes and accounts payable.

Net cash used in investing activities was down ¥47.1 billion year on year, to ¥199.1 billion, which was attributable to such factors as lower purchases of property, plant and equipment.

Net cash provided by financing activities declined ¥88.2 billion year on year, to ¥36.8 billion, mainly reflecting a decrease in proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2012, amounted to ¥50.3 billion, down ¥29.1 billion from the end of the previous fiscal year.

Capital Demand and Capital Expenditures

In fiscal 2012, the JR-West Group undertook capital expenditures totaling ¥208.8 billion, of which the transportation operations segment accounted for ¥142.5 billion, the retail business segment ¥21.1 billion, the real estate business segment ¥41.9 billion, and the other businesses segment ¥3.1 billion.

Capital expenditures in the transportation operations segment were mainly for railroad infrastructure centered on safety enhancements and purchases of new rolling stock to replace aged rolling stock. The Group's capital expenditures in the retail business, real estate business, and other businesses segments were mainly for construction of new facilities and renovation of aged facilities.

Furthermore, the JR-West Group implemented capital expenditures of approximately ¥190.0 billion for the Osaka Station Development Project and ¥20.0 billion for the expansion of the ACTY Osaka Building, with these facilities beginning full-fledged operations in May 2011.

Further, in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations, the JR-West Group 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 flows. At the same time, however, the Group recognizes that improving capital efficiency is an extremely important facet of business management. As part of efforts in this area, in October 2002 the Group introduced a cash management service (CMS) to ensure effective utilization of Group funds.

Regarding financing, the JR-West Group typically procures funds for repayments of existing debt, capital expenditures, or other expenses that the Group's cash flows cannot cover. The Group determines financing methods, including corporate bonds and long-term bank loans, based on a comprehensive consideration of market trends, interest rates, and other factors. For short-term financing, our basic policy is to raise the necessary capital mainly through short-term bonds. Furthermore, we have concluded commitment line contracts allowing procurement of funds, in accordance with prescribed conditions, in the event of a major earthquake.

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 June 23, 2011. 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

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 proposals and opinions included in the report on the Fukuchiyama Line accident published by the Aircraft and Railway Accidents Investigation Commission in June 2007. In addition, 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.

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 JR passenger railway companies operating on Japan's main island of Honshu, hereinafter the "JR 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 JR 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 the JR passenger railway companies in Honshu and any operators that run all or part of their railway business as a result of assignations, mergers, divisions, or successions on or after the date of enactment, as designated by the MLIT (hereinafter, "new companies"). 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 companies 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 JR 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.

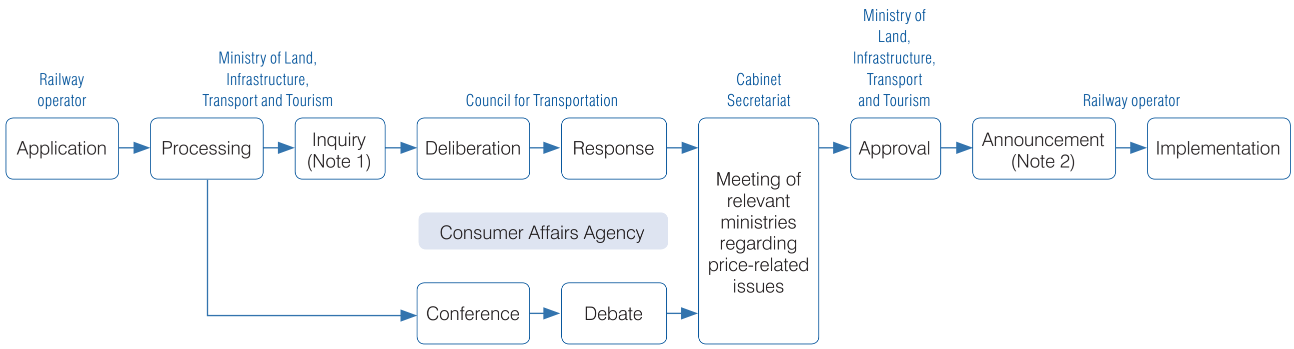
3 Relating to Establishment of and Changes to Fares and Surcharges

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).

Based on recent examples set by major private sector railway operators, the process of applying and receiving approval to change fares from the MLIT is as follows.



Notes: 1 This procedure is pursuant to article 62, item 2, of the Railway Operation Act. Further, in accordance with article 23 of the Act for Establishment of the Ministry of Land, Infrastructure, Transport and Tourism (1999, Law No. 100), a press conference must be held in cases when deliberation by the Council for Transportation is required or when directions are received from the Minster of the MLIT.

2 Article 3, item 2, of the Railway Operation Act stipulates that, when a company violates the limits of fares or other transportation conditions, an announcement must be made within 7 days of the violation.

Moreover, in order to improve the convenience of users when reforming national railways, a system is currently in place under which the total fares or other costs associated with customers or cargo traveling between two or more transportation providers can be decided based on contracts between the companies involved. This system generally allows for lower fares for longer travel distances. Furthermore, this system does not interfere with transportation providers' ability to establish their own pricing systems.

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, they anticipate they 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, the Company considers that the fair level of profit should be at a level that enables it to fund dividend payments to its shareholders, future capital investment, and measures to strengthen its financial structure, on the assumption that it makes such efforts.

(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, 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 therefore 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–Shin-Aomori), and the Kyushu Shinkansen Line (between Hakata–Kagoshima-Chuo). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRTT), is progressing construction on the following sections of the three lines: the Hokuriku Shinkansen Line (between Nagano–Hakusan car maintenance center), the Hokkaido Shinkansen Line (between Shin-Aomori–Shin-Hakodate), 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 five segments of three Shinkansen lines
- 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 cost burden by JR companies would be usage fees and other charges within the range of their 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)
- December 2011
  (items confirmed by the national government and ruling parties)
  Confirmation of future policies regarding the development of Shinkansen lines

  Details of the items confirmed by the national government and ruling parties regarding the Hokuriku Shinkansen Line in December 2011

  For new segments of track, construction is to begin after necessary approval procedures have been conducted for segments for which profitability and investment effectiveness have been reconfirmed and for which the conditions outlined below have been met and issues (see notes below) have been addressed.

Segment	Conditions to be met before approval / construction	Scheduled completion / start of operation
Between Hakusan car maintenance center–Tsuruga	• Approval by JR-West • Approval by municipal governments bordering tracks with regard to separate management of parallel conventional lines	Over 10 years from start of services between Nagano–Hakusan car maintenance center (end of 2014)

Note: Network development west of Tsuruga will be conducted based on the following policies.
- Due to financial limitations, it will be difficult to develop such a network prior to the completion of the three segments currently under way due to financial limitations. However, as the opening of lines extending to Tsuruga will increase connection points to main lines, we are considering the development of a network connecting the Kanto and Kansa regions through Hokuriku.
- Measures to prevent reduced passenger convenience stemming from the need to change trains at Tsuruga will be considered based on the opinions of JR-West and relevant municipal governments.

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
- June 2012
  Hakusan car maintenance center–Tsuruga segment (114 km): 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 from the JRTT, of which part of its financial resource is provided by JR-East, JR-Central, and JR-West as payments for the purchase of existing Shinkansen lines, shall be considered to be part of the cost burden borne by the national government.

The expected profitability of the Hokuriku Shinkansen Line was announced in the form of a trial calculation by the MLIT in consideration of the items confirmed by the national government and ruling parties in December 2011. However, the usage fees to be paid after the start of services are not to be influenced by this trial calculation, but rather are to be decided based on discussions before the start of services and are to be contained within the bounds of the income generated by the lines.

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

Based on the items confirmed by the national government and ruling parties in December 2011, the MLIT granted the Company approval to begin construction of the segment between the Hakusan car maintenance center and Tsuruga and also approved our plans to introduce gauge change trains (GCTs) on track segments west of Tsuruga and conduct direct services between Shinkansen and conventional lines in the future.

As the establishment of Shinkansen lines between Kanezawa and Osaka should create significant reductions in travel time, we feel it would be most beneficial to start services on all lines running to Osaka. However, for the time being, we have informed the MLIT that we have agreed to the plan to start construction as far as Tsuruga and that there were no objections to the plan to introduce GCTs. This decision was reached in consideration of the travel time reductions that will be realized by extending lines to Tsuruga, which connects the Kansai and Chukyo regions to Hokuriku, and the increased convenience achieved by eliminating the need to change trains at Tsuruga through the use of GCTs. Furthermore, in introducing GCTs, we realize that it will be of the utmost importance to take steps to ensure the safety, durability, and maintainability of the trains, and also develop measures to address snow.

But even if segments to undergo construction are extended with the aim of starting services on all lines, then the Company considers it essential that the previous fundamental principles, namely that "the burden of the Company shall 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 Birthrate and Aging Population

According to "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 January 2012, Japan's total population of 128.06 million people in 2010 was set to enter a long-standing depopulation process, and by 2048 was projected to fall below 100.00 million people, to 99.13 million people. The working-age population (15 to 64) peaked in 1995, and subsequently entered a depopulation phase. By 2010, it had fallen to 81.73 million people, and by 2030 it is forecast to decrease to 67.73 million people. In contrast, the old-age population (65 and over), which was 29.48 million people in 2010, was projected to increase to 36.85 million people by 2030.

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. This may also impact the Group's ability to secure the human resources that support its business operations.

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. As a result, 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, buses, and automobiles. In particular, the Company faces extremely severe competition from airline companies due to the heightened convenience of traveling by air as a result 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 the convenience for customers. It has enhanced its provision of high-speed transportation services by launching the new N700 Series Shinkansen rolling stock, increasing departures of its Nozomi Shinkansen services, and launching the EX-IC service on the Sanyo Shinkansen Line. In addition, in March 2011, the Company began operation of services on all lines of the Kyushu Shinkansen Line as well as the Mizuho and Sakura Shinkansen services, which connect the Sanyo Shinkansen Line and the Kyushu Shinkansen Line by means of a direct service. Leveraging these services, the Company will continue to enhance its competitive edge by offering higher quality services and faithfully reporting information while promoting interaction between both regions and the development of information infrastructure in these regions.

In its Urban Network, the Company competes with other railway operators and with automobiles and buses. In March 2012, it revised timetables, which also entailed introducing new rolling stock featuring higher degrees of safety and comfort to be used in suburban areas and for express services. Through such initiatives, the Company is promoting usage of its services.

In addition, it has been heightening the 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 retail business, 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 retail business, 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 stations and the 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 through such means as the active utilization of the benefits created by 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.

In fiscal years ended March 31, 2010 and 2011, owing to such factors as the start of our two major projects—the Osaka Station Development Project and the direct services between the Sanyo and the Kyushu Shinkansen lines—capital expenditures remained at relatively high levels. As a result, consolidated long-term debt entered a temporary upward phase. However, long-term debt began to decline after the start of these two projects. Accordingly, consolidated long-term debt at March 31, 2012, stood at ¥1,068.8 billion (including the current portion thereof), a decrease of 3.0% compared with the previous fiscal year-end. Interest payments for the fiscal years ended March 31, 2010, 2011, and 2012, were ¥34.3 billion, ¥33.7 billion, and ¥32.9 billion, respectively.

The Group will continue to pay close attention to its levels of long-term debt, 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: Between Shin-Osaka Station, Tokaido Main Line and 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 billion
(f) Planned construction period: Fiscal 1998 to fiscal 2019 (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.

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. 90,000 m^2; specialty stores, approx. 40,000 m^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
- March 2011
  Start of operations of the ACTY Osaka Building expansion (ACTY was renamed the South Gate Building following the start of operations)
- April 2011
  Began full utilization of the stations built over the railway tracks
- May 2011
  Start of operations of the New North Building (North Gate Building) and Osaka Station City

c. Total Project Costs (for all Group companies)

Approx. ¥210 billion[1]

- Osaka Station renovations, New North Building development project: Approx. ¥190 billion
- ACTY Osaka Building expansion: Approx. ¥20 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 business, and other businesses. However, if the project does not 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.

1 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. Furthermore, in response to the Company's increased dependence on IT and in consideration of the impacts of the Great East Japan Earthquake, which occurred on March 11, 2011, the Company has strengthened and revised the facilities and infrastructure used to maintain the stable operation of its computer systems and is systematically instituting natural disaster countermeasures.

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. For example, 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.

Based on the impacts of such disasters as the Great East Japan Earthquake, the Company aims to minimize damage in the event a natural disaster or any other event should occur in the future. To this end, the Company has reevaluated its earthquake precautionary measures, including the earthquake early detection and warning systems installed on its Sanyo Shinkansen Line and the earthquake emergency news flash systems installed on its Sanyo Shinkansen Line as well as its conventional and other lines. It is also continuing the steady implementation of precautionary measures that have proven effects in limiting the spread of earthquake damage, such as reinforcement of the earthquake resistance of the pillars used to support elevated tracks. In addition, we are considering the introduction of guidelines stipulating proper evacuation and evacuee guidance measures to be implemented in the event of a major tsunami. Moreover, the Company has developed facilities and equipment that will minimize the damage that might occur should an earthquake vibration cause a running train to derail under the direction of the Shinkansen Derailment Countermeasures

Committee, a committee created in consideration of the Shinkansen derailment following the October 2004 Mid Niigata Prefecture Earthquake that develops precaution measures and technologies to limit the effects of earthquakes on Shinkansen lines. It is also developing other measures to prevent, to the greatest possible extent, serious damages to the Group's operations due to occurrences such as heavy rainfall and landslides.

As another one of its measures in response to natural disasters and other events, the Company has established a commitment line with financial institutions that enables it to raise capital according to predetermined conditions 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.

Further, in addition to such direct damages caused by natural disasters as those mentioned above, there is the possibility that a major natural disaster could cause electricity shortages or other such issues, which may subsequently affect the Group's railway and other operations.

11 Relating to an Infectious Disease Outbreak and Epidemic

If a long-term infectious disease epidemic, such as Severe Acute Respiratory Syndrome (SARS) which there was an outbreak of in 2003 or the extremely dangerous swine influenza virus, 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 its business activities, is subject 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 regulations or is subject to investigations by such regulatory authorities or in some situations, to any sanction, the public's trust of the JR-West Group may be undermined and, moreover, costs may be incurred to take measures to address the situation. Such a situation may have an impact on the Group's results of operations.

On September 2009, with regard to a grave issue concerning compliance that had come up in the investigation of the Fukuchiyama Line accident 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.

On November 2009, the Company submitted to the MLIT the results of the fact-finding inquiries and remediation measures, including preventive measures, obtained from both the Special Committee on Compliance—a body comprised of third-party experts—and its own internal team reporting to the President. The Company has also implemented measures to prevent a recurrence of similar problems and to strengthen its compliance system. Specifically, the Company has established the Corporate Ethics & Risk Management Department to integrate its functions to promote compliance and the Corporate Ethics Committee to promote good corporate ethics. The Company has also established the Ethics Office and the Public Interest Information Office to offer advice and to act as contact points regarding compliance issues. In addition, a third-party consultation office has been newly established for the use of JR-West Group officers and employees who wish to discuss compliance-related matters. The Company is also taking active steps to improve corporate ethics education for employees. In December 2010, the Company submitted a report to the MLIT detailing the status of implementation of these and other remediation measures. Furthermore, in February 2012 the Corporate Ethics Committee compiled a report based on the discussions conducted and the subsequent advice received to date. We aim to incorporate the proposals made in this report into our compliance initiatives.

13 Relating to the Fukuchiyama Line Accident

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations in which 106 passengers lost their lives and more than 500 were injured. The trial to determine the criminal liability for professional negligence resulting in the deaths and injuries in relation to that accident of Masao Yamazaki, former President and Representative Director, began on December 21, 2010, at the Kobe District Court and is currently under way. In addition, pursuant to the ruling of the Kobe No. 1 Committee for the Inquest of Prosecution, on April 23, 2010, designated attorneys indicted three former Presidents and Representative Directors of the Company—Masataka Ide, Shojiro Nan-ya, and Takeshi Kakiuchi. Since July 6, 2012, the Kobe District Court has been conducting proceedings.

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, 2012, 2011 and 2010

	Millions of yen			Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
ASSETS				
Current assets:				
Cash (Notes 3, 10 and 20)	¥ 50,619	¥ 79,742	¥ 51,314	$ 617
Notes and accounts receivable (Note 20):				
Unconsolidated subsidiaries and affiliates	1,295	1,204	2,103	15
Trade	91,409	92,711	80,846	1,114
Less allowance for doubtful accounts	(835)	(872)	(840)	(10)
Inventories (Note 5)	33,360	28,043	29,534	406
Income taxes refundable (Note 12)	89	199	641	1
Deferred income taxes (Note 12)	19,455	18,961	17,857	237
Prepaid expenses and other current assets	45,507	42,442	41,794	554
Total current assets	240,902	262,432	223,254	2,937
Investments:				
Unconsolidated subsidiaries and affiliates (Notes 6 and 22)	48,916	51,154	48,462	596
Other securities (Notes 4, 10 and 20)	9,535	9,252	10,865	116
Total investments	58,452	60,407	59,327	712
Property, plant and equipment, at cost (Notes 7, 8, 10 and 11):				
Land	656,358	655,872	658,809	8,004
Buildings and structures	3,040,716	2,888,854	2,832,430	37,081
Machinery, equipment and vehicles	1,257,136	1,249,699	1,170,282	15,330
Tools, furniture and fixtures	131,969	119,251	112,297	1,609
Construction in progress	41,282	139,615	107,533	503
	5,127,462	5,053,294	4,881,352	62,530
Less accumulated depreciation	(2,967,938)	(2,902,676)	(2,809,076)	(36,194)
Property, plant and equipment, net	2,159,523	2,150,617	2,072,276	26,335
Deferred income taxes (Note 12)	123,584	142,069	139,030	1,507
Other assets	60,530	56,896	52,496	738
Total assets (Note 22)	¥ 2,642,994	¥ 2,672,423	¥ 2,546,384	$ 32,231

See accompanying notes to consolidated financial statements.

	Millions of yen			Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 9 and 20)	¥ 27,562	¥ 17,515	¥ 12,932	$ 336
Current portion of long-term debt (Notes 9, 10 and 20)	103,314	45,894	34,454	1,259
Current portion of long-term payables (Notes 11 and 20)	40,854	39,132	30,051	498
Notes and accounts payable (Note 20):				
Unconsolidated subsidiaries and affiliates	5,581	10,228	5,678	68
Trade	132,652	175,454	144,359	1,617
Prepaid railway fares received	32,359	31,183	31,450	394
Deposits and advances received (Note 20)	99,214	80,258	87,211	1,209
Accrued expenses (Note 20)	67,071	62,131	60,105	817
Accrued income taxes (Notes 12 and 20)	20,476	13,467	11,877	249
Allowance for customer point programs	1,005	660	580	12
Deferred income taxes (Note 12)	4	—	—	0
Other current liabilities	16,744	11,910	9,500	204
Total current liabilities	546,842	487,837	428,201	6,668
Long-term debt (Notes 9, 10 and 20)	684,932	735,472	652,160	8,352
Long-term payables (Notes 11 and 20)	249,780	290,599	329,696	3,046
Accrued retirement benefits (Note 14)	316,876	322,737	324,801	3,864
Allowance for environmental safety measures	6,394	7,033	9,039	77
Allowance for unutilized gift tickets	2,550	2,670	2,715	31
Deferred income taxes (Note 12)	244	241	213	2
Other long-term liabilities	101,827	104,579	97,413	1,241
Total long-term liabilities	1,362,605	1,463,334	1,416,040	16,617
Contingent liabilities (Note 15)				
Net assets:				
Shareholders' equity (Note 16):				
Common stock:				
Authorized – 800,000,000 shares at March 31, 2012 and 8,000,000 shares at March 31, 2011 and 2010				
Issued and outstanding – 200,000,000 shares at March 31, 2012 and 2,000,000 shares at March 31, 2011 and 2010	100,000	100,000	100,000	1,219
Capital surplus	55,000	55,000	55,000	670
Retained earnings (Note 23)	577,999	563,766	543,323	7,048
Less treasury stock, at cost – 6,358,499 shares at March 31, 2012 and 63,584 shares at March 31, 2011 and 2010	(30,343)	(30,343)	(30,343)	(370)
Total shareholders' equity	702,656	688,423	667,980	8,568
Accumulated other comprehensive income:				
Net unrealized holding gain on securities (Note 4)	902	546	1,292	11
Net unrealized deferred loss on hedging instruments	(173)	(161)	(108)	(2)
Total accumulated other comprehensive income	728	384	1,183	8
Minority interests	30,161	32,443	32,977	367
Total net assets	733,546	721,251	702,141	8,945
Total liabilities and net assets	¥2,642,994	¥2,672,423	¥2,546,384	$32,231

CONSOLIDATED STATEMENTS OF INCOME

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2012, 2011 and 2010

		Millions of yen		Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
Operating revenues (Note 22)	**¥1,287,679**	¥1,213,506	¥1,190,135	**$15,703**
Operating expenses:				
Transportation, other services and cost of sales	**999,745**	950,419	915,865	**12,192**
Selling, general and administrative expenses (Note 17)	**178,133**	167,097	197,739	**2,172**
	1,177,879	1,117,517	1,113,605	**14,364**
Operating income (Note 22)	**109,799**	95,988	76,530	**1,339**
Other income (expenses):				
Interest and dividend income	**454**	477	632	**5**
Interest expense	**(32,948)**	(33,786)	(34,309)	**(401)**
Equity in (losses) earnings of affiliates	**(847)**	2,421	807	**(10)**
Other, net	**3,798**	(4,079)	32	**46**
	(29,543)	(34,967)	(32,836)	**(360)**
Income before income taxes and minority interests	**80,256**	61,021	43,693	**978**
Income taxes (Note 12)**:**				
Current	**35,023**	29,952	31,047	**427**
Deferred	**17,887**	(3,587)	(11,820)	**218**
	52,910	26,364	19,226	**645**
Income before minority interests	**27,345**	34,656	24,466	**333**
Minority interests	**2,143**	326	391	**26**
Net income	**¥ 29,489**	¥ 34,983	¥ 24,858	**$ 359**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2012, 2011 and 2010

		Millions of yen		Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
Income before minority interests	**¥27,345**	¥34,656	¥24,466	**$333**
Other comprehensive income (loss) (Note 18):				
Net unrealized holding gain (loss) on securities	**316**	(690)	277	**3**
Net unrealized deferred (loss) gain on hedging instruments	**(14)**	(66)	156	**(0)**
The Company's share of other comprehensive income (loss) of affiliates accounted for by the equity method	**32**	(50)	5	**0**
Total other comprehensive income (loss)	**334**	(807)	439	**4**
Total comprehensive income	**¥27,680**	¥33,849	¥24,906	**$337**

Comprehensive income (loss) attributable to the shareholders of the Company and minority shareholders of consolidated subsidiaries for the years ended March 31, 2012, 2011 and 2010 was as follows:

		Millions of yen		Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
Comprehensive income attributable to shareholders of the Company	**¥29,833**	¥34,184	¥25,271	**$363**
Comprehensive loss attributable to minority shareholders of consolidated subsidiaries	**(2,153)**	(334)	(365)	**(26)**
Total comprehensive income	**¥27,680**	¥33,849	¥24,906	**$337**

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, 2012, 2011 and 2010

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred loss on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2009	¥100,000	¥55,000	¥531,236	¥(30,343)	¥655,893	¥1,004	¥(233)	¥ 770	¥32,938	¥689,602
Net income for the year	—	—	24,858	—	24,858	—	—	—	—	24,858
Cash dividends	—	—	(13,561)	—	(13,561)	—	—	—	—	(13,561)
Increase in retained earnings resulting from merger of an unconsolidated subsidiary	—	—	337	—	337	—	—	—	—	337
Increase in retained earnings resulting from change in numbers of consolidated subsidiaries	—	—	452	—	452	—	—	—	—	452
Net changes in items other than shareholders' equity	—	—	—	—	—	288	124	412	39	451
Balance at April 1, 2010	¥100,000	¥55,000	¥543,323	¥(30,343)	¥667,980	¥1,292	¥(108)	¥1,183	¥32,977	¥702,141
Net income for the year	—	—	34,983	—	34,983	—	—	—	—	34,983
Cash dividends	—	—	(14,530)	—	(14,530)	—	—	—	—	(14,530)
Decrease in retained earnings resulting from change in numbers of consolidated subsidiaries	—	—	(10)	—	(10)	—	—	—	—	(10)
Net changes in items other than shareholders' equity	—	—	—	—	—	(746)	(52)	(799)	(534)	(1,333)
Balance at April 1, 2011	¥100,000	¥55,000	¥563,766	¥(30,343)	¥688,423	¥ 546	¥(161)	¥ 384	¥32,443	¥721,251
Net income for the year	**—**	**—**	**29,489**	**—**	**29,489**	**—**	**—**	**—**	**—**	**29,489**
Cash dividends	**—**	**—**	**(15,498)**	**—**	**(15,498)**	**—**	**—**	**—**	**—**	**(15,498)**
Purchases of treasury stock	**—**	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**(0)**
Increase in retained earnings resulting from change in numbers of consolidated subsidiaries	**—**	**—**	**242**	**—**	**242**	**—**	**—**	**—**	**—**	**242**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**355**	**(11)**	**344**	**(2,281)**	**(1,937)**
Balance at March 31, 2012	**¥100,000**	**¥55,000**	**¥577,999**	**¥(30,343)**	**¥702,656**	**¥ 902**	**¥(173)**	**¥ 728**	**¥30,161**	**¥733,546**

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 unrealized deferred loss on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2011	$1,219	$670	$6,875	$(370)	$8,395	$ 6	$(1)	$4	$395	$8,795
Net income for the year	**—**	**—**	**359**	**—**	**359**	**—**	**—**	**—**	**—**	**359**
Cash dividends	**—**	**—**	**(189)**	**—**	**(189)**	**—**	**—**	**—**	**—**	**(189)**
Purchases of treasury stock	**—**	**—**	**—**	**(0)**	**(0)**	**—**	**—**	**—**	**—**	**(0)**
Increase in retained earnings resulting from change in numbers of consolidated subsidiaries	**—**	**—**	**2**	**—**	**2**	**—**	**—**	**—**	**—**	**2**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**4**	**(0)**	**4**	**(27)**	**(23)**
Balance at March 31, 2012	**$1,219**	**$670**	**$7,048**	**$(370)**	**$8,568**	**$11**	**$(2)**	**$8**	**$367**	**$8,945**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Millions of U.S. dollars (Note 1)
	2012	2011	2010	2012
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 80,256	¥ 61,021	¥ 43,693	$ 978
Adjustments for:				
Depreciation and amortization	169,330	150,886	141,903	2,065
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	15,162	38,530	35,200	184
Loss on disposal of property, plant and equipment	8,058	8,878	8,873	98
Increase (decrease) in allowance for doubtful accounts	18	(29)	140	0
(Decrease) increase in accrued retirement benefits	(5,861)	(2,063)	31,959	(71)
Increase (decrease) in accrued bonuses	295	1,141	(1,259)	3
Decrease in other accruals	(184)	(1,728)	(1,302)	(2)
Interest and dividend income	(454)	(477)	(632)	(5)
Interest expense	32,948	33,786	34,309	401
Equity in losses (earning) of affiliates	847	(2,421)	(807)	10
Gain on contributions received for construction	(16,182)	(39,737)	(35,961)	(197)
Decrease (increase) in notes and accounts receivable	2,075	(10,945)	4,623	25
(Increase) decrease in inventories	(5,311)	1,491	(5,339)	(64)
Decrease (increase) in notes and accounts payable	(20,227)	28,247	(15,242)	(246)
Increase (decrease) in accrued consumption taxes	4,585	2,029	(4,466)	55
Other	1,226	15,797	3,666	14
Subtotal	266,583	284,406	239,359	3,251
Interest and dividend income received	454	473	619	5
Interest paid	(32,900)	(33,875)	(34,409)	(401)
Income taxes paid	(27,909)	(27,783)	(44,260)	(340)
Net cash provided by operating activities	206,228	223,221	161,309	2,514
Cash flows from investing activities				
Purchases of marketable securities	—	(30,000)	—	—
Proceeds from sales of marketable securities	—	30,000	—	—
Payments for time deposits with a maturity in excess of three months	(230)	(230)	(35,230)	(2)
Proceeds from time deposits with a maturity in excess of three months	230	230	35,230	2
Purchases of property, plant and equipment	(222,806)	(277,342)	(246,183)	(2,717)
Proceeds from sales of property, plant and equipment	2,363	659	1,791	28
Contributions received for construction	23,090	34,370	37,855	281
Increase in investments in securities	(334)	(566)	(812)	(4)
Proceeds from sales of investments in securities	177	120	800	2
Increase in long-term loans receivable	(603)	(679)	(584)	(7)
Collection of long-term loans receivable	980	760	562	11
Other	(2,021)	(3,616)	(2,210)	(24)
Net cash used in investing activities	(199,153)	(246,293)	(208,782)	(2,428)
Cash flows from financing activities				
Increase (decrease) in short-term loans	595	1,897	(16,493)	7
Proceeds from long-term loans	40,100	67,100	66,900	489
Repayment of long-term loans	(44,796)	(33,460)	(42,770)	(546)
Proceeds from issuance of bonds	10,000	60,000	115,000	121
Redemption of bonds	—	—	(20,000)	—
Repayment of long-term payables	(39,065)	(29,984)	(33,437)	(476)
Purchases of treasury stock	(0)	—	—	(0)
Cash dividends paid to the Company's shareholders	(15,487)	(14,517)	(13,552)	(188)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(49)	(117)	(117)	(0)
Other	11,863	528	(907)	144
Net cash (used in) provided by financing activities	(36,840)	51,445	54,621	(449)
Net (decrease) increase in cash and cash equivalents	(29,765)	28,373	7,148	(362)
Cash and cash equivalents at beginning of year	79,512	51,084	41,184	969
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	1	54	2,690	0
Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiaries	641	—	61	7
Cash and cash equivalents at end of year (Note 3)	¥ 50,389	¥ 79,512	¥ 51,084	$ 614

See accompanying notes to consolidated financial statements.

01 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.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 to the 2012 presentation. Such reclassifications had no effect on consolidated net income or net assets.

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 ¥82=U.S.$1.00, the exchange rate prevailing on March 31, 2012. 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.

All assets and liabilities of the subsidiaries are revalued on acquisition, if applicable. Goodwill is amortized over a period of five years on a straight-line basis. Negative goodwill arising from transactions that occurred on or before March 31, 2010 is amortized over a period of five years on a straight-line basis. Negative goodwill arising from transactions that occurred on or after April 1, 2010 is credited to income when incurred.

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, cost being 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, a period of five years.

(9) Leases
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 the 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 doubtful accounts
Allowance for doubtful accounts is computed based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

(12) Allowance for customer point programs
Allowance for customer point programs is provided, at a reasonably estimated amount, for expected expenditures corresponding to points granted to customers, which are expected to be utilized in following periods.

(13) 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 ¥12,266 million is being amortized over a period of fifteen years.

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 period of ten years, which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is principally charged to income when incurred.

(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.

(15) Allowance for unutilized gift tickets
Unutilized gift tickets issued by certain consolidated subsidiaries are credited to income after a fixed period has passed from their respective dates of issuance. Certain consolidated subsidiaries provide an allowance for unutilized gift tickets at a reasonably estimated amount of future utilization based on the historical utilization ratio.

(16) Recognition of revenues and costs of construction contracts
Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(17) Recognition of revenue derived from finance lease transactions as a lessor
Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(18) 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, currency swap contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts and currency swap 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 or currency swap 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 (“Special treatment”).

02 Adoption of New Accounting Standards

(1) Accounting Standard for Earnings per Share
Effective the year ended March 31, 2012, the Company and its consolidated subsidiaries adopted "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan ("ASBJ") Statement No. 2 revised on June 30, 2010), "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 revised on June 30, 2010), and "Practical Solution on Accounting for Earnings Per Share" (ASBJ Practical Issues Task Force (PITF) No. 9 revised on June 30, 2010) (Refer to Note 19).

(2) Accounting Standard for Accounting Changes and Error Corrections
Effective April 1, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

03 Cash and Cash Equivalents

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2012, 2011 and 2010 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
	2012	2011	2010	**2012**
Cash	**¥50,619**	¥79,742	¥51,314	**$617**
Time deposits with original maturities in excess of three months included in cash	**(230)**	(230)	(230)	**(2)**
Cash and cash equivalents	**¥50,389**	¥79,512	¥51,084	**$614**

04 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, 2012, 2011 and 2010. 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, 2012, 2011 and 2010 are summarized as follows:

						Millions of yen
			2012			2011
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥2,329**	**¥4,044**	**¥1,714**	¥2,726	¥3,931	¥1,204
Debt securities:						
Government bonds	**143**	**145**	**1**	37	37	0
Corporate bonds	**37**	**38**	**1**	43	45	1
Subtotal	**2,511**	**4,228**	**1,717**	2,807	4,014	1,206
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**3,644**	**3,046**	**(597)**	3,404	2,881	(522)
Debt securities:						
Government bonds	**33**	**32**	**(0)**	105	103	(2)
Subtotal	**3,677**	**3,079**	**(598)**	3,509	2,984	(524)
Total	**¥6,188**	**¥7,308**	**¥1,119**	¥6,317	¥6,998	¥ 681

	Millions of yen		
	2010		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥4,944	¥7,211	¥2,266
Debt securities:			
Government bonds	37	37	0
Corporate bonds	50	51	1
Subtotal	5,031	7,300	2,269
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,665	1,242	(422)
Subtotal	1,665	1,242	(422)
Total	¥6,697	¥8,543	¥1,846

	Millions of U.S. dollars		
	2012		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$28**	**$49**	**$20**
Debt securities:			
Government bonds	**1**	**1**	**0**
Corporate bonds	**0**	**0**	**0**
Subtotal	**30**	**51**	**20**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**44**	**37**	**(7)**
Debt securities:			
Government bonds	**0**	**0**	**(0)**
Subtotal	**44**	**37**	**(7)**
Total	**$75**	**$89**	**$13**

05 Inventories

Inventories at March 31, 2012, 2011 and 2010 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Merchandise and real estate for sale	**¥ 7,562**	¥ 5,123	¥ 5,133	**$ 92**
Contracts in process	**11,529**	11,118	12,106	**140**
Rails, materials and supplies	**14,268**	11,801	12,295	**174**
	¥33,360	¥28,043	¥29,534	**$406**

06 Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2012, 2011 and 2010 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Investments in:				
Unconsolidated subsidiaries	**¥ 9,670**	¥11,181	¥11,040	**$117**
Affiliates	**39,245**	39,973	37,421	**478**
	¥48,916	¥51,154	¥48,462	**$596**

07 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, 2012, 2011 and 2010 totaled ¥15,162 million ($184 million), ¥38,530 million and ¥35,200 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2012, 2011 and 2010 amounted to ¥650,682 million ($7,935 million), ¥637,643 million and ¥603,841 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, 2012, 2011 and 2010 totaled ¥2,960 million ($36 million), ¥4,805 million and ¥6,124 million, respectively.

08 Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease, commercial facilities including lands and rental housing, mainly in Osaka Prefecture and other areas.

Rental income, net of related expenses relevant to these real estate properties amounted to ¥37,613 million ($458 million), ¥25,290 million and ¥26,085 million for the years ended March 31, 2012, 2011 and 2010, respectively. The rental income is recorded under operating revenues or other income and the rental expenses are recorded under operating expenses or other expenses.

The carrying value in the consolidated balance sheets and corresponding fair value of those properties as of March 31, 2012, 2011 and 2010 are as follows:

Millions of yen

			2012
		Carrying value	Fair value
As of March 31, 2011	Net change	As of March 31, 2012	As of March 31, 2012
¥142,575	**¥9,367**	**¥151,942**	**¥335,608**

Millions of yen

			2011
		Carrying value	Fair value
As of March 31, 2010	Net change	As of March 31, 2011	As of March 31, 2011
¥114,979	¥27,596	¥142,575	¥287,977

Millions of yen

			2010
		Carrying value	Fair value
As of March 31, 2009	Net change	As of March 31, 2010	As of March 31, 2010
¥104,218	¥10,760	¥114,979	¥225,333

Millions of U.S. dollars

			2012
		Carrying value	Fair value
As of March 31, 2011	Net change	As of March 31, 2012	As of March 31, 2012
$1,738	**$114**	**$1,852**	**$4,092**

Notes: 1 The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2 The components of net change in carrying value for the years ended March 31, 2012, 2011 and 2010 included increases mainly due to acquisitions of real estate properties in the amount of ¥23,696 million ($288 million), ¥32,216 and ¥17,353 million and decreases mainly due to depreciation in the amount of ¥7,719 million ($94 million), ¥4,353 and ¥5,052 million, respectively.
3 The fair value of main properties is estimated in accordance with appraisal standards for valuing real estate. The fair value of the others is based on book value or a valuation amount that reasonably reflects market value.

09 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, 2012, 2011 and 2010 ranged from 0.24% to 0.67%, from 0.23% to 0.79%, and from 0.01% to 0.96%, respectively.

Long-term debt at March 31, 2012, 2011 and 2010 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2017 through 2019	**¥ 110,000**	¥110,000	¥110,000	**$ 1,341**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.387% to 2.49%, due from 2013 through 2041	**344,972**	334,970	274,968	**4,206**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.00% to 5.20%, due in installments from 2013 through 2021	**58,467**	66,618	61,832	**713**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.4675% to 2.36%, due in installments from 2013 through 2032	**245,100**	240,100	209,700	**2,989**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2013 through 2019	**3,960**	4,570	5,180	**48**
Finance lease obligations, at rates ranging from 0.00% to 4.72%, due in installments from 2013 through 2032	**10,019**	8,475	7,397	**122**
Other	**15,728**	16,632	17,536	**191**
	788,247	781,366	686,614	**9,612**
Less current portion	**(103,314)**	(45,894)	(34,454)	**(1,259)**
	¥ 684,932	¥735,472	¥652,160	**$ 8,352**

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥103,314	$1,259
2014	39,909	486
2015	46,518	567
2016	38,192	465
2017	64,310	784
2018 and thereafter	496,001	6,048
	¥788,247	$9,612

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, 2012, 2011 and 2010 was as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Lines of credit	**¥130,000**	¥100,000	¥100,000	**$1,585**
Credit utilized	**—**	—	—	**—**
Available credit	**¥130,000**	¥100,000	¥100,000	**$1,585**

10 Pledged Assets

Assets pledged at March 31, 2012 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	288	3
Land	190	2
Buildings and structures, net	17,290	210
	¥17,999	$219

The indebtedness secured by such collateral at March 31, 2012 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	¥ 610	$ 7
Long-term loans included in long-term debt	3,350	40
	¥3,960	$48

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, 2012, 2011 and 2010 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2013 through 2017	**¥108,897**	¥135,658	¥164,521	**$1,328**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2013 through 2052	**175,610**	187,321	187,860	**2,141**
Other	**6,126**	6,751	7,366	**74**
	290,635	329,732	359,748	**3,544**
Less current portion	**(40,854)**	(39,132)	(30,051)	**(498)**
	¥249,780	¥290,599	¥329,696	**$3,046**

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 average variable interest rates for the years ended March 31, 2012, 2011 and 2010 were 4.08%, 4.08% and 4.15%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥ 40,854	$ 498
2014	39,721	484
2015	38,124	464
2016	33,686	410
2017	30,829	375
2018 and thereafter	107,417	1,309
	¥290,635	$3,544

12 Income Taxes

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2012, 2011 and 2010.

A reconciliation of the statutory tax rate and effective tax rates for the years ended March 31, 2012, 2011 and 2010 as a percentage of income before income taxes and minority interests was as follows:

	2012	2011	2010
Statutory tax rate	**40.69%**	40.69%	40.69%
Increase (decrease) in income taxes resulting from:			
Decrease in deferred tax assets due to change in tax rate	**19.59**	—	—
Reversal of valuation allowance	**4.53**	1.55	2.04
Per capita portion of inhabitants' taxes	**0.86**	1.16	1.64
Permanent non-deductible expenses	**0.52**	0.74	0.81
Other	**(0.27)**	(0.94)	(1.18)
Effective tax rates	**65.92%**	43.20%	44.00%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2012, 2011 and 2010 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Deferred tax assets:				
Accrued bonuses included in accrued expenses	¥ 13,495	¥ 14,101	¥ 13,490	$ 164
Accrued enterprise taxes included in accrued income taxes	1,932	1,636	1,396	23
Accrued retirement benefits	114,133	131,085	131,952	1,391
Unrealized gain on property, plant and equipment	8,358	7,951	7,674	101
Tax loss carryforwards	4,057	3,277	1,570	49
Other	27,542	29,248	26,100	335
Gross deferred tax assets	169,519	187,300	182,186	2,067
Valuation allowance	(10,681)	(8,299)	(7,282)	(130)
Total deferred tax assets	158,838	179,001	174,903	1,937
Deferred tax liabilities:				
Unrealized holding gain on securities	(398)	(278)	(751)	(4)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,556)	(14,410)	(14,780)	(153)
Gain on valuation of assets of consolidated subsidiaries	(1,320)	(1,443)	(1,443)	(16)
Other	(1,771)	(2,079)	(1,253)	(21)
Total deferred tax liabilities	(16,047)	(18,212)	(18,229)	(195)
Deferred tax assets, net	¥142,791	¥160,789	¥156,674	$1,741

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012.

In line with these revisions, the Company and its consolidated subsidiaries changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.69% to 38.01% for temporary differences expected to be realized during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company and its consolidated subsidiaries changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.69% to 35.64% for temporary differences expected to be realized during the fiscal year beginning on April 1, 2015 and thereafter.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥15,670 million ($191 million), and income taxes – deferred (debit) increased by ¥15,726 million ($191 million) as of and for the year ended March 31, 2012.

13 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.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation / amortization, accumulated impairment loss, and net book value of the leased assets as of March 31, 2012, 2011 and 2010, 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 the Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

Millions of yen

	2012				2011			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:								
Buildings and structures	**¥2,403**	**¥ 440**	**¥ —**	**¥1,963**	¥2,403	¥ 353	¥ —	¥2,050
Machinery, equipment and vehicles	**463**	**258**	**113**	**91**	539	283	113	143
Tools, furniture and fixtures	**891**	**804**	**—**	**86**	1,339	1,002	–	337
Software included in other assets	**14**	**12**	**—**	**1**	63	52	–	10
	¥3,772	**¥1,515**	**¥113**	**¥2,143**	¥4,347	¥1,691	¥113	¥2,542

Millions of yen

	2010			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	¥2,403	¥ 266	¥ —	¥2,137
Machinery, equipment and vehicles	673	341	113	219
Tools, furniture and fixtures	1,806	1,032	—	773
Software included in other assets	118	104	—	13
	¥5,002	¥1,744	¥113	¥3,144

Millions of U.S. dollars

	2012			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	**$29**	**$ 5**	**$ —**	**$23**
Machinery, equipment and vehicles	**5**	**3**	**1**	**1**
Tools, furniture and fixtures	**10**	**9**	**—**	**1**
Software included in other assets	**0**	**0**	**—**	**0**
	$46	**$18**	**$ 1**	**$26**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2012, 2011 and 2010 totaled ¥317 million ($3 million), ¥416 million and ¥557 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. Reversal of accumulated impairment losses on the leased assets for the years ended March 31, 2012, 2011 and 2010 totaled ¥16 million ($0 million), ¥16 million and nil, respectively. Accumulated impairment losses on the leased assets as of March 31, 2012, 2011 and 2010 are ¥81 million ($0 million), ¥97 million and ¥113 million, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥ 189	$ 2
2014 and thereafter	2,067	25
	¥2,257	$27

Future minimum lease payments subsequent to March 31, 2012 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥ 1,342	$ 16
2014 and thereafter	19,462	237
	¥20,804	$253

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2012, 2011 and 2010 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

	2012			2011		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	**¥2,304**	**¥1,409**	**¥ 894**	¥2,455	¥1,132	¥1,322
Tools, furniture and fixtures	**1,175**	**874**	**300**	1,992	1,444	548
	¥3,480	**¥2,284**	**¥1,195**	¥4,447	¥2,577	¥1,870

Millions of yen

	2010		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	¥3,308	¥1,330	¥1,978
Tools, furniture and fixtures	2,766	1,807	959
	¥6,075	¥3,137	¥2,937

Millions of U.S. dollars

	2012		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	**$28**	**$17**	**$10**
Tools, furniture and fixtures	**14**	**10**	**3**
	$42	**$27**	**$14**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2012, 2011 and 2010 were ¥448 million ($5 million), ¥648 million and ¥950 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2012, 2011 and 2010 computed by the straight-line method over the respective lease terms amounted to ¥400 million ($4 million), ¥577 million and ¥870 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥ 396	$ 4
2014 and thereafter	1,090	13
	¥1,487	$18

Future minimum lease receipts subsequent to March 31, 2012 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2013	¥ 376	$ 4
2014 and thereafter	3,460	42
	¥3,836	$46

14 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 retirement plan administered by a government agency and / or a defined contribution pension plan.

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, 2012, 2011 and 2010 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	**2012**
Retirement benefit obligation	**¥(345,082)**	¥(361,924)	¥(365,596)	**$(4,208)**
Plan assets at fair value	**6,656**	8,999	9,313	**81**
Unfunded retirement benefit obligation	**(338,425)**	(352,925)	(356,282)	**(4,127)**
Unrecognized net retirement benefit obligation at transition	**2,824**	4,088	4,906	**34**
Unrecognized actuarial loss	**19,541**	28,021	28,635	**238**
Unrecognized prior service cost	**29**	(1,308)	(1,541)	**0**
Net retirement benefit obligation	**(316,031)**	(322,122)	(324,281)	**(3,854)**
Prepaid pension cost	**844**	614	519	**10**
Accrued retirement benefits	**¥(316,876)**	¥(322,737)	¥(324,801)	**$(3,864)**

The components of retirement benefit expenses for the years ended March 31, 2012, 2011 and 2010 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	**2012**
Service cost	**¥14,937**	¥14,828	¥15,189	**$182**
Interest cost	**7,148**	7,210	7,391	**87**
Expected return on plan assets	**(175)**	(182)	(174)	**(2)**
Amortization of net retirement benefit obligation at transition	**817**	817	31,462	**9**
Amortization of actuarial loss	**8,201**	7,328	7,530	**100**
Amortization of prior service cost	**1,041**	463	82	**12**
Expense recorded at certain consolidated subsidiaries on change in measurement of retirement benefit obligation from the simplified method to the principle method	**301**	100	740	**3**
Retirement benefit expenses	**32,273**	30,566	62,220	**393**
Gain on transfer to defined contribution pension plan	**(848)**	—	—	**(10)**
	¥31,424	¥30,566	¥62,220	**$383**

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

	2012	2011	2010
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%

15 Contingent Liabilities

At March 31, 2012, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans, accounts payable – trade and other obligations of companies other than consolidated subsidiaries in the aggregate amount of ¥9,660 million ($117 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.

16 Shareholders' Equity

The Corporation Law of Japan 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 ($138 million) at March 31, 2012, 2011 and 2010.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2012, 2011 and 2010 are summarized as follows:

Number of shares

	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock	2,000,000	198,000,000	—	**200,000,000**
Treasury stock	63,584	6,294,915	—	**6,358,499**

Number of shares

	April 1, 2010	Increase	Decrease	March 31, 2011
Common stock	2,000,000	—	—	2,000,000
Treasury stock	63,584	—	—	63,584

Number of shares

	April 1, 2009	Increase	Decrease	March 31, 2010
Common stock	2,000,000	—	—	2,000,000
Treasury stock	63,584	—	—	63,584

Based on a resolution at a meeting of the Board of Directors, on July 1, 2011, the Company made a 1-for-100 stock split of common stock owned by shareholders registered or recorded on the shareholders list as of June 30, 2011, and the Company also adopted a lot trading system, whereby one trading lot was set at 100 shares. As a result, the number of issued common stock increased by 198,000,000. The increases in treasury stock during the year ended March 31, 2012 were due to the stock split and purchases of shares of less than one trading unit.

17 Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥7,288 million ($88 million), ¥6,339 million and ¥6,480 million for the years ended March 31, 2012, 2011 and 2010, respectively.

18 Other Comprehensive Income (Loss)

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the year ended March 31, 2012.

	Millions of yen	Millions of U.S. dollars
	2012	**2012**
Net unrealized holding gain on securities:		
Amount arising during the year	**¥447**	**$5**
Reclassification adjustments for loss included in net income	**(9)**	**(0)**
Before tax effect	**437**	**5**
Tax effect	**(121)**	**(1)**
Total	**316**	**3**
Net unrealized deferred loss on hedging instruments:		
Amount arising during the year	**(22)**	**(0)**
Before tax effect	**(22)**	**(0)**
Tax effect	**8**	**0**
Total	**(14)**	**(0)**
The Company's share of other comprehensive income of affiliates accounted for by the equity method:		
Amount arising during the year	**32**	**0**
Other comprehensive income, net	**¥334**	**$4**

19 Amounts per Share

Amounts per share at March 31, 2012, 2011 and 2010 and for the years then ended were as follows:

	Yen			U.S. dollars
	2012	2011	2010	**2012**
Net assets	**¥3,632.41**	¥3,557.13	¥3,455.68	**$ 44**
Net income	**152.29**	180.66	128.37	**1**
Cash dividends	**90.00**	8,000.00	7,000.00	**1**

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, 2012, 2011 and 2010 since the Company had no potentially dilutive stock at March 31, 2012, 2011 and 2010.

As described in Note 16, on July 1, 2011, the Company made a 1-for-100 share split.

As described in Note 2 (1), effective the year ended March 31, 2012, the Company adopted "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 revised on June 30, 2010), "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 revised on June 30, 2010), and "Practical Solution on Accounting for Earnings Per Share" (ASBJ Practical Issues Task Force (PITF) No. 9 revised on June 30, 2010).

In accordance with these accounting standards, the above per share information at March 31, 2012, 2011 and 2010 and for the years then ended was calculated on the assumption that the stock split had been executed on April 1, 2009.

The following information on amounts per share at March 31, 2011 and 2010 and for the years then ended were calculated based on the assumption that these accounting standards had not been adopted:

	Yen	
	2011	2010
Net assets	¥355,712.84	¥345,568.31
Net income	18,066.01	12,837.31

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.

20 Financial Instruments

Overview

(1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") raise funds mainly through bonds and bank borrowings mainly for the purpose of settlement of existing payables and capital investment. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term working capital mainly through short-term bonds. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. Investments in securities are exposed to market risk. Those securities are mainly composed of the shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables—trade notes and accounts payable and deposits and advances received—have payment due dates within one year. The Group is also exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies. However, regarding trade payables denominated in foreign currencies arising from organized foreign tours, forward foreign exchange contracts are principally arranged to reduce the risk. Bonds and bank borrowings are taken out principally for the purpose of settlement of existing payables and capital investments. The redemption dates of these long-term debts extend up to twenty-eight years from March 31, 2012. Some of them have variable interest rates and are exposed to interest rate fluctuation risk. Long-term payables are mainly derived from the purchase of Sanyo Shinkansen's facilities. These payables are settled by installments once every six months. The repayment dates of these payables extend up to thirty nine years from March 31, 2012. Some of these payables have variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivatives, the Group enters into currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities and forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Information regarding the method of hedge accounting is found in Note 1 (18).

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from trade receivables, the Group monitors due dates and outstanding balances by individual customer.

The Group is also making efforts to identify and mitigate risks arising from bad debts from customers who are having financial difficulties.

The Group enters into derivative transactions only with financial institutions which have a sound credit profile to mitigate counter-party risk. At the balance sheet date, the carrying values of the financial assets in the consolidated balance sheets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Company utilizes currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities. Finance division of the Company executes and monitors them in accordance with internal policy.

For trade payables denominated in foreign currencies, certain consolidated subsidiaries identify the foreign currency exchange risk for each currency on a monthly basis and enter into forward foreign exchange contracts to hedge such risk. For trade payables denominated in foreign currencies arising from forecasted transactions to occur within six months regarding organized foreign tours, forward foreign exchange contracts are principally arranged considering the actual results in the past and the circumstances of the tour reservations. The basic policy is approved at a meeting once a half year in accordance with internal policy. In accordance with the approval, finance division enters into such transactions and reconciles outstanding balances with those of the counterparties. The control division of the Company monitors these risks based on the application from each operating division of each branch of certain consolidated subsidiaries. In addition, these risks are also periodically monitored by the internal audit division of the Company.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair values and relationships with the issuers.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division of the Company and affiliated companies, the Company prepares and updates their cash flow plans on a timely basis to manage liquidity risk.

In addition, the Company has the method of keeping the liquidity level stable to a certain extent by entering into commitment line contracts to enable the Company to raise funds in accordance with the policies determined in advance.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivatives in the following "*Estimated Fair Value of Financial Instruments*" section are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012, 2011 and 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to 2 in Note 20).

			Millions of yen			Millions of yen
			2012			2011
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash	¥ 50,619	¥ 50,619	¥ —	¥ 79,742	¥ 79,742	¥ —
Notes and accounts receivable	15,504	15,504	—	16,734	16,734	—
Accrued fares (component of notes and accounts receivables)	27,280	27,280	—	26,689	26,689	—
Other accounts receivable (component of notes and accounts receivables)	46,256	46,256	—	47,064	47,064	—
Investments in securities:						
Other securities	7,308	7,308	—	6,998	6,998	—
Liabilities:						
Short-term loans	(27,562)	(27,562)	—	(17,515)	(17,515)	—
Notes and accounts payable	(46,205)	(46,205)	—	(51,207)	(51,207)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(92,380)	(92,380)	—	(134,824)	(134,824)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(22,631)	(22,631)	—	(15,450)	(15,450)	—
Deposits (component of deposits and advances received)	(70,022)	(70,022)	—	(55,467)	(55,467)	—
Bonds (component of long-term debt, including current portion)	(454,972)	(490,161)	(35,189)	(444,970)	(466,707)	(21,737)
Long-term loans (component of long-term debt, including current portion)	(323,255)	(332,844)	(9,589)	(327,920)	(332,863)	(4,943)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(290,444)	(409,342)	(118,898)	(329,510)	(445,817)	(116,307)
Other long-term payables (component of long-term payables, including current portion)	(190)	(202)	(11)	(222)	(235)	(13)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	(366)	(366)	—	(343)	(343)	—

	Millions of yen		
	2010		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash	¥ 51,314	¥ 51,314	¥ —
Notes and accounts receivable	14,282	14,282	—
Accrued fares (component of notes and accounts receivables)	22,714	22,714	—
Other accounts receivable (component of notes and accounts receivables)	42,038	42,038	—
Investments in securities:			
Other securities	8,543	8,543	—
Liabilities:			
Short-term loans	(12,932)	(12,932)	—
Notes and accounts payable	(47,999)	(47,999)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(102,385)	(102,385)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(13,793)	(13,793)	—
Deposits (component of deposits and advances received)	(52,150)	(52,150)	—
Bonds (component of long-term debt, including current portion)	(384,968)	(404,502)	(19,534)
Long-term loans (component of long-term debt, including current portion)	(294,249)	(299,927)	(5,678)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(359,494)	(491,197)	(131,702)
Other long-term payables (component of long-term payables, including current portion)	(253)	(271)	(18)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	(231)	(231)	—

	Millions of U.S. dollars		
	2012		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash	$ 617	$ 617	$ —
Notes and accounts receivable	189	189	—
Accrued fares (component of notes and accounts receivables)	332	332	—
Other accounts receivable (component of notes and accounts receivables)	564	564	—
Investments in securities:			
Other securities	89	89	—
Liabilities:			
Short-term loans	(336)	(336)	—
Notes and accounts payable	(563)	(563)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(1,126)	(1,126)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(275)	(275)	—
Deposits (component of deposits and advances received)	(853)	(853)	—
Bonds (component of long-term debt, including current portion)	(5,548)	(5,977)	(429)
Long-term loans (component of long-term debt, including current portion)	(3,942)	(4,059)	(116)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(3,542)	(4,991)	(1,449)
Other long-term payables (component of long-term payables, including current portion)	(2)	(2)	(0)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	(4)	(4)	—

Notes: 1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash, notes and accounts receivable, accrued fares and other accounts receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investments in securities
The fair value of stocks is determined based on quoted market prices. The fair value of debt securities is determined based on either quoted market prices or present value of the future cash flows discounted by the interest rate which is determined using the interest rate of national bonds plus a credit spread premium.

Short-term loans, trade notes and accounts payable, deposits, accrued income taxes and other accounts payables
Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds (including current portion)
The fair value of bonds is determined based on the quoted market price.

Long-term loans (including current portion) and other long-term payables (including current portion)
The fair value of long-term loans and long-term payables is determined based on the present value of the total amounts of principal and interest payments discounted at an interest rate to be applied if similar new loans were entered into.

The fair value of long-term loans hedged by currency swap or interest-rate swap contracts is determined based on the present value of the total amounts of principal and interest discounted at interest rates applied to the swaps on the assumption that the sales had originally applied to the long-term loans.

Long-term payables for purchase of railway facilities
Long-term payables for purchase of railway facilities are monetary liabilities assumed under a special law, and it is difficult for the Company to raise funds again in the same manner. The fair value of such long-term payables are determined based on the present value of the total amounts of principal and interest payment discounted at an interest rate to be applied if similar new bonds were issued.

Derivative transactions
Refer to Note 21.

2 Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012, 2011 and 2010 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2012	2011	2010	2012
Investments in securities				
Unlisted stocks	¥51,127	¥53,376	¥50,738	$623
Other	17	31	44	0

Because no quoted market price is available and also the future cash flows cannot be estimated reasonably, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as amounts presented in the table of "*Estimated Fair Value of Financial Instruments*" in this note.

3 The redemption schedule for cash, receivables and marketable securities with maturities at March 31, 2012, 2011 and 2010 is as follows:

	Millions of yen					
	2012			2011		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	¥ 37,938	¥ —	¥ —	¥ 70,419	¥ —	¥ —
Notes and accounts receivable:	15,239	265	—	16,276	457	—
Accrued fares (component of notes and accounts receivables)	27,280	—	—	26,689	—	—
Other accounts receivable (component of notes and accounts receivables)	46,093	162	—	46,842	222	—
Investments in securities:						
Other marketable securities with maturities (national government bonds)	—	37	152	—	37	116
Other marketable securities with maturities (corporate bonds)	6	25	6	6	25	12
Total	¥126,558	¥490	¥158	¥160,234	¥741	¥128

	Millions of yen		
	2010		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	¥ 41,607	¥ —	¥ —
Notes and accounts receivable:	14,243	39	—
Accrued fares (component of notes and accounts receivables)	22,714	—	—
Other accounts receivable (component of notes and accounts receivables)	42,035	2	0
Investments in securities:			
Other marketable securities with maturities (national government bonds)	—	37	—
Other marketable securities with maturities (corporate bonds)	6	25	18
Total	¥120,606	¥103	¥ 19

	Millions of U.S. dollars		
	2012		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	$ 462	$—	$—
Notes and accounts receivable:	185	3	—
Accrued fares (component of notes and accounts receivables)	332	—	—
Other accounts receivable (component of notes and accounts receivables)	562	1	—
Investments in securities:			
Other marketable securities with maturities (national government bonds)	—	0	1
Other marketable securities with maturities (corporate bonds)	0	0	0
Total	$1,543	$5	$ 1

4 The redemption schedules for long-term debt and long-term payables are disclosed in Note 9 "Short-Term Loans and Long-Term Debt" and Note 11 "Long-Term Payables" in the Notes to Consolidated Financial Statements.

21 Derivative Transactions

The notional amounts and the estimated fair value of the derivative instruments outstanding qualifying for hedge accounting at March 31, 2012 and 2011 were as follows:

Millions of yen

Method of hedge accounting	Description of transaction	Hedged items	2012 Notional amount	2012 Notional amount (over 1 year)	2012 Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps				
	Pay fixed / Receive floating	Long-term loans	**¥15,000**	**¥ —**	(*1)
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forecasted transaction)	**5,098**	**—**	**¥(331)** (*2)
	U.S. dollars		**2,585**	**—**	**(15)** (*2)
	Other		**808**	**—**	**(19)** (*2)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	**434**	**—**	(*3)
	U.S. dollars		**323**	**—**	(*3)
	Other		**74**	**—**	(*3)
Allocation method of forward foreign exchange contracts	Currency swaps included in interest-rate conversion				
	Pay yen / Receive U.S. dollars				
	(Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans	**3,100**	**3,100**	(*3)
			¥27,425	**¥3,100**	**¥(366)**

Millions of yen

Method of hedge accounting	Description of transaction	Hedged items	2011 Notional amount	2011 Notional amount (over 1 year)	2011 Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps				
	Pay fixed / Receive floating	Long-term loans	¥15,000	¥15,000	(*1)
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forecasted transaction)	5,498	—	¥(253) (*2)
	U.S. dollars		3,475	—	(106) (*2)
	Other		865	—	17 (*2)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	406	—	(*3)
	U.S. dollars		417	—	(*3)
	Other		73	—	(*3)
			¥25,737	¥15,000	¥(343)

			Millions of U.S. dollars		
			2012		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps				
	Pay fixed / Receive floating	Long-term loans	**$ 182**	**$ —**	(*1)
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forecasted transaction)	**62**	**—**	**$(4)** (*2)
	U.S. dollars		**31**	**—**	**(0)** (*2)
	Other		**9**	**—**	**(0)** (*2)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	**5**	**—**	(*3)
	U.S. dollars		**3**	**—**	(*3)
	Other		**0**	**—**	(*3)
Allocation method of forward foreign exchange contracts	Currency swaps included in interest-rate conversion				
	Pay yen / Receive U.S. dollars (Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans	**37**	**37**	(*3)
			$ 334	**$ 37**	**$(4)**

(*1) Because interest rate swap contracts are accounted for as if the interest rates applied to the swaps had originally applied to the long-term loans, their fair values were included in long-term loans.
(*2) The fair value is primarily based on the prices provided by financial institutions.
(*3) Because forward foreign exchange contracts are accounted for as if the exchange rates applied to the forward foreign exchange contracts had originally applied to the other accounts payable, their fair values were included in other accounts payable.

There were no derivative transactions qualifying for hedge accounting at March 31, 2010.

There were no derivative transactions not qualifying for hedge accounting at March 31, 2012, 2011 and 2010.

22 Segment Information

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Company primarily engages in businesses related to transportation, retail business and real estate.

The Company and its consolidated subsidiaries are composed of three main business segments and those reportable segments are "Transportation," "Retail business" and "Real estate business." "Transportation" involves railway, bus, and ferry services. "Retail business" involves department store, restaurant, retail and wholesale businesses. "Real estate business" involves sales or leasing of real estate and management of shopping malls. "Other businesses" involves business segments not included in the reportable segments, such as hotel services, travel agent services and construction.

Accounting policies used in each reportable segment are substantially the same as those described in Note 1 "Summary of Significant Accounting Policies." Intersegment transactions are those conducted among the Company and its consolidated subsidiaries and are mainly recorded at the market prices.

Reportable segment information for the years ended March 31, 2012, 2011 and 2010 is outlined as follows:

Millions of yen

	2012						
	Reportable segments						
	Transportation	Retail business	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 839,072	¥233,542	¥ 93,576	¥121,488	¥1,287,679	¥ —	¥1,287,679
Intersegment operating revenues or transfers	17,364	47,918	19,829	173,245	258,358	(258,358)	—
Total	¥ 856,436	¥281,461	¥113,406	¥294,733	¥1,546,037	¥(258,358)	¥1,287,679
Segment income	¥ 76,736	¥ (2,996)	¥ 25,989	¥ 10,376	¥ 110,106	¥ (306)	¥ 109,799
Segment assets	¥1,919,576	¥137,809	¥389,750	¥300,368	¥2,747,504	¥(104,510)	¥2,642,994
Other items:							
Depreciation and amortization	¥ 139,621	¥ 6,055	¥ 19,456	¥ 4,196	¥ 169,330	¥ —	¥ 169,330
Investment to affiliates accounted for by the equity method	18,949	—	—	19,010	37,960	—	37,960
Increase in tangible and intangible fixed assets	143,075	22,240	41,747	3,797	210,861	—	210,861

Millions of yen

2011							
	Reportable segments						
	Transportation	Retail business	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 806,460	¥201,322	¥ 75,767	¥129,955	¥1,213,506	¥ —	¥1,213,506
Intersegment operating revenues or transfers	17,402	48,680	14,170	174,015	254,269	(254,269)	—
Total	¥ 823,863	¥250,003	¥ 89,937	¥303,971	¥1,467,775	¥(254,269)	¥1,213,506
Segment income	¥ 61,165	¥ 3,586	¥ 22,251	¥ 9,674	¥ 96,678	¥ (689)	¥ 95,988
Segment assets	¥1,933,745	¥114,659	¥370,969	¥292,634	¥2,712,009	¥ (39,585)	¥2,672,423
Other items:							
Depreciation and amortization	¥ 129,513	¥ 4,905	¥ 11,829	¥ 4,638	¥ 150,886	¥ —	¥ 150,886
Investment in affiliates accounted for by the equity method	20,787	—	—	18,001	38,788	—	38,788
Increase in tangible and intangible fixed assets	228,495	9,497	41,858	7,917	287,768	—	287,768

Millions of yen

2010							
	Reportable segments						
	Transportation	Retail business	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 797,490	¥201,995	¥ 70,953	¥119,695	¥1,190,135	¥ —	¥1,190,135
Intersegment operating revenues or transfers	16,047	46,582	13,796	167,230	243,657	(243,657)	—
Total	¥ 813,538	¥248,578	¥ 84,749	¥286,925	¥1,433,792	¥(243,657)	¥1,190,135
Segment income	¥ 45,202	¥ 3,174	¥ 22,511	¥ 6,729	¥ 77,617	¥ (1,087)	¥ 76,530
Segment assets	¥1,874,303	¥111,147	¥324,904	¥260,732	¥2,571,087	¥ (24,703)	¥2,546,384
Other items:							
Depreciation and amortization	¥ 120,107	¥ 5,169	¥ 11,640	¥ 4,986	¥ 141,903	¥ —	¥ 141,903
Investment in affiliates accounted for by the equity method	20,249	—	—	16,055	36,304	—	36,304
Increase in tangible and intangible fixed assets	202,640	13,501	37,853	1,869	255,864	—	255,864

Millions of U.S. dollars

	2012						
	Reportable segments						
	Transportation	Retail business	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	**$10,232**	**$2,848**	**$1,141**	**$1,481**	**$15,703**	**$ —**	**$15,703**
Intersegment operating revenues or transfers	**211**	**584**	**241**	**2,112**	**3,150**	**(3,150)**	**—**
Total	**$10,444**	**$3,432**	**$1,383**	**$3,594**	**$18,854**	**$(3,150)**	**$15,703**
Segment income	**$ 935**	**$ (36)**	**$ 316**	**$ 126**	**$ 1,342**	**$ (3)**	**$ 1,339**
Segment assets	**$23,409**	**$1,680**	**$4,753**	**$3,663**	**$33,506**	**$(1,274)**	**$32,231**
Other items:							
Depreciation and amortization	**$ 1,702**	**$ 73**	**$ 237**	**$ 51**	**$ 2,065**	**$ —**	**$ 2,065**
Investment in affiliates accounted for by the equity method	**231**	**—**	**—**	**231**	**462**	**—**	**462**
Increase in tangible and intangible fixed assets	**1,744**	**271**	**509**	**46**	**2,571**	**—**	**2,571**

Segment income represents operating income in the consolidated statements of income.

Information on each product and service was omitted because it was same as that of the reportable segment information.

Geographical information and information on sales to major customers was omitted because there were no items that meet their disclosure criteria.

Information on loss on impairment of fixed assets per each reportable segment was omitted because the amounts were immaterial.

Information on amortization of goodwill and negative goodwill, the balances and gain on recognition of negative goodwill was omitted because the amounts were immaterial.

23 Subsequent Events

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012, was to be approved at a meeting of the shareholders of the Company to be held on June 22, 2012:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥50 = U.S.$0 per share)	¥9,686	$118

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
West Japan Railway Company

We have audited the accompanying consolidated financial statements of West Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 21, 2012
Osaka, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Non-Consolidated 20-Year Financial Summary

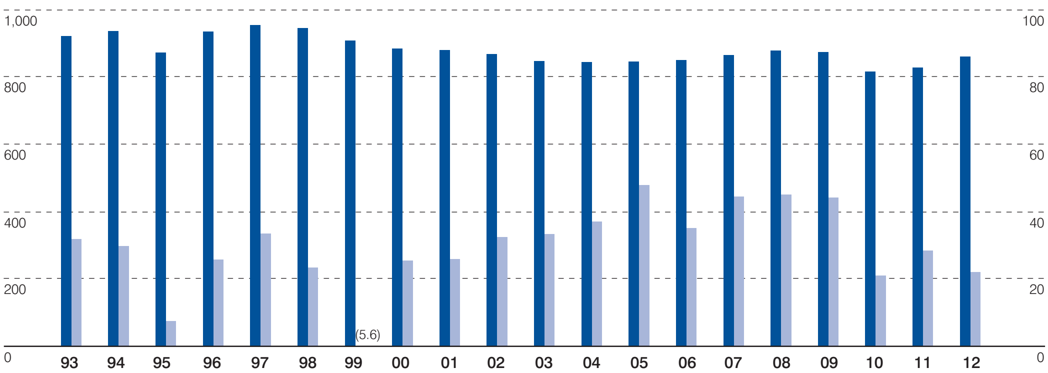
Years ended March 31

	1993	1994	1995[2]	1996	1997	1998	1999[3]	2000	2001
FOR THE YEAR:									
Operating revenues:	¥922.5	¥937.6	¥874.1	¥936.2	¥956.0	¥946.0	¥909.4	¥885.1	¥881.4
Transportation:	820.4	824.9	767.5	823.9	839.1	830.0	795.5	773.9	773.1
Sanyo Shinkansen	357.6	362.3	307.8	332.2	350.3	346.0	326.7	313.0	313.0
Kyoto–Osaka–Kobe area	278.7	280.1	285.3	314.8	314.4	315.3	309.8	306.9	309.3
Other lines	183.2	181.6	173.6	176.1	173.7	167.9	158.4	153.5	150.1
Operating expenses:	778.2	801.0	773.0	795.9	825.9	831.1	796.7	786	784.4
Personnel	318.3	329.8	334.4	341.8	350.9	358.5	357.8	350.1	345.6
Non-personnel:	294.7	317.2	295.5	305.7	326.5	301.2	277.7	276.5	275.0
Energy	43.6	43.8	41.4	43.3	42.4	43.8	40.5	39.3	38.2
Maintenance	127.4	136.4	124.8	128.4	146.7	120.9	108.0	112.3	114.3
Miscellaneous	123.6	136.9	129.2	134.0	137.3	136.5	129.2	124.9	122.4
Taxes	25.8	26.4	20.6	29.1	27.1	38.0	31.3	31.0	30.3
Rental payments, etc.	5.8	5.9	7.9	9.0	10.0	23.0	22.8	23.8	31.5
Depreciation expenses	133.3	121.5	114.4	110.0	111.2	110.2	107.0	104.4	101.8
Operating income	144.3	136.5	101.1	140.3	130.0	114.8	112.7	99.0	97.0
Recurring profit	55.7	54.7	20.4	55.6	56.0	48.3	50.5	42.3	43.4
Net income (loss)	31.9	29.8	7.5	25.8	33.5	23.4	(5.6)	25.5	25.9
AT YEAR-END:									
Total assets	¥2,306.5	¥2,327.9	¥2,355.1	¥2,297.9	¥2,333.4	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8
Total net assets	260.4	280.1	277.5	293.2	316.6	327.8	312.0	346.6	403.3

1 Yen figures have been converted into U.S. dollars at the rate of ¥82=U.S.$1.00, the exchange rate prevailing on March 31, 2012.
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.

OPERATING REVENUES AND NET INCOME (LOSS)

Billions of yen

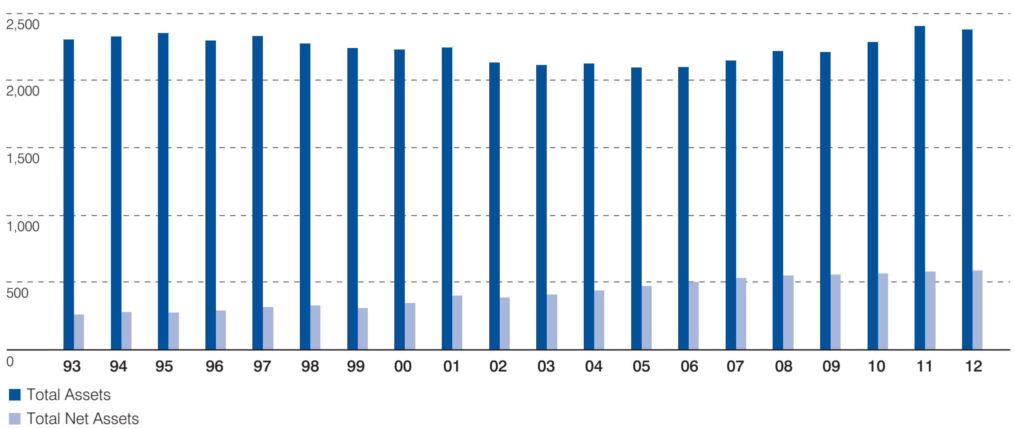


■ Operating Revenues
■ Net Income (Loss) (right)

										Billions of yen	Millions of U.S. dollars[1]
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**	**2012**
¥869.8	¥849.0	¥845.8	¥846.4	¥851.2	¥865.8	¥879.4	¥875.0	¥816.7	¥828.6	**¥862.1**	**$10,514**
770.2	752.3	750.8	750.9	756.5	765.8	781.7	773.7	720.0	728.0	**758.7**	**9,253**
314.3	306.0	308.1	313.4	323.8	328.6	343.5	339.1	312.4	323.9	**351.5**	**4,286**
308.9	303.3	302.0	300.4	297.5	302.4	303.3	301.5	286.1	284.4	**287.3**	**3,504**
146.4	142.5	140.0	136.5	134.7	134.3	134.4	132.5	121.4	119.6	**119.8**	**1,462**
770.3	745.7	740.4	736.4	742.3	756.8	769.6	772.9	758.2	752.8	**772.8**	**9,425**
330.5	301.6	294.5	286.8	276.1	272.5	269.9	268.6	265.2	235.3	**237.9**	**2,901**
281.2	288.2	291.0	300.5	320.0	337.9	338.8	333.9	318.6	333.4	**339.5**	**4,141**
39.2	38.4	36.6	36.9	34.8	34.3	34.4	38.2	33.5	33.7	**36.2**	**441**
116.8	122.6	121.9	127.1	140.7	148.9	148.6	135.8	128.1	135.8	**133.3**	**1,626**
125.1	127.1	132.4	136.4	144.4	154.5	155.8	159.8	156.9	163.8	**169.9**	**2,072**
30.0	29.3	28.2	29.7	28.7	28.1	28.6	29.1	29.3	29.8	**30.9**	**377**
31.3	31.0	30.8	24.6	24.7	24.6	24.6	25.3	25.0	25.1	**23.6**	**288**
97.1	95.4	95.7	94.5	92.5	93.5	107.5	115.9	119.9	129.1	**140.7**	**1,717**
99.5	103.2	105.4	110.0	108.9	108.9	109.8	102.0	58.5	75.8	**89.2**	**1,088**
54.0	61.3	65.0	74.3	75.9	77.6	79.9	73.4	29.8	48.5	**62.8**	**766**
32.5	33.4	37.1	48.0	35.1	44.6	45.1	44.3	20.5	28.5	**22.1**	**270**
¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8	¥2,222.9	¥2,215.1	¥2,286.9	¥2,405.7	**¥2,381.7**	**$29,046**
388.6	410.7	439.3	474.3	502.2	533.3	552.4	560.7	568.1	581.3	**588.3**	**7,175**

TOTAL ASSETS AND TOTAL NET ASSETS

Billions of yen



Capital Expenditures and Cash Flows

Years ended March 31

Capital Expenditures

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Billions of yen 2012	Millions of U.S. dollars[1] 2012
CONSOLIDATED BASIS:													
Depreciation expenses	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	**¥169.3**	**$2,065**
Capital expenditures excluding a portion contributed by local governments, etc.	86.3	88.3	105.4	120.8	113.1	125.3	144.9	187.9	163.9	210.1	260.0	**195.4**	**2,383**
NON-CONSOLIDATED BASIS:													
Depreciation expenses	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	¥115.9	¥119.9	¥129.1	**¥140.7**	**$1,717**
Capital expenditures excluding a portion contributed by local governments, etc.	71.8	89.2	85.7	102.3	92.8	106.3	117.2	159.6	128.4	165.5	208.5	**150.8**	**1,840**

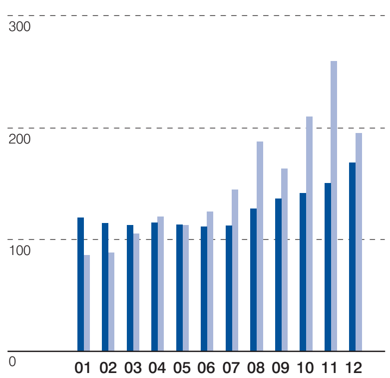
Cash Flows (Consolidated Basis)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Billions of yen 2012	Millions of U.S. dollars[1] 2012
Net cash provided by operating activities	¥138.7	¥ 99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	¥161.3	¥223.2	**¥206.2**	**$2,514**
Net cash (used in) provided by investing activities	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	**(199.1)**	**(2,428)**
Free cash flows	148.1	117.3	66.8	48.5	58.0	62.3	56.8	42.9	6.1	(47.4)	(23.0)	**7.0**	**86**
Net cash (used in) provided by financing activities	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	54.6	51.4	**(36.8)**	**(449)**

1 Yen figures have been converted into U.S. dollars at the rate of ¥82=U.S.$1.00, the exchange rate prevailing on March 31, 2012.

DEPRECIATION AND CAPITAL EXPENDITURES (CONSOLIDATED BASIS)

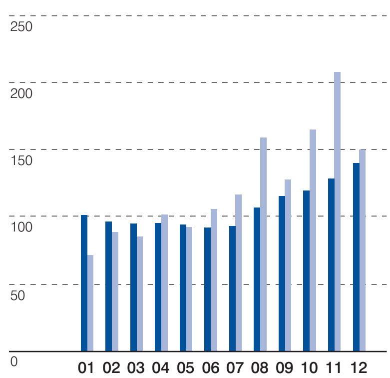
Billions of yen



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

DEPRECIATION AND CAPITAL EXPENDITURES (NON-CONSOLIDATED BASIS)

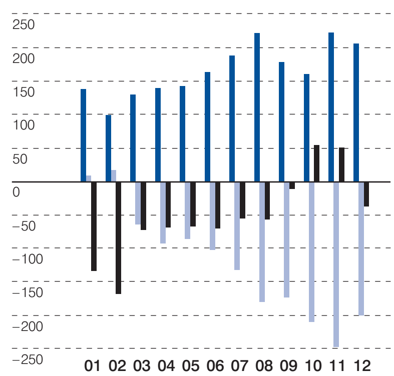
Billions of yen



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

CASH FLOWS (CONSOLIDATED BASIS)

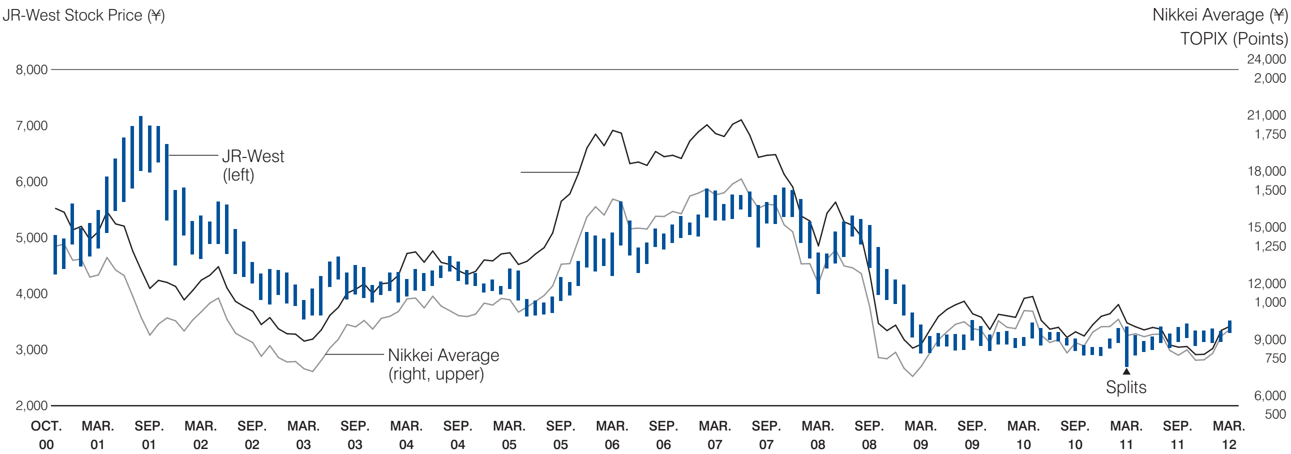
Billions of yen



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

As of March 31, 2012

Stock Price and Trading Volume



	Fiscal 2001	Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005		Fiscal 2006	
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	5,620	7,180	7,000	5,650	4,450	4,670	4,480	4,680	4,460	4,420	5,110
Low (¥)	4,350	5,100	4,520	4,190	3,550	3,620	3,850	4,060	4,000	3,600	3,980
Average Daily Trading Volume (Shares)	215,164	306,706	382,791	247,275	216,439	313,644	504,571	650.051	531,389	840,019	802,132
Nikkei Average (¥)	12,999.70	9,774.68	11,024.94	9,383.29	7,972.71	10,219.05	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66
TOPIX (Points)	1,277.27	1,023.42	1,060.19	921.05	788.00	1,018.80	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16

	Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011		Fiscal 2012	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	5,650	5,880	5,830	5,900	5,400	4,840	3,540	3,430	3,495	3,420	3,420	3,530
Low (¥)	4,380	4,910	4,840	4,000	4,460	2,949	2,952	2,993	2,986	2,700	2,905	3,080
Average Daily Trading Volume (Shares)	616,666	688,486	648,094	861,620	695,220	912,513	782,785	660,959	713,580	945,908	814,979	812,162
Nikkei Average (¥)	16,127.58	17,287.65	16,785.69	12,525.54	11,259.86	8,109.53	10,133.23	11,089.94	9,369.35	9,755.10	8,700.29	10,083.56
TOPIX (Points)	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81	829.51	869.38	761.17	854.35

- 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).
- The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Stock prices displayed above have been adjusted to reflect the stock split.

Number of Shareholders: 164,294

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	10,800,300	5.40
Japan Trustee Services Bank, Ltd. (Trust Unit)	8,501,800	4.25
Mizuho Corporate Bank, Ltd.	6,450,000	3.23
Sumitomo Mitsui Banking Corporation	6,400,000	3.20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.15
JR-West Employee Stock-Sharing Plan	4,609,400	2.30
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	4,128,051	2.06
Japan Trustee Services Bank, Ltd.	4,018,600	2.01
Nippon Life Insurance Company	4,000,000	2.00
The Sumitomo Trust and Banking Company Limited	3,200,000	1.60
Total	58,408,151	29.20

Note: For the purpose of computing the shareholding ratios, 6,265,399 shares of treasury stock are excluded from the total number of issued shares of the Company.

CONSOLIDATED SUBSIDIARIES

As of March 31, 2012

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
	JR West Miyajima Ferry Co., Ltd.	1,100	Ferry Services	100.0
	Sagano Scenic Railway	200	Railway Services	100.0
Retail Business	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	5,500	Real Estate Leasing	74.4
	Tennoji Shopping Center Development Co., Ltd.	1,800	Real Estate Leasing	100.0
	JR West Japan Shopping Center Development Company	1,200	Real Estate Leasing	100.0
	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
	Sanyo SC Development Company Co., Ltd.	300	Real Estate Leasing	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Real Estate Leasing	80.0
	San-in Station Development Co., Ltd.	100	Real Estate Leasing	93.0
	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	82.5
	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
	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 Railway Techsia Co., Ltd.	100	Maintenance for Railcar Facilities	69.1
	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
	WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION	80	Maintenance for Railcar Facilities	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	Cleaning	100.0
	West Japan Railway Kanazawa MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Fukuoka MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Rent-A-Car & Lease Co., LTD.	30	Rent-a-Car Services	78.6
	West Japan Railway Okayama MAINTEC Co., LTD.	25	Cleaning	100.0
	West Japan Railway Fukuchiyama MAINTEC Co., LTD.	20	Cleaning	100.0
	West Japan Railway Yonago MAINTEC Co., LTD.	20	Cleaning	100.0
	West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0
	JR West Customer Relations Co., Ltd.	50	Call Center Management	100.0

CORPORATE DATA

As of March 31, 2012

COMPANY NAME
West Japan Railway Company

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

DATE OF ESTABLISHMENT
April 1, 1987

COMMON STOCK
¥100 billion

SHARES OUTSTANDING
200 million

EMPLOYEES
26,778 (non-consolidated)
45,402 (consolidated)

NUMBER OF SUBSIDIARIES
142 (incl. 64 consolidated Subsidiaries)

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)

Total route length
5,012.7 kilometers
Shinkansen 644.0 kilometers
Conventional lines (50 lines):
Conventional lines 4,368.7 kilometers
* The total route length is the sum of the Shinkansen and conventional

Number of stations
1,222

Number of passenger cars
6,651

Number of passengers
Total 1,798 million
Shinkansen 64 million
Conventional lines 1,749 million

Passenger-kilometers
Total 54,117 million
Shinkansen 16,878 million
Conventional lines 37,239 million

Train-kilometers per day
Total 521 thousand
Shinkansen 108 thousand
Conventional lines 412 thousand

Non-Railway Operation

Bus Services

Ferry Services

Retail Business
Sales of goods and service
Department store operations
Wholesale operations

Real Estate Business
Shopping center management
Real estate brokerage and leasing

Other Businesses
Hotel
Travel Services
Rent-a-Car Services
Advertising Services
Maintenance for Railcar Facilities
Electric Works
Construction Consultation
Cleaning and Maintenance Works
Information Services
Construction
Others

For further information, please contact the Investor Relations section of the
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Tel: 81-6-6375-8981 Fax: 81-6-6375-8976
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JR-WEST

WEST JAPAN RAILWAY COMPANY

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