

(Translation)

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To the Shareholders:

JR-West's Business Report

DOCUMENTS ATTACHED TO
THE NOTICE OF THE 20TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(from April 1, 2006 to March 31, 2007)

West Japan Railway Company

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Dear Shareholders:

We should like to thank you, our shareholders, for your support to our business activities.

On April 25, 2005, the Company caused a grave accident between Tsukaguchi and Amagasaki on the Fukuchiyama Line, claiming the lives of 106 passengers and injuring more than 500 passengers.

We now again pray for all the victims of the accident and would like to express our sincerest apology to the bereaved family. We would also like to express our deepest sympathy and sincerest apology to the wounded passengers and wish them to recover as soon as possible.

We would like to express our sincerest apology to our customers, our shareholders and the residents of the affected area for causing great anxiety and trouble.

Currently, we have steadily implemented various measures to enhance safety. We have also set the "building of a corporate culture of placing first priority on safety" as our utmost management target and exerted our efforts to complete the target in accordance with our newly formulated "Corporate Philosophy" and "Safety Charter".

Never forgetting the accident and strongly keeping in mind that we are in charge of guarding the invaluable lives of many passengers, we will place top priority on safety at all times and exert our all-out efforts to provide safe and trustworthy transportation services.

Through these efforts, we will prove worthy of our shareholders' trust. We cordially seek the continued understanding and support of our shareholders.

May 2007

Masao Yamazaki
President and Representative Director

BUSINESS REPORT FOR THE 20TH FISCAL YEAR

For the period from April 1, 2006 to March 31, 2007

I. Matters concerning the situations of West Japan Railway Group (the "Group"):

1. Business trends and achievements:

(1) General developments and results of business activities

On April 25, 2005, the Company caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line and 106 lives were claimed and more than 500 passengers were injured. The Company has since continued its all-out efforts to respond to the bereaved and the victims, and engaged in holding memorial ceremonies commemorating the victims and debriefing sessions on the development of its "Safety Enhancement Plan", among other things.

With a resolve never to permit the occurrence of such any accident, the Company has formulated a "Corporate Philosophy", which shows the cause and value to pursue as a corporate entity, and a "Safety Charter", a practical action guideline for safety, and has exerted its efforts to ensure them to be fully understood and put into practice by all employees. Specifically, for the purpose of enhancement of safety, its greatest challenge, the Company has exerted its efforts to implement the "Safety Enhancement Plan" steadily both in its software and hardware infrastructures. The Company also has instituted a new "Railway Safety Management Manual" in accordance with the amended Railway Business Law of Japan, enforced in October 2006, to establish a safety management system. Furthermore, the Company revised its Group's medium-term management targets, instituted in March 2005, to set the "building of a corporate culture of placing top priority on safety" as its utmost management target and has since carried out various measures to complete the target.

In addition, the Company increased the number of external officers in June 2006 to further strengthen its functions to monitor and supervise the execution of business.

Thus, the Company has exerted its all-out efforts to promote the enhancement of safety steadily in the railway business, its core business, and in other businesses, implemented various measures by exploiting their respective characteristics and made effective use of its assets.

As a result of these efforts, on a consolidated basis, operating revenues for the fiscal year under review amounted to ¥1,262.9 billion, up 1.8% from the previous fiscal year, while operating income amounted to ¥135.3 billion, up 0.1%. Recurring profit and net income (after income taxes) totaled ¥104.1 billion, up 1.9%, and ¥56.7 billion, up 22.1%, respectively.

(2) Individual developments and results of business activities by segment

<Transportation business>

In the railway operations, the Company has implemented the Safety Enhancement Plan and other measures intensively to establish a corporate culture that places top priority on safety. To be specific, the Company has continued to hold "safety meetings" at which its officers can exchange opinions with its employees in the field to make them strictly aware of placing top priority on safety, and analyzed the particulars of "accident origins" and "worrisome events" reported by the employees in the field. In addition, for more expedient execution of capital investments necessary for its safety measures, the Company has revised authority concerning safety-related investments. Furthermore, the Company has improved its system for effective safety education by upgrading simulators for the training of crewmen and computer-aided instruction (CAI) for station operating personnel and conducted general train-accident drills to enhance its capabilities to respond to the occurrence of any accident, including the rescue of passengers and cooperation with the police and other relevant authorities. With regard to hardware infrastructures, the Company has improved its ATS-SW systems to control excessive speed at points and crossings, installed additional ATS-P systems on its rail tracks, accelerated quake-proof reinforcement works of the columns of its elevated bridges and built additional anemometers to be alert to strong winds and additional train proximity warning devices to prevent trackmen from being hit by trains, among other things. Furthermore, in response to the proposals of the "Safety Advisory Committee" consisting of third-party experts, the Company has taken necessary measures, including the establishment of a "Safety Research Center" specialized in safety-related research and development in June 2006. The Company also publicized an "interim report" on the proposals of the committee and the implementation and examination thereof.

With regard to transportation, the Company has applied its operation control systems in broader areas for the purpose of providing more stable transport based on safety. As to the conventional railway lines, in October 2006, the Company extended the new Rapid train services to the Tsuruga station following the completion of the construction for through services of the Hokuriku and Kosei Lines and in March 2007, revised timetables, including the opening of the "Sakura-Shukugawa station". As to the Sanyo Shinkansen Line services, the number of passengers has increased steadily since the Company raised the frequency of "Nozomi" trains that run directly for Tokyo from Hakata and Hiroshima upon the revision of the timetable in March 2006. Hence, the Company ran more special trains to further enhance convenience. The Company has incurred losses in natural calamities: in July 2006, the Company was forced to suspend operations on the Geibi Line and the Sanko Line due to a heavy rain and in November 2006, a train on the Tsuyama Line was derailed by fallen rocks.

With regard to marketing activities, the Company has made its "Express Reservations" service, which enables its users to make and change reservations for the Shinkansen with ease via PCs and cell phones, available for the whole Tokaido and Sanyo Shinkansen Lines and proactively spread basic information on the Shinkansen services, including the frequency, required time and prices, to promote the utilization of its services. With regard to "J-WEST Cards" necessary for the "Express Reservations" service, the Company has exerted its efforts to increase the number of card members through PR activities as to the privileges of membership. Furthermore, the Company has engaged in

sales promotion of the "DISCOVER WEST Campaigns" jointly with the relevant local areas, travel agencies and other JR companies to create tourist demand. The Company has also launched a travel product "Club DISCOVER WEST" targeting people fifty years old and above to incite tourist demand.

With regard to passenger services, the Company has exerted its efforts to make its railway system more passenger-friendly by adding more "Green Ticket Vending Machines", installing elevators, escalators and other barrier-free equipment, and making the "Lost Property Administration System", which allows quick inquiries of lost property but have been available only in the Keihanshin area (which covers the cities of Kyoto, Osaka and Kobe as well as the surrounding metropolitan areas), available in the Okayama, Hiroshima and Fukuoka areas as well. The Company has also installed automatic external defibrillators (AEDs) at one major station after another and given first-aid training to its station staff and others.

With regard to technological development, the Company has placed emphasis on ensuring safety and enhancing services and focused its efforts on developing GPS-mounted train proximity warning devices, which are backup systems to prevent accidents caused by human errors, as well as passenger guidance systems for use of its station staff to improve their customer services.

With regard to environmental matters, the Company has, in compliance with law, promoted environment management in cooperation with its group companies and engaged aggressively in reducing adverse impacts of its railway business on the environment, including the introduction of energy-saving railcars and the reduction of waste products. The Company has also issued an environment report.

With regard to ferry services, the Company has exerted its efforts to establish a safety management system in accordance with its "Marine Safety Management Manual" for the purpose of safe and trustworthy operations.

With regard to bus business, the Group has equipped its vehicles with extra safety devices and gave more intensive education and training to its employees to establish a safer transportation system. In addition, while competition in the highway bus services is intensifying, the Group has exerted its efforts to offer products to meet various customer needs by leveraging its marketing capabilities by the full-fledged provision of its Internet reservation service "Highway Bus Net" and commencing the services of its ultrahigh-capacity buses "Youth Mega-Dream Express".

As a result, operating revenues from the transportation business amounted to ¥864.9 billion, up 1.7% from the previous fiscal year and operating income amounted to ¥97.2 billion, down 0.8%.

<Sales of goods and food services>

The Group has continued to implement the "NexStation Plan" to create convenient and attractive stations and opened new self-service kiosks and mini-size convenience stores "Daily in". The Group has also endeavored to develop original products and revitalize its existing shops and stores. Additionally, the Group has opened a "Dessert Terrace", a collection of famous dessert shops, in the Osaka station to expand the business of sales of goods and food services on its station premises. "JR Kyoto Isetan" has remodeled its sales floors according to seasons and introduced a fuller line of original products to increase profits.

As a result, operating revenues from the sales of goods and food services amounted to ¥252.1 billion, up 3.2% from the previous fiscal year and operating income amounted to ¥5.0 billion, down 15.2%.

<Real estate business>

In line with the opening of the elevated station house over the tracks of the Okayama station, the Group has opened a shopping center called "SUN STATION TERRACE OKAYAMA" facing the passage connecting the east and west of the station. The Group has also opened a "JR Kanazawa Station NK Building" with a large shopping center as its tenant in front of the Kanazawa station. Thus, the Group has promoted development of its station premises and surrounding properties. It also has aggressively promoted sales of condominium apartments on its former vacant lots of residence for its employees to make more effective use of its assets. Furthermore, in connection with the plan for the renovation of the Osaka station and the development of a New North Building, the Group has commenced construction of the New North Building to carry out the plan steadily.

The Group's three station building companies in Hyogo Prefecture were consolidated in July 2006 to respond swiftly and properly to changes in the environment, including intensifying competition and diversifying needs of life.

As a result, operating revenues from the real estate business amounted to ¥76.0 billion, up 0.4% from the previous fiscal year and operating income amounted to ¥21.2 billion, up 3.5%.

<Other businesses>

As to the travel agency business, we have focused our strenuous efforts on marketing activities by having a fuller line, and promoting sales via the Internet, of products of "Red Balloon Centennial" launched on the momentum of the centennial of establishment of Nippon Travel Agency Co., Ltd. As to the hotel business, we have exerted our efforts on sales promotional activities by refurbishing banquet halls and guest rooms and launching various events in the food and beverage divisions.

As a result, operating revenues from other businesses in the aggregate amounted to ¥300.3 billion, up 7.2% from the previous fiscal year and operating income amounted to ¥12.5 billion, up 9.2%.

2. Capital expenditure

During the fiscal year under review, the Group made capital investments by placing the full weight of its effort on enhancing safety, including measures to control excessive speed on points and crossings and dead-end lines and the installation of additional ATS-P systems on its rail tracks. The Group also made investments to improve services and profitability and build up its transportation infrastructures, among other things.

The investments totaled ¥183.4 billion.

A. Major projects completed during the fiscal year under review are as follows:

- Construction to install ATS systems (measures to control excessive speed on points and crossings and dead-end lines).
- Construction to elevate the tracks between Bishoen and Sugimoto-cho on the Hanwa Line.
- Construction to extend the operation control system for the JR Kyoto and JR Kobe Lines.
- Construction to build a new station ("Sakura-Shukugawa" on the JR Kobe Line).
- Construction to improve transportation of the Hokuriku Main Line and the Kosei Line (for through service).
- Construction to build new rolling stock (conventional railway lines: 205 railcars).
- Development of the site for the east exit of the Kanazawa station.

B. Major projects under construction as of the end of the fiscal year under review are as follows:

- Extended construction to install ATS-P systems on the relevant lines.
- Construction to install additional anemometers.
- Construction to elevate the tracks near the Himeji station on the JR Kobe Line and near the Nara station on the Yamatoji Line.
- Construction to build new stations (two on the JR Kyoto Line, one on the JR Kobe Line and one on the Sanyo Main Line).
- Construction to renovate the Osaka station of the JR Kyoto and JR Kobe Lines and to develop the new North Building.
- Construction to renovate the Okayama station of the Sanyo Main Line.
- Construction to renovate the station premises of the Tennoji station and the Shin-Imamiya station.
- Construction to introduce automatic ticket gate and ICOCA card systems in the Okayama and Hiroshima areas.
- Construction of access facilities accompanying the construction to build the Osaka Outer Loop Line.
- Construction to improve transportation of the Sagano Line (construction of a double line between Kyoto and Sonobe).
- Construction to build new rolling stock (Shinkansen N700 series: 192 railcars,

conventional railway lines: 204 railcars).

3. Fund-raising

The Group borrowed ¥29.9 billion in domestic straight bonds and ¥57.1 billion in long-term debt, which were used for debt redemption and capital expenditure.

4. Future challenges

On April 25, 2005, the Company caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line and consequently, seriously eroded the confidence of its customers and the society which it had been building up.

We will continue to exert our company-wide efforts to respond to any victims by listening to their opinions and requests in all sincerity.

We will fully cooperate with the Aircraft and Railway Accidents Investigation Commission of the Ministry of Land, Infrastructure and Transport to investigate the causes of the accident, and when the commission produces any report on its investigation, deal with it with all sincerity and respond properly.

We understand that it is the first and foremost for management to place top priority on safety at all times and restore the confidence of our customers and the society and that we must build up a firm foundation for the Group as a whole to persistently develop in the future while offering useful services to the society and increasing profitability, based on the provision of safe, trustworthy high-quality transportation services.

With this basic understanding, we will make all employees strictly aware of, and materialize, our newly instituted "Corporate Philosophy" and "Safety Charter", and will more strenuously concentrate our efforts on enhancing safety and restoring confidence to cause "no accident to produce casualties among our customers" and "no serious labor accident to our employees" as declared in our Group's medium-term management targets. On the momentum of our 20th anniversary of incorporation, we will seek to define a new vision for the next era and effect reforms of our mind-set and business operations in general.

With regard to the railway business, based on the steady implementation of the "Safety Enhancement Plan" and with the understanding that it is our primary role to "build a corporate culture of placing top priority on safety", we will continue to improve our safety facilities and equipment, including ATS systems. Simultaneously, to make "basic actions", which we believe are important to ensure safety, take in root among all employees, we will implement measures with the aim of becoming the "The Only-One Corporate Group that Rigorously Performs Safety Checks by Pointing and Call". Furthermore, by utilizing our "Railway Safety Education Center" newly established never to forget the accident and to seriously ponder its gravity in the future, we will provide more intensive safety education and training and further focus our efforts on measures to enhance safety. In addition, in accordance with the "Railway Safety Management Manual" instituted in 2006, we will conduct safety audits to find out and solve serious problems, in an effort to establish a safety management system.

Furthermore, in July 2007, to formulate a unilateral planning and operating system for the Shinkansen railway business, we will establish a new "Shinkansen Supervising Department" under the Railway Operations Headquarters, as well as a new "Shinkansen Management Division" with the functions of a branch for the Shinkansen-related field.

With regard to transportation and marketing activities, under the circumstances where competition is intensifying, we will continue our efforts to provide safe and trustworthy high-quality transportation services to passengers based on the timetables of our conventional railway lines revised in March 2007 and the timetable of our Sanyo Shinkansen Line to be revised in July 2007 upon the launch of N700 series railcars. We also will continue our "DISCOVER WEST Campaigns" and for the new promotion of our travel product "Club DISCOVER WEST" targeting people fifty years old and above, promote projects focused on "Kyoto" in cooperation with all relevant parties in the local community. Furthermore, we will establish a "Customer Service Department" under the Marketing Division to raise the level of services in general, including front-desk services of our employees, stations and train equipment. Simultaneously, we will increase the number of "Green Ticket Vending Machines", promote education and training of our employees for the enhancement of their salesmanship capabilities and, in collaboration with local authorities, continue to install barrier-free facilities, in an effort to create "customer-friendly stations". In addition, we will endeavor to further promote the use of our "Express Reservations" service, introduce our "ICOCA" in the Okayama and Hiroshima areas and renovate our website "JR *Odekake* Net" that provides various information on the Company, in an effort to upgrade our information technology that may help improve our customer services.

With regard to sales of goods and food services and real estate business, to create more attractive stations and earn the confidence of consumers, we will promote our development projects, renovate the hotel and department store in the Kyoto Station Building on the momentum of the 10th anniversary of its opening and otherwise expand the business on our station premises and surrounding properties. With regard to the project to renovate the Osaka station and develop a New North Building, we will steadily promote the construction of the New North Building, which commenced in October 2006, and develop the condition for the expansion of our ACTY Osaka Building. In addition, to enhance the convenience of our customers who may use our "ICOCA", we will continue our aggressive efforts to increase member stores of electronic money and promote alliances with other companies. Furthermore, to strengthen the strategy formulating functions of our whole development business, we will reorganize the Corporate Resource Development Headquarters into a Business Development Headquarters to put forth greater efforts to develop various projects.

With regard to our corporate social responsibility (CSR), while recognizing anew the importance thereof, we will further carry out our CSR with the CSR Promotion Committee acting as a central figure, and also endeavor to establish proper administration in our whole business activities, among other things, with our Compliance Committee and Risk Management Committee acting as central figures. In addition, we will further improve our internal control functions while taking into account our attitude towards the systems of evaluations and audits of internal control over financial reporting, which will become effective as from the year commencing on April 1, 2008.

We cordially seek the continued understanding and support of our shareholders.

5. Assets and profits for the most recent three fiscal years

Item	17th April 1, 2003 - Mar. 31, 2004	18th April 1, 2004 - Mar. 31, 2005	19th April 1, 2005 - Mar. 31, 2006	20th (current year) April 1, 2006 - Mar. 31, 2007
Operating revenues (billion yen)	1,215.7	1,220.8	1,240.0	1,262.9
Recurring profit (billion yen)	85.8	95.9	102.1	104.1
Net income (billion yen)	47.0	58.9	46.5	56.7
Net income per share (yen)	23,423	29,462	23,281	28,415
Total assets (billion yen)	2,410.3	2,364.3	2,355.9	2,401.6
Net assets (billion yen)	479.7	524.3	564.2	637.8

6. State of major subsidiaries, etc.

(1) State of major subsidiaries:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
West Japan Railway Hotel Development Limited	18,000	100.0	Hotels
West Japan Railway Isetan Limited	6,000	66.7	Department store
Kyoto Station Building Development Co., Ltd.	6,000	61.4 (61.9)	Real estate leasing
Nippon Travel Agency Co., Ltd.	4,000	79.8	Travel agency
Chugoku JR Bus Company	2,840	100.0	Bus services
West Japan Railway Daily Service Net Company	2,300	91.5	Retail sales
West Japan JR Bus Company	2,110	100.0	Bus services
Osaka Terminal Building Company	2,000	57.4	Real estate leasing
Tennoji Terminal Building Co., Ltd.	1,800	61.7	Real estate leasing
JR-West Japan Real Estate & Development Company	620	100.0	Real estate leasing
Japan Railway West Trading Company	200	67.0 (100.0)	Wholesales
JR West Japan Communications Company	200	65.0 (100.0)	Advertising services

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
WEST JAPAN RAILWAY TECHNOS CORPORATION	161	62.7	Maintenance for railcar facilities
West Japan Electric System Co., Ltd.	81	51.5	Railway-related electric facilities

(Note) The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

(2) State of major affiliated companies:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
Kansai Rapid Railway Co., Ltd.	75,280	23.9 (24.1)	Railway services
Daitetsu Kogyo Co., Ltd.	1,232	36.9	Construction
Kosei Construction Co., Ltd.	780	20.3	Construction

(Note) The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

7. Major businesses and offices

The major businesses the Group engages in and the offices therefor are as follows:

(1) Transportation business

In addition to the railway services, the Group engages in bus services and other services.

- The Company (Kita-ku, Osaka-City)
- Chugoku JR Bus Company (Minami-ku, Hiroshima-City)
- West Japan JR Bus Company (Konohana-ku, Osaka-City)

The outline of the railway services is as follows:

Offices	Route length			Number of stations	Number of rolling stock
	Shinkansen	Conventional railway lines	Total		
	km	km	km		
Kanazawa Branch	-	(28.0) 637.0	(28.0) 637.0	163	606
Kyoto Branch	-	314.0	314.0	98	563
Osaka Branch	-	403.3	403.3	149	1,414
Wakayama Branch	-	282.5	282.5	86	72
Kobe Branch	112.4	236.7	349.1	77	1,793
Fukuchiyama Branch	-	331.7	331.7	71	163
Okayama Branch	157.8	601.0	758.8	153	406
Yonago Branch	-	605.7	605.7	154	254
Hiroshima Branch	287.6	959.3	1,246.9	255	645
Fukuoka Branch	86.2	8.5	94.7	3	809
Total	644.0	(28.0) 4,379.7	(28.0) 5,023.7	1,209	6,725

(Note) The kilometers in the parentheses are shown separately for the Category III railway services (Nanao Line (between Wakura-Onsen and Anamizu)). The conventional railway lines of Osaka Branch include 19.4 kilometers of the Category II railway services (Kansai-Airport Line (between Rinku-Town and Kansai-Airport) and JR Tozai Line (between Kyobashi and Amagasaki)). The other lines are all for the Category I railway services.

Category I railway services: Transportation services provided by using its own railway tracks

Category II railway services: Transportation services provided by leasing railway tracks from other operators

Category III railway services: Possession of railway tracks that are used by other operators for transportation services

(2) Sales of goods and food services

The Group engages in department store business in the Kyoto Station Building and sales of goods and food services in major stations.

- West Japan Railway Isetan Limited (Shimogyo-ku, Kyoto-City)
- West Japan Railway Daily Service Net Company (Kita-ku, Osaka-City)
- Japan Railway West Trading Company (Suita-City, Osaka-Prefecture)

(3) Real estate business

The Group engages in sales and lease of real estate by use of its own real estate and operations of shopping centers.

- Kyoto Station Building Development Co., Ltd. (Shimogyo-ku, Kyoto-City)
- Osaka Terminal Building Company (Kita-ku, Osaka-City)
- Tennoji Terminal Building Co., Ltd. (Tennoji-ku, Osaka-City)
- JR-West Japan Real Estate & Development Company (Amagasaki-City, Hyogo-Prefecture)

(4) Other businesses

The Group engages in hotel and advertising businesses by use of its own properties, travel agency business that has highly synergistic effects with its transportation services and various construction and engineering works.

- West Japan Railway Hotel Development Limited (Shimogyo-ku, Kyoto-City)
- Nippon Travel Agency Co., Ltd. (Minato-ku, Tokyo)
- JR West Japan Communications Company (Kita-ku, Osaka-City)
- WEST JAPAN RAILWAY TECHNOS CORPORATION (Amagasaki-City, Hyogo-Prefecture)
- West Japan Electric System Co., Ltd. (Yodogawa-ku, Osaka-City)

8. State of employees

Classification by business segment	Number of employees (increase or decrease compared with the end of the previous fiscal year)
Transportation business	26,390 (-318)
Sales of goods and food services	2,081 (+27)
Real estates business	763 (-15)
Other businesses	14,120 (+567)
Total	43,354 (+261)

(Note) The number of employees represents the number of those actually at work in the respective segments.

9. Major lenders

Lender	Debt payable (billion yen)
Development Bank of Japan	81.1
Mizuho Corporate Bank, Ltd.	35.3
Sumitomo Mitsui Banking Corporation	34.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33.6
The Sumitomo Trust and Banking Company, Limited	13.0
Nippon Life Insurance Company	12.3
Resona Bank, Limited	11.8

II. Matters concerning shares:

1. Total number of issuable shares: 8,000,000 shares
2. Total number of issued shares: 2,000,000 shares
3. Number of shareholders: 157,340 persons
4. Major shareholders:

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

(Note) As of March 31, 2007, no shareholder had shares in the number representing one-tenth or more of the total number of issued shares of the Company.

III. Matters concerning corporate officers:

1. Names of officers, etc.:

Title	Name	Position
Chairman	Noritaka Kurauchi	Advisor of Sumitomo Electric Industries, Ltd.
Director	Yoshio Tateishi	Chairman and Representative Director of Omron Corporation
Director	Akio Nomura	Chairman and Representative Director of Osaka Gas Co., Ltd. and Chairman of the Osaka Chamber of Commerce and Industry
Director	Satoru Sone	Professor of Engineering Department, Kogakuin University
Director	Tadashi Ishikawa	Representative Partner of Oh-Ebashi LPC & Partners
President and Representative Director	Masao Yamazaki	
Executive Vice President and Representative Director	Kazuaki Maruo	Provides general assistance to President. In charge of Railway Operations Headquarters and Safety Research Institute, for safety enhancement.
Executive Vice President and Representative Director	Toshifumi Shiba	Provides general assistance to President. In charge of Corporate Communication Department, Inquiry & Auditing Department, Finance Department and Tokyo Headquarters.
Director	Ryuichiro Tsuchiya	In charge of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line of the Company, Deliberation Department of the Derailment Accident on the Fukuchiyama Line and General Affairs Department.

Title	Name	Position
Director	Takashi Kondo	In charge of Construction Department and Corporate Resource Development Headquarters.
Director	Seiji Manabe	In charge of Corporate Planning Headquarters and Personnel Department.
Director	Naoki Nishikawa	In charge of Safety Promotion Department, Railway Operations Headquarters, for safety enhancement.
Director	Takeshi Kakiuchi	In charge of any mission specified by President.
Full-time Corporate Auditor	Noboru Koide	
Full-time Corporate Auditor	Tsutomu Iwasaki	
Corporate Auditor	Kazuo Yoshida	Dean of Business Administration Research, Graduate School of Kyoto University
Corporate Auditor	Ikuo Uno	Chairman and Representative Director of Nippon Life Insurance Company

(Notes) 1. Chairman Noritaka Kurauchi, Directors Yoshio Tateishi, Akio Nomura, Satoru Sone and Tadashi Ishikawa are external directors as provided for in Article 2, item 15 of the Corporation Law of Japan.

2. Full-time Corporate Auditor Tsutomu Iwasaki, Corporate Auditors Kazuo Yoshida and Ikuo Uno are external auditors as provided for in Article 2, item 16 of the Corporation Law of Japan.

(2) Total amount of remuneration, etc. for officers

Classification	Number	Amount
Director	14	¥328 million
Corporate Auditor	5	¥73 million
Total	19	¥401 million

(Note) The total amount of remuneration, etc. for the external officers for the fiscal year under review was ¥88 million.

3. Matters concerning external officers

- (1) State of the external officers' concurrent holding of offices of executive officers for other companies

External Director Mr. Yoshio Tateishi, acting as Chairman and Representative Director of OMRON Corporation, and External Director Mr. Akio Nomura, acting as Chairman and Representative Director of Osaka Gas Co., Ltd., have business dealings with the Company, respectively. External Corporate Auditor Mr. Ikuo Uno, acting as Chairman and Representative Director of Nippon Life Insurance Company, has business dealings with the Company.

External Director Mr. Noritaka Kurauchi has assumed the office of external director of Nippon Sheet Glass Co., Ltd.; External Director Mr. Yoshio Tateishi has assumed the office of external director of Dainippon Screen MFG. Co., Ltd.; and External Director Mr. Tadashi Ishikawa has assumed the office of external corporate auditor of Takeda Pharmaceutical Company Limited. External Corporate Auditor Mr. Ikuo Uno has assumed the office of external director of Matsushita Electric Industrial Co., Ltd. and Fuji Kyuko Co., Ltd., as well as the office of external corporate auditor of Odakyu Electric Railway Co., Ltd., Tanabe Seiyaku Co., Ltd., Tohoku Electric Power Company, Incorporated and Sumitomo Mitsui Financial Group, Inc.

- (2) Major activities of the external officers during the fiscal year under review

During the fiscal year under review, the Board of Directors held 12 sessions, which were attended by 80% of the External Directors and 80% of the External Corporate Auditors, respectively, on average. With their wide experience and expertise in management, they have expressed their opinions on matters concerning the managerial issues of the Company on a timely and adequate manner.

During the fiscal year under review, the Board of Corporate Auditors held 14 sessions, which were attended by 90% of the External Corporate Auditors on average. With their wide experience and expertise in management, they have expressed their opinions on matters concerning the execution by the Corporate Auditors of their duties on a timely and adequate manner.

IV. Matters concerning account auditors:

(1) Name of the account auditors:

Ernst & Young ShinNihon

(2) Amount of remuneration, etc. to the account auditors:

- | | |
|--|--------------|
| (i) Amount of remuneration, etc. payable for the fiscal year under review: | ¥106 million |
| (ii) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: | ¥219 million |

- (Notes) 1. The amount of remuneration payable to the account auditors for their audits under the Corporation Law of Japan and the amount of remuneration payable for their audits under the Securities and Exchange Law of Japan are not specifically separated in the audit contract between the Company and Ernst & Young ShinNihon and cannot be separated practically. Hence, such amounts are stated collectively.
2. The Company has entrusted Ernst & Young ShinNihon with, and paid remuneration for, advisory services on the establishment and execution of internal control over financial reporting, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Law of Japan.

(3) Policy on determination of dismissal and non-reappointment:

In the event that the account auditors are considered to fall under any of the items of Article 340, paragraph 1 of the Corporation Law of Japan or otherwise it is considered necessary by the Company, the Company shall determine to dismiss or not to reappoint the account auditors.

V. Systems to secure the properness of business activities:

The matters concerning the establishment of the systems to secure the execution by the Directors of their duties to comply with laws or ordinances and the Articles of Incorporation and other systems to secure the properness of business activities of the Company are described below:

1. Systems to secure the execution by the Directors and employees of their duties to comply with laws or ordinances and the Articles of Incorporation

The Board of Directors of the Company shall meet once every month, in principle, to deliberate on important matters for management, report the development of execution of business on a timely and appropriate manner and monitor the execution by the Directors of their duties mutually. In addition, to ensure the transparency and fairness of corporate management, the Company has invited officers with excellent management prowess and

broad knowledge from outside of the Company to give various guidance and proposals on management of the Company and conduct audits from objective perspectives since its incorporation. As from June 2006, the Company shall make a clear distinction between Directors to execute business (concurrently serving as Executive Officers) and Directors to engage exclusively in monitoring and supervision and increase the number of external Directors, appoint the "Chairman", who shall act as chairman of the Board of Directors, from among the external Directors and improve the system of distributing information to the external Directors to strengthen its functions of monitoring and supervision of corporate management.

With regard to compliance with law, the "Compliance Committee", with the President acting as chairman, shall, in accordance with the "Corporate Philosophy" instituted in April 2006, deliberate on and determine the formulation of annual policies on compliance and the establishment of internal systems and rules therefor, keep track of risks and devise necessary measures therefor, promote various training and educational campaigns, and examine and evaluate the schemes for ensuring compliance. In addition, the Company shall familiarize all officers and employees with the "Code of Ethics for Employees" and the "Ethics Office" as consultative office to further ensure compliance with law and corporate ethics. With regard to the execution by the Directors and employees of their duties, the Company shall ensure transparency thereof by devising schemes that may allow checking functions, including a system of circulating requests for managerial decision, as well as various committees from time to time, and make the Inquiry & Auditing Department, responsible internal audits, audit business of the Company 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 institute a "Team to Promote Evaluation of Internal Control over Financial Reporting" to promote the establishment of internal control to ensure credibility of financial reporting, the documentation thereof and the evaluation and reporting of the effectiveness thereof.

Through these measures, the Company shall endeavor to improve its systems to ensure compliance with law or otherwise in its business operations in general.

2. Systems concerning storage and management of information on the execution by the Directors of their duties

Pursuant to the document management manuals of the Company, information on the execution by the Directors of their duties shall be prepared, stored and managed properly by the respective sections in charge thereof and shall be made available for inspection by the Directors and Corporate Auditors at all times whenever necessary.

3. Regulations concerning management of exposure to the risk of loss and other systems

Taking seriously that on April 25, 2005, it caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line in which 106 lives were claimed and more than 500 passengers were injured, and with a resolve never to permit the occurrence of such any accident, the Company shall implement measures both in its software

and hardware infrastructures in accordance with its "Safety Enhancement Plan" submitted to the Minister of Land, Infrastructure and Transport on May 31, 2005, and also improve and strengthen its safety measures by establishing a "Safety Advisory Committee" and a "President's Special Aide". In addition, with the understanding that the steady implementation of the plan will be the way to restore the confidence of our customers and the society, the Company shall exert its all-out efforts to ensure its newly formulated "Corporate Philosophy" and "Safety Charter" to be fully understood by all employees and put the plan into practice company-wide. Furthermore, the Company shall build a stronger safety management system based on its "Railway Safety Management Manual" instituted in accordance with the amended Railway Business Law of Japan, enforced in October 2006. Additionally, the "Risk Management Committee" with the President acting as chairman shall keep track of risks and critical factors that may have material effects on management of the Company, prepare manuals and deliberate on and determine important policies to respond thereto, prepare to establish a rapid initial response system and implement appropriate measures in the event of any serious crisis, and examine and evaluate the risk management schemes and systems.

Through these efforts, the Company shall build up a system for appropriate risk management in its business activities in general.

4. Systems to secure efficient execution by the Directors of their duties

The Directors in charge of their respective sections shall, based on the general business plan determined by the Board of Directors at the beginning of each fiscal year, execute their duties properly with regard to the measures of the respective sections in accordance with the authority and decision-making rules under the Company's regulations of its organization and execution of business.

The Company has established an Executive Committee consisting of the Representative Directors and Executive Officers of the Company to deliberate on fundamental matters for execution of business, and also introduced a system of executive officers to delegate authorities to the Executive Officers, whereby ensuring stronger functions to supervise the Board of Directors and speedier execution of their duties.

5. Systems to secure the properness of business activities of the corporate group

At its "Compliance Committee" and "Risk Management Committee", the Company shall determine policies on compliance and risk management of the whole Group, and each group company shall take measures to establish committees and regulations, whereby formulating a system for strong compliance and appropriate risk management of the whole Group. In addition, at its "Ethics Office", the Company shall respond to consultations concerning any group company, whereby ensuring strict corporate ethics of the whole Group.

With regard to important managerial matters of the group companies, the Company shall establish a system to allow them to consult with the Company in advance, and the Company shall make its officers assume the offices of directors and corporate auditors of its important group companies to ensure legitimate and effective management of the Group. Furthermore, for the purpose of its internal audits, the Company shall, whenever necessary,

determine if laws or ordinances and regulations concerning execution of business of the group companies are observed.

With regard to the "evaluation of internal control over financial reporting", the Company shall promote its group-wide efforts as the business on a consolidated basis is subjected to such evaluation.

6. Matters concerning the employees to assist the Corporate Auditors to execute their duties and their independence from the Directors

The Company has appointed its employees as the Corporate Auditors' staff to engage exclusively in assisting the Corporate Auditors and they shall execute their duties under the orders and instructions of the Corporate Auditors.

The Company shall make their personnel changes and evaluations by taking into consideration the opinions of the Corporate Auditors.

7. System for reports by Directors and employees to the Corporate Auditors and other systems for reporting to the Corporate Auditors

The Directors, Executive Officers and employees shall give to the Corporate Auditors or the Board of Corporate Auditors reports promptly upon the occurrence of any grave accident, any act in violation of any law or ordinance or the Articles of Incorporation or any event that may cause material damage to the Company, as well as reports on the state of performance of internal audits, the particulars of information provided with the "Ethics Office", the particulars of the measures taken by the President's Special Aide, the details of business and problems of each section and such other matters as requested by the Corporate Auditors or the Board of Corporate Auditors from time to time and on a regular basis.

8. Other systems to ensure effective audits by the Corporate Auditors

The Directors of the Company shall formulate systems necessary for the Corporate Auditors to expediently perform audits, including those to allow the Corporate Auditors to attend important meetings, inspect decision documents, cooperate with its internal audit section and account auditors and exchange opinions with the Representative Directors.

In addition, the sections responsible for the business offices of the Company shall coordinate and cooperate with each other to allow the Corporate Auditors to visit the offices to perform effective and efficient audits.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2007)

<u>ASSETS</u>	(million yen)
Current assets:	226,100
Cash and deposits.....	57,814
Trade notes and accounts receivable.....	19,069
Railway fares receivable.....	22,667
Accounts receivable.....	51,605
Inventories.....	19,379
Deferred tax assets	18,679
Other current assets	37,281
Less allowance for doubtful accounts	(397)
 Fixed assets:	 2,175,484
Tangible fixed assets:	1,973,146
Buildings and structures.....	967,045
Machinery, equipment and transport equipment	254,147
Land	658,519
Construction in progress	66,296
Other tangible fixed assets	27,138
 Intangible fixed assets:	 22,197
 Investments and other assets:	 180,139
Investment in securities.....	64,847
Deferred tax assets	92,698
Other investments and other assets	23,253
Less allowance for doubtful accounts.....	(660)
 Deferred assets	 82
 TOTAL ASSETS	 <u>2,401,667</u>

(Note) Figures are indicated by discarding fractions of one million yen.

LIABILITIES

Current liabilities:	528,757
Trade notes and accounts payable.....	50,272
Short-term borrowings	13,137
Current portion of long-term debt.....	49,352
Current portion of long-term payables to the acquisition of railway properties.....	36,530
Current portion of long-term payables.....	31
Accounts payable	124,567
Accrued consumption taxes	5,312
Accrued income tax	21,713
Railway deposits received.....	7,764
Deposits.....	66,601
Prepaid railway fares received	30,507
Advances received	56,475
Deferred tax liabilities.....	198
Allowance for bonuses.....	34,348
Other current liabilities	31,942
Long-term liabilities:	1,235,060
Bonds	249,981
Long-term debt.....	223,211
Long-term payables to the acquisition of railway properties	427,372
Long-term payables	316
Deferred tax liabilities.....	113
Retirement allowances for employees	219,693
Allowance for quake-proof reinforcement measures.....	9,931
Allowance for environment and safety measures	7,426
Negative goodwill.....	238
Other long-term liabilities	96,773
TOTAL LIABILITIES	<u>1,763,817</u>

NET ASSETS

Shareholders' equity	598,331
Common stock	100,000
Capital surplus	55,000
Retained earnings.....	443,658
Treasury stock.....	(327)
Evaluation and exchange differences, etc.	9,212
Evaluation difference on other securities.....	8,864
Deferred hedge income (loss)	348
Minority interests.....	30,305
TOTAL NET ASSETS	<u>637,849</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,401,667</u>

(Note) Figures are indicated by discarding fractions of one million yen.

CONSOLIDATED STATEMENT OF INCOME

(For the period from April 1, 2006 to March 31, 2007)

		(million yen)
Operating revenues		1,262,935
Operating expenses		
Transportation and other services and cost of sales	919,294	
Selling, general and administrative expenses	208,299	1,127,593
Operating income		135,341
Non-operating income		
Interest and dividend income	331	
Equity in earnings of affiliates	1,016	
Other income	5,769	7,117
Non-operating expenses		
Interest expenses	37,298	
Other expenses	1,006	38,304
Recurring profit		104,154
Extraordinary profits:		
Proceeds from construction contract	31,714	
Gain on sale of fixed assets	9,993	
Others	5,621	47,328
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	31,076	
Others	19,534	50,610
Income before income tax		100,872
Corporation, inhabitant and enterprise taxes		44,320
Income taxes - deferred		(2,816)
Minority interests		2,576
Net income		56,791

(Note) Figures are indicated by discarding fractions of one million yen.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(For the period from April 1, 2006 to March 31, 2007)

(million yen)

	Shareholders' equity					Evaluation and exchange differences, etc.			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Evaluation difference on other securities	Deferred hedge income	Total evaluation and exchange differences, etc.		
Balance as of March 31, 2006	100,000	55,000	398,910	(327)	553,583	10,670	-	10,670	27,769	592,023
Changes during the year:										
Distribution of surplus			(12,000)		(12,000)					(12,000)
Net income			56,791		56,791					56,791
Decrease due to the merger of consolidated subsidiaries			(43)		(43)					(43)
Changes in items other than shareholders' equity during the year (net)						(1,806)	348	(1,458)	2,536	1,078
Total changes during the year			44,748		44,748	(1,806)	348	(1,458)	2,536	45,826
Balance as of March 31, 2007	100,000	55,000	443,658	(327)	598,331	8,864	348	9,212	30,305	637,849

(Note) Figures are indicated by discarding fractions of one million yen.

Notes to Consolidated Financial Statements

(For the period from April 1, 2006 to March 31, 2007)

(Note) Figures are indicated by discarding fractions of one million yen.

I. Notes on important information constituting the basis of preparation of consolidated financial statements

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 67

The consolidated subsidiaries of the Company are West Japan Railway Hotel Development Limited, West Japan Railway Isetan Limited, Kyoto Station Building Development Co., Ltd., Nippon Travel Agency Co., Ltd., Chugoku JR Bus Company, West Japan Railway Daily Service Net Company, West Japan JR Bus Company, Osaka Terminal Building Company, Tennoji Terminal Building Co., Ltd., JR-West Japan Real Estate & Development Company, Japan Railway West Trading Company, JR West Japan Communications Company, WEST JAPAN RAILWAY TECHNOS CORPORATION, West Japan Electric System Co., Ltd. and 53 others.

As of July 1, 2006, Akashi Station Center Co., Ltd. and Ashiya Station Building Co., Ltd. were merged into Kobe Station Development Co., Ltd., a surviving company, whose name has been changed to Kobe SC Development Co., Ltd.

(2) The Company has 82 non-consolidated subsidiaries, including Osaka Energy Service Co., Ltd. These companies are excluded from the scope of consolidation, because their aggregate amounts of total assets, net sales, net income or loss (equal to the equity share) and retained earnings (equal to the equity share) do not have a significant effect on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) The Company has no non-consolidated subsidiary subject to the equity method.

(2) The equity method is applied to the investments in four affiliated companies: Kansai Rapid Railway Co., Ltd., Daitetsu Kogyo Co., Ltd., Kosei Construction Co., Ltd., and Railway Information Systems Co., Ltd.

(3) These 82 non-consolidated subsidiaries and 14 affiliated companies, including Nara Hotel Co., Ltd. are excluded from the scope of the application of the equity method, because their aggregate amounts of net income or loss (equal to the equity share) and retained earnings (equal to the equity share) do not have a significant effect on the consolidated financial statements.

3. Matters concerning the fiscal years of the consolidated subsidiaries

The date of the closing of accounts of Nippon Travel Agency Co., Ltd. is December 31 of each year and its financial statements as of the date of the closing of accounts are used for the purpose of preparing the consolidated financial statements. Significant transactions up to the date of the closing of consolidated accounts are adequately adjusted for the purpose of consolidation. The date of the closing of accounts of any other consolidated subsidiary is March 31 of each year, which corresponds to the date of the closing of consolidated accounts.

The fiscal year of Daitetsu Kogyo Co., Ltd., an equity-method affiliated company, was changed. Consequently, its fiscal year ended March 31, 2007 was 13 months, covering the period from March 1, 2006 to March 31, 2007.

4. Matters concerning the accounting standards

(1) Basis and method of valuation of important assets:

(i) Marketable securities:

Other marketable securities:

Those with market value:	At market value, determined by market prices, etc. as of the close of the fiscal year (Revaluation differences are all transferred directly to net assets. Selling costs are determined principally by the moving average method.)
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Those without market value:	At cost, determined principally by the moving average method
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(ii) Inventories:

Goods:	At cost, determined principally by the retail inventory method and the latest purchase cost method
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Real estate for sale:	At cost, determined by the identified cost method
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Work in process:	At cost, determined principally by the identified cost method
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Materials and supplies:	At cost, determined principally by the moving average method
-------------------------	--

(2) Method of depreciation of important depreciable assets:

(i) Tangible fixed assets:

Tangible fixed assets are depreciated principally by the declining balance method; provided, however, that the replacement cost method is applicable to replacement assets for railway services.

(ii) Intangible fixed assets:

Intangible fixed assets are depreciated by the straight-line method. Software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(iii) Long-term prepaid expenses:

Long-term prepaid expenses are written off in equal amounts.

(3) Method of treatment of deferred assets:

Bond issuing expenses are all treated as expenses upon payment thereof.

Development expenses of the consolidated subsidiaries are amortized regularly over their respective effective periods.

(4) Basis for accounting for important allowances and accrued liabilities:

(i) Allowance for doubtful accounts:

To meet losses from loan default, the Group sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(ii) Allowance for bonuses:

To meet the payment of bonuses to employees, the Group sets aside an estimated amount of bonuses to be paid for each current fiscal year.

(iii) Retirement allowances for employees:

To meet the payment of retirement benefits to employees, the Group provides an amount, based on estimated retirement benefit obligations and pension plan assets as of the close of each current fiscal year.

The difference of ¥321,242 million upon the change of accounting standards for employee retirement benefits is treated as expenses, and is amortized principally on a straight-line basis for a period of 10 years.

Actuarial differences are treated principally as expenses from the fiscal year next following the fiscal year when such differences occur, and are amortized principally on a straight-line basis for a specific period of years (principally, 10 years) not exceeding the average remaining years of service of employees when such differences occur.

Prior service cost is amortized as an extraordinary expense in a lump sum in the fiscal year the Group incurs such cost.

(iv) Allowance for quake-proof reinforcement measures

To meet the payment for expenses, including removal and restoration costs, relating to quake-proof reinforcement works of the columns of its elevated bridges of the Shinkansen Line, the Group provides an amount of expenses reasonably estimated at the close of each current fiscal year.

The quake-proof reinforcement works are planned to be completed no later than the fiscal year ending March 31, 2009, by taking into consideration that the columns of the elevated bridges of the Joetsu Shinkansen Line were damaged by the Niigata Chuetsu Earthquake that took place on October 23, 2004.

No amount of expenses that cannot reasonably be estimated at present is provided.

(v) Allowance for environment and safety measures

To meet the payment for expenses of disposal of PCB and other wastes, the Group provides an amount of expenses reasonably estimated at the close of each current fiscal year. The estimated amount is calculated based on the unit cost publicized by Japan Environment Safety Co., Ltd. (JESCO). No amount of expenses of disposal that cannot reasonably be estimated at present is provided.

(5) Accounting treatment of proceeds from construction contract:

For the purpose of construction to elevate railway tracks and other works for its railway operations, the Company receives from local municipal entities contributions to pay for part of such construction. An amount equivalent to such contributions is deducted directly from acquisition costs of the fixed assets so acquired upon the completion of such construction.

In the consolidated statement of income, the Group accounts for such contributions received for construction as an extraordinary profit and such amount directly deducted from acquisition costs of the fixed assets, as a loss on reduction entry of proceeds from construction, as an extraordinary expense.

(6) Accounting treatment of consumption taxes:

Consumption taxes are excluded from each account subject to such taxes.

5. Matters concerning the valuation of assets and liabilities of consolidated subsidiaries:

Assets and liabilities of the consolidated subsidiaries are valued based on the overall market value method.

6. Matters concerning the amortization of goodwill and negative goodwill:

Goodwill and negative goodwill are amortized equally over five years.

7. Changes in the important matters forming the basis of preparation of consolidated financial statements:

(1) Accounting Standard for Presentation of Net Assets in the Balance Sheet:

As from the fiscal year under review, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No.5, December 9, 2005) and the "Implementation Guidance on the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Corporate Accounting Standard Implementation Guidance No.8, December 9, 2005) are applicable.

The amount equivalent to the previous total shareholders' equity is ¥607,195 million.

(2) Accounting Standard for Financial Instruments:

As from the fiscal year under review, the "Accounting Standard for Financial Instruments" (ASBJ Corporate Accounting Standard No.10, amended on August 11, 2006) is applicable. Consequently, ¥18 million of bond discount that accrued upon the issuance of the 12th Bonds (on July 28, 2006) and the 13th Bonds (on February 19, 2007) was deducted directly from the amount of the Bonds.

(3) Accounting Standard for Business Combinations:

As from the fiscal year under review, the "Accounting Standard for Business Combinations" (the Business Accounting Council, October 31, 2003) and the "Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Divestitures, Etc." (ASBJ Corporate Accounting Standard Implementation Guidance No.10, amended on December 22, 2006) are applicable.

(4) Accounting Treatment of Deferred Assets:

As from the fiscal year under review, the "Interim Measures for Accounting Treatment of Deferred Assets" (ASBJ Practical Measures Report No.19, August 11, 2006) is applicable.

II. Notes to consolidated balance sheet, etc.

1. Assets pledged

Assets pledged:

Deposits	¥230 million
Buildings and structures	¥21,674 million
Land	¥190 million
Investment in securities	¥269 million
<hr/>	
Total	¥22,364 million

Secured liabilities:

Long-term debt	¥6,460 million
Current portion of long-term debt	¥650 million
Other current liabilities	¥2,103 million
<hr/>	
Total	¥9,213 million

In addition, pursuant to Article 7 of the Supplementary Provisions to the Law to Amend Part of the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (2001 Law No. 61) of Japan, the entire property of the Company is subject to statutory preferential rights for the security of all bonds (¥175,000 million).

- | | |
|---|--------------------|
| 2. Accumulated depreciation of tangible fixed assets: | ¥2,563,530 million |
| 3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: | ¥501,302 million |

4. Particulars of guarantee obligations:

(million yen)

Guarantee	Guarantee amount	Details of guaranteed obligations
Osaka Soto-Kanjo Railway Co., Ltd.	5,000	Commitment to guarantee for loans from financial institutions
Nichiryō Service Co., Ltd.	399	Guarantee for sale of JR tickets on consignment
Nichiryō-OMC Co., Ltd.	238	Guarantee for payment for air fares
Others (5 companies)	381	
Total	6,020	

5. Matters concerning the train accident on the Fukuchiyama Line:

Expenses resulting from the train accident on the Fukuchiyama Line, including compensation, are anticipated. However, it is difficult to reasonably estimate the amount thereof at present.

III. Notes to consolidated statement of changes in shareholders' equity, etc.

1. Matters concerning the class and number of shares issued and outstanding

Class	Number of shares as of March 31, 2006 (shares)	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2007 (shares)
Shares of common stock	2,000,000	-	-	2,000,000

2. Matters concerning the class and number of shares of treasury stock

Class	Number of shares as of March 31, 2006 (shares)	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2007 (shares)
Shares of common stock	885	-	-	885

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Amount of dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2006	Shares of common stock	6,000	3,000	March 31, 2006	June 26, 2006
Meeting of the Board of Directors held on October 31, 2006	Shares of common stock	6,000	3,000	September 30, 2006	December 8, 2006

(2) Dividends the record date for which falls during the fiscal year under review but the effective date for which falls during the next fiscal year

Resolution	Class of shares	Total amount of dividends (million yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 22, 2007	Shares of common stock	6,000	Retained earnings	3,000	March 31, 2007	June 25, 2007

IV. Notes to information per share

1. Net assets per share: ¥303,906.52
2. Net income per share: ¥28,415.07

BALANCE SHEET
(As of March 31, 2007)

<u>ASSETS</u>	(million yen)
Current assets:	143,769
Cash and deposits.....	39,536
Railway fares receivable.....	26,298
Accounts receivable.....	24,634
Accrued income.....	4,076
Short-term loans.....	18,404
Materials and supplies.....	6,217
Prepaid expenses.....	1,805
Deferred tax assets.....	13,907
Other current assets.....	9,049
Less allowance for doubtful accounts.....	(161)
Fixed assets:	2,008,106
Fixed assets for railway operations.....	1,548,292
Fixed assets for ferry services.....	556
Fixed assets for related businesses.....	60,445
Other relevant fixed assets.....	72,617
Construction in progress.....	61,251
Investments and other assets.....	264,943
Stocks of affiliates.....	122,987
Investment in securities.....	21,950
Long-term loans receivable.....	32,882
Long-term prepaid expenses.....	4,316
Deferred tax assets.....	79,845
Other investments and advances.....	3,252
Less allowance for doubtful accounts.....	(291)
TOTAL ASSETS	<u>2,151,875</u>

(Note) Figures are indicated by discarding fractions of one million yen.

LIABILITIES

Current liabilities:	505,630
Short-term borrowings	117,139
Current portion of long-term debt.....	34,876
Current portion of long-term payables for acquisition of railway properties	36,530
Current portion of long-term payables.....	319
Other accounts payable	147,882
Accrued expenses.....	18,797
Accrued consumption taxes	3,474
Accrued income tax	15,065
Railway deposits received.....	8,101
Deposits.....	12,162
Prepaid railway fares received.....	30,463
Advances received	53,894
Prepaid income received	371
Allowance for bonuses.....	26,505
Other current liabilities	47
Long-term liabilities:	1,112,924
Bonds	249,981
Long-term debt.....	199,698
Long-term payables for acquisition of railway properties.....	427,372
Other long-term payables.....	2,292
Retirement allowances for employees	201,188
Allowance for quake-proof reinforcement measures.....	9,931
Allowance for environment and safety measures	7,426
Other long-term liabilities.....	15,032
TOTAL LIABILITIES	<u>1,618,555</u>

NET ASSETS

Shareholders' equity	525,316
Common stock:	100,000
Capital surplus:	55,000
Capital reserve	55,000
Retained earnings:	370,316
Retained earnings reserve	11,327
Other retained earnings	358,989
Reserve for advanced depreciation of fixed assets	15,436
General reserve	260,000
Retained earnings carried forward.....	83,553
Evaluation and exchange differences, etc.:	8,003
Evaluation difference on other securities.....	8,003
TOTAL NET ASSETS	533,320
TOTAL LIABILITIES AND NET ASSETS	2,151,875

(Note) Figures are indicated by discarding fractions of one million yen.

STATEMENT OF INCOME

(For the period from April 1, 2006 to March 31, 2007)

(million yen)

Railway operations		
Operating revenues	847,176	
Operating expenses	749,958	
Operating income		97,218
Ferry services		
Operating revenues	403	
Operating expenses	544	
Operating loss		141
Related businesses		
Operating revenues	18,229	
Operating expenses	6,341	
Operating income		11,888
Operating income		108,966
Non-operating income		
Interest and dividend income	782	
Other income	4,725	5,507
Non-operating expenses		
Interest expenses	36,208	
Other expenses	578	36,787
Recurring profit		77,686
Extraordinary profits:		
Proceeds from construction contract	31,714	
Gain on sale of fixed assets	9,578	
Others	3,819	45,112
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	31,076	
Others	15,926	47,003
Income before income tax		75,795
Corporation, inhabitant and enterprise taxes		33,640
Income taxes - deferred		(2,528)
Net income		44,683

(Note) Figures are indicated by discarding fractions of one million yen.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(from April 1, 2006 to March 31, 2007)

(million yen)

	Shareholders' equity								Evaluation and exchange differences, etc.	Total net assets
	Capital stock	Capital surplus	Retained earnings					Total shareholders' equity	Evaluation differences on other securities	
		Capital reserve	Retained earnings reserve	Other earned surplus			Total retained earnings			
				Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward				
Balance as of March 31, 2006	100,000	55,000	11,327	8,982	240,000	77,323	337,633	492,633	9,596	502,229
Changes during the year										
Distribution of surplus						(12,000)	(12,000)	(12,000)		(12,000)
Net income						44,683	44,683	44,683		44,683
Transfer to reserve for advanced depreciation of fixed assets (previous year)				4,185		(4,185)				
Transfer to reserve for advanced depreciation of fixed assets (current year)				4,512		(4,512)				
Reversal of reserve for advanced depreciation of fixed assets (previous year)				(991)		991				
Reversal of reserve for advanced depreciation of fixed assets (current year)				(1,252)		1,252				
Transfer to general reserve					20,000	(20,000)				
Changes in items other than shareholders' equity during the year (net)									(1,592)	(1,592)
Total changes during the year				6,453	20,000	6,229	32,683	32,683	(1,592)	31,090
Balance as of March 31, 2007	10,000	55,000	11,327	15,436	260,000	83,553	370,316	525,316	8,003	533,320

(Note) Figures are indicated by discarding fractions of one million yen.

Notes to Non-Consolidated Financial Statements
(From April 1, 2006 to March 31, 2007)

(Note) Figures are indicated by discarding fractions of one million yen.

I. Notes on the matters concerning significant accounting policies:

1. Basis and method of valuation of assets

(1) Basis and method of valuation of marketable securities:

1) Stocks of subsidiaries and affiliates: At cost, determined by the moving average method

2) Other marketable securities:

Those with market value: At market value, determined by market prices, etc. as of the close of the fiscal year (Revaluation differences are all transferred directly to net assets. Selling costs are determined by the moving average method.)

Those without market value: At cost, determined by the moving average method

(2) Basis and method of evaluation of inventories:

Materials and supplies: At cost, determined by the moving average method

2. Method of depreciation of fixed assets:

(i) Tangible fixed assets:

Declining balance method; provided, however, that the replacement cost method is applicable to replacement assets for railway services.

(ii) Intangible fixed assets:

Intangible fixed assets are depreciated by the straight-line method. Software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(iii) Long-term prepaid expenses:

Long-term prepaid expenses are written off in equal amounts.

3. Method of treatment of deferred assets:

Bond issuing expenses are all treated as expenses upon payment thereof.

4. Basis for accounting for allowances and accrued liabilities:

(1) Allowance for doubtful accounts:

To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(2) Allowance for bonuses:

To meet the payment of bonuses to employees, the Company sets aside an estimated amount of bonuses to be paid for each current fiscal year.

(3) Retirement allowances for employees:

To meet the payment of retirement benefits to employees, the Company provides an amount, based on estimated retirement benefit obligations as of the close of each current fiscal year.

The difference of ¥301,642 million upon the change of accounting standards for employee retirement benefits is treated as expenses, and is amortized on a straight-line basis for a period of 10 years.

Actuarial differences are treated as expenses from the fiscal year next following the fiscal year when such differences occur, and are amortized on a straight-line basis for a specific period of years (10 years) not exceeding the average remaining years of service of employees when such differences occur.

Prior service cost is amortized as an extraordinary expense in a lump sum in the fiscal year the Company incurs such cost.

(4) Allowance for quake-proof reinforcement measures

To meet the payment for expenses, including removal and restoration costs, relating to quake-proof reinforcement works of the columns of its elevated bridges of the Shinkansen Line, the Company provides an amount of expenses reasonably estimated at the close of each current fiscal year.

The quake-proof reinforcement works are planned to be completed no later than the fiscal year ending March 31, 2009, by taking into consideration that the columns of the elevated bridges of the Joetsu Shinkansen Line were damaged by the Niigata Chuetsu Earthquake that took place on October 23, 2004.

No amount of expenses that cannot reasonably be estimated at present is provided.

(5) Allowance for environment and safety measures

To meet the payment for expenses of disposal of PCB and other wastes, the Company provides an amount of expenses reasonably estimated at the close of each current fiscal year. The estimated amount is calculated based on the unit cost publicized by Japan Environment Safety Co., Ltd. (JESCO). No amount of expenses of disposal that cannot reasonably be estimated at present is provided.

5. Accounting treatment of lease transactions:

With regard to the treatment of finance lease transactions other than those in which ownership of leased property is considered to be transferred to borrowers, the method for regular lease transactions applies similarly.

6. Accounting treatment of proceeds from construction contract:

For the purpose of construction to elevate railway tracks and other works for its railway operations, the Company receives from local municipal entities contributions to pay for part of such construction. An amount equivalent to such contributions is deducted directly from acquisition costs of the fixed assets so acquired upon the completion of such construction.

In the consolidated statement of income, the Company accounts for such contributions received for construction as an extraordinary profit and such amount directly deducted from acquisition costs of the fixed assets, as a loss on reduction entry of proceeds from construction, as an extraordinary expense.

7. Accounting treatment of consumption taxes:

Consumption taxes are excluded from each account subject to such taxes.

8. Changes in the important matters forming the basis of preparation of financial statements:

(1) Accounting Standard for Presentation of Net Assets in the Balance Sheet:

As from the fiscal year under review, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No.5, December 9, 2005) and the "Implementation Guidance on the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Corporate Accounting Standard Implementation Guidance No.8, December 9, 2005) are applicable.

The amount equivalent to the previous total shareholders' equity is ¥533,320 million.

(2) Accounting Standard for Financial Instruments:

As from the fiscal year under review, the "Accounting Standard for Financial Instruments" (ASBJ Corporate Accounting Standard No.10, amended on August 11,

2006) is applicable. Consequently, ¥18 million of bond discount that accrued upon the issuance of the 12th Bonds (on July 28, 2006) and the 13th Bonds (on February 19, 2007) was deducted directly from the amount of the Bonds.

II. Notes to balance sheet, etc.

1. Assets pledged

Pursuant to Article 7 of the Supplementary Provisions to the Law to Amend Part of the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (2001 Law No. 61) of Japan, the entire property of the Company is subject to statutory preferential rights for the security of all bonds (¥175,000 million).

2. Accumulated depreciation of tangible fixed assets: ¥2,360,472 million

3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥501,302 million

4. Total amount of fixed assets by item:

Tangible fixed assets	¥1,664,951 million
Land	¥641,828 million
Buildings	¥114,899 million
Structures	¥648,774 million
Rolling stock	¥174,081 million
Others	¥85,368 million
Intangible fixed assets	¥16,959 million

5. Guarantees of loans:

(million yen)

Guarantee	Guarantee amount	Details of guaranteed obligations
Kyoto Station Building Development Co., Ltd.	16,186	Commitment to guarantee for loans from financial institutions
Osaka Soto-Kanjo Railway Co., Ltd.	5,000	
Hotel Granvia Okayama Co., Ltd.	2,264	Guarantee for loans from financial institutions
JR West Japan Hotel Development, Co., Ltd. and 4 other companies	78	Guarantee for the balance of prepaid cards issued
Total	23,529	

6. Long-term receivables from affiliates: ¥33,045 million

7. Short-term receivables from affiliates: ¥30,343 million

8. Long-term payables to affiliates: ¥4,521 million

9. Short-term payables to affiliates: ¥225,682 million

10. Matters concerning the train accident on the Fukuchiyama Line:

Expenses resulting from the train accident on the Fukuchiyama Line, including compensation, are anticipated. However, it is difficult to reasonably estimate the amount thereof at present.

III. Notes to statement of income

1. Operating revenues: ¥865,810 million

2. Operating expenses: Delivery expenses and cost of sales: ¥558,053 million

Railway operations ¥557,637 million

Ferry services ¥397 million

Related businesses ¥18 million

Selling, general and administrative expenses: ¥77,107 million

Railway operations ¥73,521 million

Ferry services ¥47 million

Related businesses ¥3,538 million

General tax: ¥28,149 million

Depreciation expenses: ¥93,533 million

3. Transactions with affiliates:

Operating revenues: ¥34,669 million

Operating expenses: ¥180,008 million

Transactions other than ordinary business: ¥115,055 million

4. Loss on impairment of fixed assets:

For the purpose of calculation of loss on impairment of fixed assets, the Company groups together the fixed assets of the railway operations, ferry services, sales of goods and food services and other businesses, whose incomes and expenses are accounted for constantly, by such business category, and groups together the fixed assets of real estate business, assets determined for abolition and idle assets separately. Accordingly, as a result of a decline in land prices, the book value of the fixed assets determined for abolition was decreased to a recoverable value and the decreased amount was reported as "others" (¥242 million) under "extraordinary expenses".

Fixed assets determined for abolition

Lot of residence for the employees owned by the
Company in Hiroshima City: ¥242 million

The recoverable value of the asset group was measured by the net sales value and calculated based on the appraised value of land facing a thoroughfare for tax assessment purposes.

IV. Notes to tax effect accounting

1. Principal details of deferred tax assets

Allowance for bonuses	¥10,784 million
Accrued social insurance contributions	¥1,384 million
Accrued enterprise taxes	¥1,363 million
Retirement allowance for employees	¥81,863 million
Allowance for quake-proof reinforcement measures	¥4,041 million
Allowance for environment and safety measures	¥3,021 million
Others	¥12,473 million
<hr/>	
Subtotal of deferred tax assets	¥114,933 million
Valuation reserve	(¥5,099 million)
<hr/>	
Total deferred tax assets	¥109,833 million

2. Principal details of deferred tax liabilities

Evaluation difference on other securities	(¥5,491 million)
Reserve for advanced depreciation of fixed assets	(¥10,590 million)
<hr/>	
Total deferred tax liabilities	(¥16,081 million)

3. Deferred tax assets – net ¥93,752 million

V. Notes to fixed assets used on lease

In addition to the fixed assets listed in the balance sheet, part of office equipment is used pursuant to finance lease agreements in which ownership of leased property shall not be transferred to the Company:

1. Amount equivalent to the acquisition prices of leased property at the end of the fiscal year under review:	¥2,069 million
2. Amount equivalent to the accumulated depreciation of leased property at the end of the fiscal year under review:	¥1,426 million
3. Amount equivalent to the balance of unearned rent of leased property at the end of the fiscal year under review:	¥643 million

VI. Note to information per share

1. Net assets per share:	¥266,660.13
2. Net income per share:	¥22,341.69

INDEPENDENT AUDITORS' REPORT

May 10, 2007

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon

Kenji Takeyama (seal)
Specified and Executive Partner
Certified Public Accountant

Takayuki Nishida (seal)
Specified and Executive Partner
Certified Public Accountant

Koichi Noda (seal)
Specified and Executive Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Specified and Executive Partner
Certified Public Accountant

We have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of West Japan Railway Company (the "Company"), applicable to its consolidated fiscal year from April 1, 2006 to March 31, 2007 pursuant to Article 444, paragraph 4 of the Corporation Law of Japan. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We are of the opinion that the above consolidated financial statements present properly the financial position and profit and loss of the corporate group comprised of West Japan Railway Company and its consolidated subsidiaries for the period related to the

consolidated financial statements in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountants Law.

- END -

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We, the Board of Corporate Auditors of the Company, based on the audit report prepared by each Corporate Auditor on the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements for the 20th fiscal year from April 1, 2006 to March 31, 2007, prepared this audit report upon deliberation and hereby report as follows:

1. Method of Audit by the Corporate Auditors and the Board of Corporate Auditors and the Particulars thereof:

The Board of Corporate Auditors determined the audit policy, audit plans, etc. and received from each Corporate Auditor reports on the state of his performance of audits and the results thereof.

Each Corporate Auditor, in accordance with the audit policy, audit plans, etc., as determined by the Board of Corporate Auditors, received from Directors, employees, etc. reports on the consolidated financial statements and demanded their explanations whenever necessary. We also monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 159 of the Corporate Accounting Regulations) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary. In accordance with such methods, we investigated the consolidated financial statements for the fiscal year under review.

2. Results of Audit:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon, are proper.

May 14, 2007

The Board of Corporate Auditors
West Japan Railway Company

Noboru Koide (seal)
Full-time Corporate Auditor

Tsutomu Iwasaki (seal)
Full-time Corporate Auditor

(External Corporate Auditor)

Kazuo Yoshida (seal)
External Corporate Auditor

Ikuo Uno (seal)
External Corporate Auditor

INDEPENDENT AUDITORS' REPORT

May 10, 2007

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon

Kenji Takeyama (seal)
Specified and Executive Partner
Certified Public Accountant

Takayuki Nishida (seal)
Specified and Executive Partner
Certified Public Accountant

Koichi Noda (seal)
Specified and Executive Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Specified and Executive Partner
Certified Public Accountant

We have audited the balance sheet, the statement of income, the statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the supplementary financial schedules of West Japan Railway Company (the "Company"), applicable to its 20th fiscal year from April 1, 2006 to March 31, 2007 pursuant to Article 436, paragraph 2, item 1 of the Corporation Law of Japan. These financial statements and the supplementary financial schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the supplementary financial schedules from an independent standpoint.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the financial statements and the supplementary financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary financial schedules. We believe that our audit provides a reasonable basis for our opinion.

We are of the opinion that the above financial statements and the supplementary financial schedules present properly the financial position and profit and loss for the period related to the financial statements and the supplementary financial schedules in all material

respects in conformity with the corporate accounting standards generally accepted in Japan.

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountants Law.

- END -

AUDITORS' REPORT

We, the Board of Corporate Auditors of the Company, based on the audit report prepared by each Corporate Auditor on the performance by the Directors of their duties during the 20th fiscal year from April 1, 2006 to March 31, 2007, prepared this audit report upon deliberation and hereby report as follows:

1. Method of Audit by the Corporate Auditors and the Board of Corporate Auditors and the Particulars thereof:

The Board of Corporate Auditors determined the audit policy, audit plans, etc. and received from each Corporate Auditor reports on the state of his performance of audits and the results thereof.

Each Corporate Auditor, pursuant to the rules of audits by Corporate Auditors determined by the Board of Corporate Auditors and in accordance with the audit policy, audit plans, etc., maintained constant communication with the Directors, internal audit divisions and other employees, etc. in an effort to collect information and improve the environment for auditing, attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc., reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company. We also monitored and verified the details of the resolutions of the Board of Directors for establishing systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Corporation Law of Japan as necessary to secure the adequacy of business of joint-stock corporations, as well as the status of the systems (internal control systems) established pursuant to such resolutions. With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, corporate auditors, etc. thereof and required the subsidiaries to render reports on their business operations and made investigation into the state of their activities and property whenever necessary. In accordance with such methods, we investigated the business report and its supplementary schedules for the fiscal year under review.

We also monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 159 of the Corporate Accounting Regulations) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary. In accordance with such methods, we investigated the balance sheet, the statement of income, the statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the supplementary financial schedules for the fiscal year under review.

2. Results of Audit:

(1) Results of audit of the business report, etc.:

We are of the opinion:

- (i) That the business report and its supplementary schedules fairly presents the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;
- (ii) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists; and
- (iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the performance by the Directors of their duties concerning such internal control systems contains nothing to be pointed out.

(2) Results of audit of the financial statements and the supplementary financial schedules:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon, are proper.

May 14, 2007

The Board of Corporate Auditors
West Japan Railway Company

Noboru Koide (seal)
Full-time Corporate Auditor

Tsutomu Iwasaki (seal)
Full-time Corporate Auditor
(External Corporate Auditor)

Kazuo Yoshida (seal)
External Corporate Auditor

Ikuo Uno (seal)
External Corporate Auditor