

(Translation)

To the Shareholders:

JR-West's Business Report

DOCUMENTS ATTACHED TO
THE NOTICE OF THE 22ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2008 to March 31, 2009)

West Japan Railway Company

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To Our 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 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 families. 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 and also exerted our efforts to "build a corporate culture of placing top priority on safety" in accordance with our "Corporate Philosophy" and "Safety Charter".

We have taken with utmost seriousness the report on the investigation concerning the train accident on the Fukuchiyama Line presented by the Aircraft and Railway Accidents Investigation Commission in June 2007, and promoted measures in response to various remarks, including "proposals" and "opinions" stated therein. On that basis, we have formulated a "Basic Safety Plan" and a "JR-West Group's Medium-Term Management Plan" and have steadily been promoting measures to seek and realize greater safety. Additionally, for the purpose of reforming our corporate culture, we have been exerting our efforts with the aim of creating a "safety first", "reliable" and "think and act for oneself" corporate culture.

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 reliable transportation services.

While the business conditions are expected to remain very difficult, we will give first place to our efforts to enhance safety and implement measures to ensure a profit and strengthen our management base to deal with the difficult situation. Hence, we cordially seek the continued understanding and support of our shareholders.

June 2009

Masao Yamazaki
President and Representative Director

BUSINESS REPORT FOR THE 22ND FISCAL YEAR

(From April 1, 2008 to March 31, 2009)

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 families and the victims.

The Company has implemented various measures for safety enhancement. The Company also has taken with utmost seriousness the report on the investigation of the train accident concerning the Fukuchiyama Line train accident publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007, and promoted improvement measures in response sincerely and swiftly to various remarks, including "proposals" and "opinions" stated therein.

During the fiscal year under review, to further improve its safety measures, the Company formulated a "Basic Safety Plan" in April 2008 and engaged in holding "sessions to explain the Basic Safety Plan" for the victims of the accident and memorial ceremonies commemorating the deceased victims, among other things.

Based on the "Corporate Philosophy" and "Safety Charter" instituted in March 2006, the Company formulated a new "JR-West Group's Medium-Term Management Plan" for the fiscal years ending March 31, 2013 to build "a corporate culture of placing top priority on safety", further enhance safety, restore the confidence of its customers and achieve sustainable growth in the future through these activities. Specifically, for the purpose of safety enhancement, its greatest issue, the Company has placed the "Basic Safety Plan" in the core of the "JR-West Group's Medium-Term Management Plan" and exerted its efforts to establish a safety management system based on risk assessments to "build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees".

With regard to the promotion of "reform" of its corporate culture and climate, which is inseparably related to the safety enhancement measures, the Company has promote measures to reform the mind-set of all officers and employees and business operations in general, based on the recommendations by the "Reform Promotion Council" consisting of third-party experts. In January 2009, the Company issued a "Corporate *Kodo* (Think and Act) Report 2008 (West Japan Railway CSR Report)" which overviewed the Company's efforts to materialize the "Corporate Philosophy".

In July 2008, the Company instituted core sections, such as "Transport Security

Systems Office", "Structural Engineering Office" and "Rolling Stock Design Office", to enhance technologies specific to railways and strengthened the functions of its branches, which are core to railway operations.

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

However, due to increased fuel prices in the first half of the fiscal year under review and a sharp slowdown in the economy in the second half, on a consolidated basis, operating revenues for the fiscal year under review amounted to ¥1,275.3 billion, down 1.2% from the previous fiscal year, while operating income amounted to ¥122.5 billion, down 10.8%. Recurring profit and net income (after income taxes) totaled ¥94.8 billion, down 12.9%, and ¥54.5 billion, down 5.5%, respectively.

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

<Transportation Business>

In the railway operations, the Company has continued to promote improvement measures in response to various remarks, including "proposals" and "opinions" stated in the report on the investigation of the train accident. Based on the "Basic Safety Plan" formulated in April 2008, the Company has introduced risk assessments to "build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees", and conducted analyses on and implemented measures against safety concerns according to safety reports from its employees to make such practices well-established. The Company also has continued to hold "safety meetings" at which its officers can exchange opinions with its employees in the field. With regard to hardware infrastructures, the Company has installed additional ATS-P systems, enhanced the safety of railcars by reviewing the structures thereof, improved the safety of railway crossings, eliminated some railroad crosses by building elevated bridges and accelerated quake-proof reinforcement works of the columns of its elevated bridges, among other things. Furthermore, to seriously ponder the gravity of the accident in the future and teach lessons from the accident systematically, the Company has improved safety training by utilizing its "*Tetsudo Anzen Kodokan* (Library to Think and Act for Railway Safety)" established in April 2007 and also exerted its efforts to make well-established "confirmation conversation" as a means to prevent mistakes arising in conversation. Furthermore, the Company has conducted various drills to enhance its capabilities to rescue passengers and respond upon the occurrence of an accident.

With regard to transportation, in March 2009, the Company revised the timetables based on a utilization study: the Company commenced to operate two N700 series "Nozomi" trains for each hour between Tokyo to and from Hiroshima and as to the conventional railway lines, the Company extended the time zone of "new rapid service" trains on the JR Kyoto Line and the JR Kobe Line to late-night hours. Furthermore, the Company opened a "Katsuragawa" station between Nishioji and Mukomachi on the JR Kyoto Line in October 2008 and constructed a double line between Bitchu-Mishima and Chayamachi on the

Seto-Ohashi Line in January 2009 to further enhance convenience.

With regard to marketing activities, the Company has proactively spread basic information on the Sanyo Shinkansen Line services, including the content of the revised timetable such as the raised frequency, the comfort of N700 series trains, the convenience of the "Express Reservations" service and the price edge, and launched special tickets such as "Kodama Reserved Round Tickets" to promote the utilization of its services. The Company also has engaged in sales promotion of the "DISCOVER WEST Campaign", "Yamaguchi Destination Campaign" and other campaigns jointly with the relevant local areas, travel agencies and other JR companies to create tourist demand. Furthermore, the Company has commenced "5489" phone reservation services in Shikoku and "ticketless" limited express ticket services for limited express trains "Haruka" and "Biwako Express" and expanded the area of the Internet reservation service "e5489plus" to further enhance convenience of making reservations.

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 more elevators, escalators and other barrier-free equipment and introducing and gradually increasing "Trouble Information Displays" to provide information on the latest train operations in the event of any operational disorder, among others. The Company has completed installing automatic external defibrillators (AEDs) on all trains on the Sanyo Shinkansen Line.

With regard to environmental matters, to deal with the challenge to the society of reducing CO₂, the Company has established a system for the whole Group to exert its combined efforts and also commenced a "*Kodo* (Think and Act) Eco" project that encourages each and every employee to think for himself/herself and reassess his/her daily life and duties in his/her workplace. Additionally, to efficiently utilize the electric energy generated by regenerative braking, the Company has adopted a plan to install the DC feeding system between up and down lines that has been introduced on an experimental basis on the Gakken-Toshi Line and the JR Takarazuka Line in all lines. Furthermore, the Company has offered new "Carbon Offset Benefits" for its J-WEST points and made an appeal of its "earth-conscious railway", whereby spreading information on its commitments to environmental matters.

With regard to research and development, the Company has developed an "Erroneous Door-Operation Prevention System" to prevent passengers from falling out of a one-man-operated train due to his/her erroneous door operation and introduced it to its trains on the Kansai Main Line (between Kamo and Kameyama).

With regard to ferry services (Miyajima Line), to establish a system to allow timely and appropriate decision-making and to further enhance safety and deploy more fine-tuned marketing practices, the Company incorporated a subsidiary and transferred its ferry business to the subsidiary as of April 1, 2009.

With regard to bus business, while competition has been intensifying in the expressway bus sector, the Group has exerted its efforts to offer products to meet various customer needs by opening a new route between Hokuriku and Nagoya and revising the

timetables of the route between the Kyoto-Osaka-Kobe area ("Keihanshin") and Tokyo/Shinjuku and the route between Keihanshin and Awajishima/Naruto, among others.

As a result, principally due to decreased revenues caused by a sharp slowdown in the economy, increased power expenses and operating expenses arising from higher fuel prices and increased depreciation expenses associated with safety-related capital investments, operating revenues from the Transportation Business amounted to ¥856.1 billion, down 0.6% from the previous fiscal year and operating income amounted to ¥89.1 billion, down 8.6%.

<Sales of Goods and Food Services>

As an operating body of a department store in the new North Building of the Osaka station, the Group has designated West Japan Railway Isetan Limited, with which a business commencement office has been established to make preparations for the opening of the department store. The Group also has opened a restaurant zone "Kobe Food Terrace" in premises of the Kobe station, as well as a mini-convenience store "Daily-in" under the completed elevated tracks of the Himeji station, in an effort to make its stations more attractive.

As a result, operating revenues from the Sales of Goods and Food Services amounted to ¥215.3 billion, up 1.2% from the previous fiscal year. However, while revenues from sales of goods and food services increased, revenues from department store business decreased and expenses to open new stores increased. Thus, operating income amounted to ¥4.7 billion, down 9.4%.

<Real Estate Business>

The Group has opened "JR Fukuchiyama Station First and Second NK Buildings" with a mass consumer-electronics retailer as a tenant in the south of the Fukuchiyama station, a shopping center "PLiE Himeji" in front of the central entrance to the Himeji station and a "JR Nara Station NK Building" with a hotel as a tenant in the east of the Nara station. Thus, the Group has promoted development of its station premises and surrounding properties. With regard to the Osaka station development project, the Group has steadily promoted the Osaka station renovation and new North Building development project and commenced construction for extensions to the ACTY Osaka Building to carry out its predetermined plans. It also has aggressively continued to promote sales of condominium apartments on its former vacant lots of residence for its employees.

As a result, sales of condominium apartments by JR-West Japan Real Estate & Development Company decreased from the previous fiscal year and operating revenues from the Real Estate Business amounted to ¥71.1 billion, down 7.3% from the previous fiscal year and operating income amounted to ¥22.6 billion, down 8.2%.

<Other Businesses>

As to the travel agency business, in the very difficult business conditions, the Group has exerted its efforts to increase sales with a central focus on the Internet, including online-only products, and promoted sales of products by making use of its newly launched

"New Overseas System". As to the hotel business, the Group has exerted its efforts on sales promotional activities by refurbishing accommodation facilities, eating and drinking establishments and banquet halls and launching various events. To add synergy to its existing hotels and railway business, West Japan Railway Hotel Development Limited acquired the shares of Hotel HOPINN AMING located in the north of the Amagasaki station to make it a new member of JR-West Japan Hotels in January 2009. With regard to "ICOCA electronic money", the Group has exerted its efforts to enhance its value by making it available at more stores downtown and in the station premises, including kiosks in the Kinki area. With regard to "J-WEST cards", the Group exerted its efforts to increase its membership by issuing more credit cards affiliated with other companies.

As a result, revenues from the travel agency business decreased due to an economic downturn and operating revenues from Other Businesses in the aggregate amounted to ¥132.6 billion, up 4.8% from the previous fiscal year and operating income amounted to ¥6.7 billion, down 39.0%.

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 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 ¥197.7 billion.

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

- Construction to elevate the tracks near the Himeji station on the JR Kobe Line.
- Construction to build a new station ("Katsuragawa" on the JR Kyoto Line).
- Construction to build new rolling stock (Shinkansen: 24 railcars, conventional railway lines: 100 railcars).

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 elevate the tracks near the Nara station on the Yamatoji Line.
- Construction to introduce traffic control systems to the Osaka Loop Line and the Yamatoji Line.
- Construction to introduce traffic control systems to the JR Takarazuka Line, the JR Tozai Line and the Gakken-Toshi Line.
- Construction related to the Osaka Station Development Project.
- Construction to improve transportation of the Sagano Line (construction of a double line between Kyoto and Sonobe).
- Construction to improve transportation of the Kishin Line.
- Construction to improve facilities associated with the extension of the Kyushu Shinkansen Line to Hakata.

- Construction to build new rolling stock (Shinkansen: 48 railcars, conventional railway lines: 99 railcars).

3. Fund-raising

The Group borrowed ¥55.0 billion in domestic straight bonds and ¥63.6 billion in long-term debt, which were used for debt redemption and capital expenditure.

4. Issues to be addressed

We understand that it is the first and foremost for management to continue efforts to build up a "corporate culture of placing top priority on safety" and restore the confidence of our customers and the society eroded as a result of the train accident on the Fukuchiyama Line 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, reliable high-quality transportation services.

With this basic understanding, to materialize our "Corporate Philosophy" and "Safety Charter", we formulated a "JR-West Group's Medium-Term Management Plan" in May 2008 with the causes to pursue in the medium and long terms; that is, to become a company that excels in safety management, to provide "only one services" with reliability and satisfaction that may be highly evaluated by our customers and to enhance the value of our railway belts in combination of our railway division and business development division. We will continue to exert every possible effort to realize the plan.

We recognize that the response to the bereaved families and the victims of the train accident on the Fukuchiyama Line is the most important issue. We will exert our all-out efforts to make a more detailed response to them by listening to their opinions and requests in all sincerity.

With regard to safety enhancement, based on the "Basic Safety Plan", which forms the backbone of the "JR-West Group's Medium-Term Management Plan", we will continue seeking to "build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees" and further improve our safety management system in accordance with our "Railway Safety Management Manual".

With regard to the "reforming" of our corporate culture and climate, which is inseparably related to the safety enhancement measures, we will create a "safety first", "reliable" and "think and act (*Kodo*) for oneself" corporate culture. Specifically, we will make use of our "Corporate *Kodo* (Think and Act) Report 2008" to share common values and foster a sense of unity among ourselves.

With regard to the railway operations, based on the "Basic Safety Plan", we will exert our efforts to further implement measures for risk assessments and analyze and take countermeasures against phenomenal safety concerns extensively to establish safety management based on risk assessments, and implement measures to meet various requirements for the basis of safety, including the development of technological capabilities, improvement of communications and procurement and development of human resources.

In addition, we will make planned investments to maintain and renovate our hardware infrastructures, as well as investments in the enhancement of safety of our railways and disaster-prevention measures, including the installation of additional ATS-P systems, measures to prevent excessive speeding on the down grade, anti-earthquake measures by quake-proof reinforcement works of the columns of its elevated bridges and the installation of seismometers and measures to prevent accidents at rail crossings. Furthermore, we will expand training at our "*Tetsudo Anzen Kodokan* (Library to Think and Act for Railway Safety)" to our group companies never to forget the train accident on the Fukuchiyama Line and raise safety awareness.

With regard to transportation and marketing activities, in the difficult economic conditions and under the competitive environment where expressway tolls have been reduced substantially, among others, we will promote measures to accelerate the use of our railway services by creating a Shinkansen Line timetable that may make the most of the effect of the introduction of N700 series, providing comfortable and highly reliable transportation services according to the uses and purposes of passengers and advertising the earth-consciousness of the Shinkansen Line. In addition, to further enhance the convenience of our sales channels, we will endeavor to further promote the use of our "Express Reservations" service and extend our "EX-IC (Express IC)" service for the Sanyo Shinkansen Line, which service will commence in the summer of 2009. By utilizing our "DISCOVER WEST Campaign", "Destination Campaign" and other campaigns, we will also develop, create and promote travel products jointly with the relevant local areas and travel agencies and engage in tourism development in Kyoto, among other cities, in collaboration with other private railway companies. We will introduce special tickets, including "West Japan Pass" and grow more connections to create tourist demand. In addition, we will steadily promote various projects in railway operations, including measures for the extension of the Kyushu Shinkansen Line to Hakata in the spring of 2011, which includes mutual through services of the Kyushu Shinkansen Line and the Sanyo Shinkansen Line. Furthermore, we will implement measures to raise the level of services in general, including front-desk services of our employees, stations and train equipment and we will aggressively promote measures that may satisfy passengers by installing barrier-free facilities in collaboration with local authorities and otherwise creating customer-friendly stations.

With regard to Sales of Goods and Food Services and Real Estate Business, for the purpose of maximizing our asset efficiencies, enhancing the potentials of our stations and their surrounding premises and revitalizing the premises between our stations in combination of our railway division and in collaboration with local authorities and communities, we will enhance the value of our railway belts to create "rail belts that may enhance the functions of our stations and streets, be convenient and be attractive to live along". Specifically, in the Keihanshin area, we will implement concrete measures by taking into consideration the market trend of each rail belt. We will also continue steadily implementing our Osaka station development projects, including preparations for the opening of a new department store in the new North Building of the Osaka station by West Japan Railway Isetan Limited, scheduled to be completed in the spring of 2011. In addition, we will continue our efforts to increase member stores of "ICOCA electronic money" to enhance the value of "ICOCA".

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 with our Compliance Committee and Risk Management Committee acting as central figures to further enhance our internal control functions. With regard to environmental matters, to become an eco-conscious corporate group, we will encourage each and every employee to raise his/her eco-consciousness and promote aggressive group-wide measures to reduce CO₂. In addition, we will give support to the activities of a foundation, which was established in April 2009 in consideration of the train accident on the Fukuchiyama Line, to get under way and implement measures that may serve to the society on a continuous and constant manner.

Our business environments are expected to remain very difficult as the Japanese economy has entered a sharp and severe recession due to an abrupt deceleration of the world economy since last fall and the simultaneous slowdown of the world economy triggered by the financial crisis. In this situation, we will implement effective business measures in response to changing business environments to ensure a profit, and review the systems of our operations in our whole business to strengthen our management base, while maintaining and enhancing safety. Furthermore, based on the "JR-West Group's Medium-Term Management Plan", we will implement measures to build a brand of safety and reliability and steadily promote business strategies for sustainable growth to enhance our corporate value on a medium- and long-term basis.

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

5. Assets and profits for the most recent three fiscal years together with the fiscal year under review

Item	19th April 1, 2005 - Mar. 31, 2006	20th April 1, 2006 - Mar. 31, 2007	21st April 1, 2007 - Mar. 31, 2008	22nd (current year) April 1, 2008 - Mar. 31, 2009
Operating revenues (billion yen)	1,240.0	1,262.9	1,290.1	1,275.3
Recurring profit (billion yen)	102.1	104.1	108.8	94.8
Net income (billion yen)	46.5	56.7	57.7	54.5
Net income per share (yen)	23,281	28,415	28,954	27,729
Total assets (billion yen)	2,355.9	2,401.6	2,462.8	2,461.8
Net assets (billion yen)	564.2	637.8	670.8	689.6

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	12,000	60.0	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	100.0	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	96.7	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
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
Osaka Soto-Kanjo Railway Co., Ltd.	12,996	20.5 (21.5)	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:

Office	Route length			Number of stations	Number of rolling stock cars
	Shinkansen	Conventional railway lines	Total		
Shinkansen Administration Department	km 644.0	km 8.5	km 652.5	3	881
Kanazawa Branch	-	(28.0) 637.0	(28.0) 637.0	164	600
Kyoto Branch	-	314.0	314.0	100	563
Osaka Branch	-	392.3	392.3	154	1,474
Wakayama Branch	-	282.5	282.5	86	0
Kobe Branch	-	236.7	236.7	79	1,706
Fukuchiyama Branch	-	331.7	331.7	71	163
Okayama Branch	-	601.0	601.0	154	389
Yonago Branch	-	605.7	605.7	154	248
Hiroshima Branch	-	959.3	959.3	257	626
Total	644.0	(28.0) 4,368.7	(28.0) 5,012.7	1,222	6,650

(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 28.6 kilometers of the Category II railway services (Kansai-Airport Line (between Rinku-Town and Kansai-Airport), JR Tozai Line (between Kyobashi and Amagasaki) and Osaka Higashi Line (between Hanaten and Kyuhoji)). 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

Category III railway services: tracks from other operators
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	26,790	(+382)
Sales of Goods and Food Services	2,270	(+159)
Real Estate Business	829	(+50)
Other Businesses	15,351	(+628)
Total	45,240	(+1,219)

(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	60.8
Sumitomo Mitsui Banking Corporation	33.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33.5
Mizuho Corporate Bank, Ltd.	32.5
The Norinchukin Bank	20.0
Nippon Life Insurance Company	14.5
The Sumitomo Trust and Banking Company, Limited	13.0
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
(Note) 62,653 shares of treasury stock are included in the total number of issued shares.
3. Number of shareholders: 161,045 persons

4. Major shareholders

Name	Number of shares (shares)	Ratio to total issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Unit 4G)	114,940	5.93
Japan Trustee Services Bank, Ltd. (Trust Unit)	111,599	5.76
The Master Trust Bank of Japan, Ltd. (Trust Unit)	98,387	5.08
Mizuho Corporate Bank, Ltd.	64,500	3.33
Sumitomo Mitsui Banking Corporation	64,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.25
JR-West Employee Stock-Sharing Plan	40,568	2.09
Nippon Life Insurance Company	35,000	1.81
The Sumitomo Trust and Banking Company, Limited	32,000	1.65
The Dai-Ichi Mutual Life Insurance Company	30,000	1.55

- (Notes)
1. As of March 31, 2009, no shareholder had shares in the number representing one-tenth or more of the total number of issued shares (excluding shares of treasury stock) of the Company.
 2. For the purpose of computing the ratios to total issued shares, 62,653 shares of treasury stock are excluded from the total number of issued shares of the Company.

5. Acquisition by the Company of its own shares

To allow management to carry out capital policies with agility in response to business conditions, the Company, in accordance with the resolution adopted at the meeting of its Board of Directors held on May 16, 2008, purchased 45,219 shares of common stock of the Company for the aggregate purchase prices of ¥19,999,615,000.

III. Matters concerning corporate officers

1. Names of officers, etc.

Title	Name	Position and other directorships (if any)
Chairman	Noritaka Kurauchi	Advisor of Sumitomo Electric Industries, Ltd.
Director	Yoshio Tateishi	Chairman and Representative Director of Omron Corporation and Chairman of the Kyoto Chamber of Commerce and Industry
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	Advisor and Guest Professor, Extension Center, Kogakuin University
Director	Tadashi Ishikawa	Partner of Oh-Ebashi LPC & Partners, Attorney at law
President and Representative Director	Masao Yamazaki	
Executive Vice President and Representative Director	Takayuki Sasaki	Provides general assistance to President. In charge of IT Development Headquarters, Secretary Office, Corporate Communication Department, Inquiry & Auditing Department, Finance Department and Business Development Headquarters
Executive Vice President and Representative Director	Naoki Nishikawa	Provides general assistance to President. In charge of Railway Operations Headquarters, Safety Research Institute and Structural Engineering Office, for safety enhancement
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 and other directorships (if any)
Director	Takashi Kondo	In charge of Construction Department and Business Development Headquarters
Director	Seiji Manabe	In charge of Corporate Planning Headquarters, Personnel Department and Tokyo Headquarters
Director	Koichi Inoue	In charge of Marketing Division, Railway Operations Headquarters
Director	Akiyoshi Yamamoto	In charge of Osaka Branch
Director	Kenji Nanakawa	In charge of Safety Promotion Department and Transport Security Systems Office, Railway Operations Headquarters, for safety enhancement
Full-time Corporate Auditor	Noboru Koide	
Full-time Corporate Auditor	Tsutomu Iwasaki	
Corporate Auditor	Kazuo Yoshida	Professor, Department of Business Administration Research, Graduate School of Kyoto University
Corporate Auditor	Ikuo Uno	Chairman and Representative Director of Nippon Life Insurance Company

- (Notes)
- 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.
 - 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	15	¥392 million
Corporate Auditor	4	¥74 million
Total	19	¥467 million

- (Notes) 1. The above-listed number of officers includes one Director who retired from

office at the close of the 21st Ordinary General Meeting of Shareholders held on June 24, 2008.

2. The total amount of remuneration, etc. for eight external officers for the fiscal year under review was ¥95 million.

3. Matters concerning external officers

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

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.; External Director Mr. Akio Nomura has assumed the office of external director of Royal Hotel, Ltd.; and External Director Mr. Tadashi Ishikawa has assumed the office of external corporate auditor of Takeda Pharmaceutical Company Limited. External Corporate Auditor Mr. Kazuo Yoshida has assumed the office of external corporate auditor of KYOCERA Corporation and External Corporate Auditor Mr. Ikuo Uno has assumed the office of external director of Panasonic Corporation and Fuji Kyuko Co., Ltd., as well as the office of external corporate auditor of Odakyu Electric Railway 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:

Classification	Name	Major activities
External Director	Noritaka Kurauchi	Mr. Kurauchi attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.
	Yoshio Tateishi	Mr. Tateishi attended 12 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.
	Akio Nomura	Mr. Nomura attended ten of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.
	Satoru Sone	Mr. Sone attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
	Tadashi Ishikawa	Mr. Ishikawa attended 11 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an attorney at law.
External Corporate Auditor	Tsutomu Iwasaki	Mr. Iwasaki attended all of the 13 sessions of the Board of Directors and all of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally with his wide experience in public administration.
	Kazuo Yoshida	Mr. Yoshida attended 11 of the 13 sessions of the Board of Directors and all of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
	Ikuo Uno	Mr. Uno attended ten of the 13 sessions of the Board of Directors and all of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.

IV. Matters concerning account auditors

1. Name of the account auditors

Ernst & Young ShinNihon LLC

(Note) Ernst & Young ShinNihon changed its category of audit corporations as provided for in the Certified Public Accountant Law of Japan as of July 1, 2008 to be called Ernst & Young ShinNihon LLC.

2. Amount of remuneration, etc. for the account auditors

(1) Amount of remuneration, etc. payable for the fiscal year under review: ¥165 million

(2) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: ¥319 million

(Note) 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 Financial Instruments and Exchange Law of Japan are not specifically separated in the audit contract between the Company and the account auditors and cannot be separated practically. Hence, such amounts are stated collectively in (1) above.

3. Content of non-auditing services

The Company has entrusted the account auditors with, and paid remuneration for, advisory services on CSR reporting and others, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Law of Japan.

4. 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 engage exclusively in monitoring and supervision and Directors to execute business (concurrently serving as Executive Officers) as well 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 ensure stricter 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 for 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 maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.

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 set the "building of a corporate culture of placing top priority on safety" as its utmost management target and implement measures to complete the target in accordance with its "Corporate Philosophy" and "Safety Charter".

The Company shall steadily implement measures in response to remarks, including "proposals" and "opinions" stated in the report on the investigation of the train accident on the Fukuchiyama Line publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007. The Company shall also steadily promote the "Basic Safety Plan" formulated by taking into consideration the proposals for the direction of safety enhancement measures by the Experts' Council on Safety Promotion, as well as the measures implemented so far, to promote greater safety. 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 decision-making.

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, 2009)

<u>ASSETS</u>	(million yen)
Current assets:	208,544
Cash and deposits.....	41,414
Trade notes and accounts receivable.....	15,726
Railway fares receivable.....	21,438
Accounts receivable.....	44,619
Inventories.....	24,143
Deferred tax assets.....	19,743
Others.....	42,055
Less allowance for doubtful accounts.....	(597)
 Fixed assets:	 2,253,301
Tangible fixed assets:	2,021,511
Buildings and structures.....	979,197
Machinery, equipment and transport equipment.....	278,663
Land.....	657,643
Construction in progress.....	75,811
Other tangible fixed assets.....	30,194
 Intangible fixed assets:	 20,839
 Investments and other assets:	 210,950
Investment in securities.....	60,494
Deferred tax assets.....	125,527
Others.....	26,214
Less allowance for doubtful accounts.....	(1,286)
 Deferred assets:	 42
 TOTAL ASSETS	 <u>2,461,889</u>

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

LIABILITIES

Current liabilities:	509,365
Trade notes and accounts payable.....	46,164
Short-term borrowings	28,807
Current portion of bonds	20,000
Current portion of long-term debt.....	42,739
Current portion of long-term payables to the acquisition of railway properties.....	33,472
Current portion of long-term payables.....	31
Accounts payable	103,271
Accrued consumption taxes	5,759
Accrued income taxes	26,857
Railway deposits received.....	1,250
Deposits.....	54,640
Prepaid railway fares received	31,510
Advances received	45,258
Allowance for bonuses.....	34,253
Allowance for rewards based on points	563
Others.....	34,784
Long-term liabilities:	1,262,920
Bonds	269,966
Long-term debt.....	227,349
Long-term payables to the acquisition of railway properties.....	359,459
Long-term payables	253
Deferred tax liabilities.....	176
Retirement allowances for employees	292,774
Allowance for environment and safety measures	10,193
Allowance for gift certificates yet to be redeemed	2,808
Others.....	99,937
TOTAL LIABILITIES	<u>1,772,286</u>

NET ASSETS

Shareholders' equity:	655,893
Common stock	100,000
Capital surplus	55,000
Retained earnings.....	531,236
Treasury stock.....	(30,343)
Evaluation and exchange differences, etc.:	770
Evaluation difference on other securities.....	1,004
Deferred hedge income (loss)	(233)
Minority interests:	32,938
TOTAL NET ASSETS	<u>689,602</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,461,889</u>

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

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2008 to March 31, 2009)

(million yen)

Operating revenues		1,275,308
Operating expenses		
Transportation and other services and cost of sales	944,505	
Selling, general and administrative expenses	208,283	1,152,789
Operating income		122,519
Non-operating income		
Interest income	173	
Dividend income	414	
Equity in earnings of affiliates	986	
Others	6,637	8,212
Non-operating expenses		
Interest expenses	34,592	
Others	1,288	35,881
Recurring profit		94,850
Extraordinary profits:		
Proceeds from construction contract	54,935	
Expropriation compensation	10,968	
Others	6,718	72,622
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	53,338	
Loss on reduction entry of expropriation	10,540	
Others	8,942	72,821
Income before income tax		94,651
Corporation, inhabitant and enterprise taxes		52,432
Income taxes - deferred		(13,621)
Minority interests		1,311
Net income		54,529

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2008 to March 31, 2009)

(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 (loss)	Total evaluation and exchange differences, etc.		
Balance as of March 31, 2008	100,000	55,000	489,366	(10,343)	634,022	4,552	95	4,647	32,167	670,838
Changes during the year:										
Distribution of surplus			(12,816)		(12,816)					(12,816)
Net income			54,529		54,529					54,529
Change of the applicable scope of equity method			(193)		(193)					(193)
Increase upon merger			351		351					351
Acquisition of treasury stock				(19,999)	(19,999)					(19,999)
Changes in items other than shareholders' equity during the year (net)						(3,548)	(328)	(3,876)	770	(3,106)
Total changes during the year	-	-	41,870	(19,999)	21,870	(3,548)	(328)	(3,876)	770	18,764
Balance as of March 31, 2009	100,000	55,000	531,236	(30,343)	655,893	1,004	(233)	770	32,938	689,602

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2008 to March 31, 2009)

(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: 66

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 52 others.

As of July 1, 2008, Hakushin Railcar Development Co., Ltd. changed its trade name to WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION.

(2) The Company has 85 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 five affiliated companies: Osaka Soto-Kanjo Railway Co., Ltd., Kansai Rapid Railway Co., Ltd., Daitetsu Kogyo Co., Ltd., Kosei Construction Co., Ltd. and Railway Information Systems Co., Ltd.

As from the fiscal year under review, Osaka Soto-Kanjo Railway Co., Ltd. is included in the scope of the application of the equity method due to its increased importance.

(3) These 85 non-consolidated subsidiaries and 16 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.

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.)

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

(ii) Inventories:

Goods: At cost, determined principally by the retail inventory method and the latest purchase cost method

Real estate for sale: At cost, determined by the identified cost method

Work in process: At cost, determined principally by the identified cost method

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

The balance sheet values are calculated by the write-down method based on declined margins.

(2) Method of depreciation of important depreciable assets:

(i) Tangible fixed assets (excluding leased 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) Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership:

Leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction other than those in which ownership of a leased asset is deemed to pass to its lessee, which became effective prior to the fiscal year during which the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No. 13 "Accounting Standard for Lease Transactions" first became applicable, is treated similarly in the manner in which ordinary lease transactions are treated.

(iv) 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.

(iv) 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.

To meet the payment for expenses of disposal of contaminated soil as some of the lands held by the Company for development have been found contaminated, the Group provides an amount of expenses reasonably estimated at the close of each current fiscal year. With regard to any of the lands requiring the Company to negotiate with the previous owners of the relevant lands for arrangements for the payment for expenses of disposal thereof, no amount of expenses of disposal is provided.

(v) Allowance for gift certificates yet to be redeemed:

To meet the future redemption of gift certificates issued by some consolidated subsidiaries and recorded as income after the lapse of a certain period after the issuance thereof, the Group provides an amount of future redemption reasonably estimated based on the past redemption rate at the close of each current fiscal year.

(vi) Allowance for rewards based on points:

To meet the future use of points given to customers, the Group provides an amount of future rewards estimated at the close of each current fiscal year.

(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

Application of the Accounting Standard for Lease Transactions:

As from the fiscal year under review, the "Accounting Standard for Lease Transactions" (ASBJ Corporate Accounting Standard No. 13, as amended on March 30, 2007) and the "Implementation Guidance on the Accounting Standard for Lease Transactions" (ASBJ Implementation Guidance No. 16, as amended on March 30, 2007) have become applicable. Consequently, any finance lease transaction that does not transfer ownership, which became effective on or prior to March 31, 2008, is treated similarly in the manner in which ordinary lease transactions are treated and any finance lease transaction that does not transfer ownership, which became effective on or after April 1, 2008, is treated in the manner in which ordinary sales transactions are treated. Such leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

The change has no significant effect on the consolidated financial statements.

II. Notes to consolidated balance sheet, etc.

1. Assets pledged

Assets pledged:

Deposits	¥230 million
Buildings and structures	¥19,831 million
Land	¥190 million
Investment in securities	¥254 million
<hr/>	
Total	¥20,505 million

Secured liabilities:

Long-term debt	¥5,180 million
Current portion of long-term debt	¥630 million
Other current liabilities	¥1,990 million
<hr/>	
Total	¥7,800 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 (¥130,000 million).

2. Accumulated depreciation of tangible fixed assets: ¥2,721,154 million

3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥574,718 million

4. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Osaka Soto-Kanjo Railway Co., Ltd.	7,800	Commitment to guarantee for loans from financial institutions
Nichiryō Service Co., Ltd.	402	Guarantee for sale of JR tickets on consignment
Nichiryō-OMC Co., Ltd.	221	Guarantee for payment for air fares
Others (4 companies)	158	
Total	8,581	

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, 2008 (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, 2009 (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, 2008 (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, 2009 (shares)
Shares of common stock	18,365	45,219	-	63,584

The increase of 45,219 shares in the number of shares of common stock held by the Company was a result of the acquisition by the Company of its own shares.

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 24, 2008	Shares of common stock	5,947	3,000	March 31, 2008	June 25, 2008
Meeting of the Board of Directors held on October 31, 2008	Shares of common stock	6,869	3,500	September 30, 2008	November 28, 2008

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

Resolution (expected)	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 23, 2009	Shares of common stock	6,780	Retained earnings	3,500	March 31, 2009	June 24, 2009

IV. Notes to information per share

1. Net assets per share: ¥339,113.24
2. Net income per share: ¥27,729.03

BALANCE SHEET
(As of March 31, 2009)

<u>ASSETS</u>	(million yen)
Current assets:	140,000
Cash and deposits.....	30,649
Railway fares receivable.....	22,481
Accounts receivable.....	21,532
Accrued income.....	4,545
Short-term loans.....	17,781
Materials and supplies.....	9,014
Prepaid expenses.....	1,888
Deferred tax assets.....	14,644
Others.....	17,704
Less allowance for doubtful accounts.....	(242)
Fixed assets:	2,075,107
Fixed assets for railway operations.....	1,582,588
Fixed assets for ferry services.....	460
Fixed assets for related businesses.....	58,146
Other relevant fixed assets.....	72,668
Construction in progress.....	55,912
Investments and other assets.....	305,331
Stocks of affiliates.....	138,762
Investment in securities.....	9,888
Long-term loans receivable.....	37,289
Long-term prepaid expenses.....	3,545
Deferred tax assets.....	109,667
Others.....	6,471
Less allowance for doubtful accounts.....	(293)
TOTAL ASSETS	<u>2,215,108</u>

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

LIABILITIES

Current liabilities:	514,149
Short-term borrowings	135,717
Current portion of bonds	20,000
Current portion of long-term debt.....	40,170
Current portion of long-term payables for acquisition of railway properties	33,472
Current portion of long-term payables.....	319
Other accounts payable	126,640
Accrued expenses.....	18,344
Accrued consumption taxes	3,872
Accrued income taxes	21,908
Railway deposits received.....	1,549
Deposits.....	10,670
Prepaid railway fares received	31,379
Advances received	43,483
Prepaid income received	278
Allowance for bonuses.....	25,933
Allowance for rewards based on points	319
Others.....	89
Long-term liabilities:	1,140,169
Bonds	269,966
Long-term debt.....	209,319
Long-term payables for acquisition of railway properties	359,459
Other long-term payables.....	1,653
Retirement allowances for employees	273,315
Allowance for environment and safety measures	10,193
Others.....	16,260
TOTAL LIABILITIES	<u>1,654,318</u>

NET ASSETS

Shareholders' equity:	560,009
Common stock	100,000
Capital surplus	55,000
Capital reserve	55,000
Retained earnings.....	435,008
Retained earnings reserve	11,327
Other retained earnings	423,680
Reserve for advanced depreciation of fixed assets	18,102
General reserve	320,000
Retained earnings carried forward	85,578
Treasury stock.....	(29,999)
Evaluation and exchange differences, etc.:	780
Evaluation difference on other securities.....	780
TOTAL NET ASSETS	560,789
TOTAL LIABILITIES AND NET ASSETS	<u>2,215,108</u>

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

STATEMENT OF INCOME

(From April 1, 2008 to March 31, 2009)

(million yen)

Railway operations		
Operating revenues	853,670	
Operating expenses	764,812	
Operating income		88,857
Ferry services		
Operating revenues	456	
Operating expenses	580	
Operating loss		123
Related businesses		
Operating revenues	20,902	
Operating expenses	7,542	
Operating income		13,360
Operating income		102,094
Non-operating income		
Interest and dividend income	1,333	
Others	5,417	6,751
Non-operating expenses		
Interest expenses and bond interest	34,910	
Others	523	35,433
Recurring profit		73,411
Extraordinary profits		
Proceeds from construction contract	54,935	
Expropriation compensation	10,594	
Others	4,838	70,368
Extraordinary expenses		
Loss on reduction entry of proceeds from construction	53,338	
Loss on reduction entry of expropriation	10,166	
Others	5,731	69,237
Income before income tax		74,543
Corporation, inhabitant and enterprise taxes		42,755
Income taxes - deferred		(12,592)
Net income		44,380

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2008 to March 31, 2009)

(million yen)

	Shareholders' equity									Evaluation and exchange differences, etc.	Total net assets
	Capital stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity	Evaluation difference on other securities	
		Capital reserve	Retained earnings reserve	Other retained earnings			Total retained earnings				
				Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward					
Balance as of March 31, 2008	100,000	55,000	11,327	17,767	290,000	84,349	403,444	(9,999)	548,444	4,000	552,445
Changes during the year:											
Distribution of surplus						(12,816)	(12,816)		(12,816)		(12,816)
Net income						44,380	44,380		44,380		44,380
Transfer to reserve for advanced depreciation of fixed assets				1,688		(1,688)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets				(1,353)		1,353	-		-		-
Transfer to general reserve					30,000	(30,000)	-		-		-
Acquisition of treasury stock								(19,999)	(19,999)		(19,999)
Changes in items other than shareholders' equity during the year (net)										(3,220)	(3,220)
Total changes during the year	-	-	-	334	30,000	1,228	31,563	(19,999)	11,564	(3,220)	8,343
Balance as of March 31, 2009	100,000	55,000	11,327	18,102	320,000	85,578	435,008	(29,999)	560,009	780	560,789

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2008 to March 31, 2009)

(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 (The balance sheet values are calculated by the write-down method based on declined margins.)

2. Method of depreciation of fixed assets:

(1) Tangible fixed assets (excluding leased assets):

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

(2) 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).

(3) Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership:

Leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction other than those in which ownership of a leased asset is deemed to pass to its lessee, which became effective prior to the fiscal year during which the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No. 13 "Accounting Standard for Lease Transactions" first became applicable, is treated similarly in the manner in which ordinary lease transactions are treated.

(4) 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.

(4) 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.

To meet the payment for expenses of disposal of contaminated soil as some of the lands held by the Company for development have been found contaminated, the Company provides an amount of expenses reasonably estimated at the close of each current fiscal year. With regard to any of the lands requiring the Company to negotiate with the previous owners of the relevant lands for arrangements for the payment for expenses of disposal thereof, no amount of expenses of disposal is provided.

(5) Allowance for rewards based on points:

To meet the future use of points given to J-West Card members, the Company provides an amount of future rewards estimated at the close of each current fiscal year.

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 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.

6. Accounting treatment of consumption taxes

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

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

Application of the Accounting Standard for Lease Transactions:

As from the fiscal year under review, the "Accounting Standard for Lease Transactions" (ASBJ Corporate Accounting Standard No. 13, as amended on March 30, 2007) and the "Implementation Guidance on the Accounting Standard for Lease Transactions" (ASBJ Implementation Guidance No. 16, as amended on March 30, 2007) have become applicable. Consequently, any finance lease transaction that does not transfer ownership, which became effective on or prior to March 31, 2008, is treated similarly in the manner in which ordinary lease transactions are treated and any finance lease

transaction that does not transfer ownership, which became effective on or after April 1, 2008, is treated in the manner in which ordinary sales transactions are treated. Such leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

The change has no significant effect on the financial statements.

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 (¥130,000 million).

2. Accumulated depreciation of tangible fixed assets: ¥2,498,963 million
3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥574,718 million
4. Total amount of fixed assets by item
- | | |
|-------------------------|--------------------|
| Tangible fixed assets | ¥1,697,691 million |
| Land | ¥640,307 million |
| Buildings | ¥113,818 million |
| Structures | ¥659,976 million |
| Rolling stock | ¥191,131 million |
| Others | ¥92,458 million |
| Intangible fixed assets | ¥16,172 million |

5. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Kyoto Station Building Development Co., Ltd.	13,028	Commitment to guarantee for loans from financial institutions
Osaka Soto-Kanjo Railway Co., Ltd.	7,800	
Hotel Granvia Okayama Co., Ltd.	1,688	Guarantee for loans from financial institutions
Hotel Granvia Osaka Co., Ltd. and 2 other companies	29	Guarantee for the balance of prepaid cards issued
Total	22,546	

6. Long-term receivables from affiliates:	¥38,575 million
7. Short-term receivables from affiliates:	¥25,494 million
8. Long-term payables to affiliates:	¥3,922 million
9. Short-term payables to affiliates:	¥225,568 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:		¥875,030 million
2. Operating expenses:	Delivery expenses and cost of sales:	¥552,090 million
	Railway operations	¥551,636 million
	Ferry services	¥446 million
	Related businesses	¥7 million
	Selling, general and administrative expenses:	¥75,788 million
	Railway operations	¥70,735 million
	Ferry services	¥52 million
	Related businesses	¥5,001 million
	General tax:	¥29,124 million
	Depreciation expenses:	¥115,932 million
3. Transactions with affiliates:		
	Operating revenues:	¥36,539 million
	Operating expenses:	¥189,939 million
	Transactions other than ordinary business:	¥116,822 million

IV. Note to statement of changes in shareholders' equity, etc.

Class and number of shares of treasury stock at the end of the fiscal year under review:

Shares of common stock:	62,653 shares
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V. Notes to tax effect accounting

1. Principal details of deferred tax assets

Allowance for bonuses	¥10,552 million
Accrued social insurance contributions	¥1,304 million
Accrued enterprise taxes	¥1,894 million
Retirement allowance for employees	¥111,211 million
Allowance for environment and safety measures	¥4,174 million
Others	¥13,988 million
<hr/>	
Subtotal of deferred tax assets	¥143,127 million
Valuation reserve	(¥5,860 million)
<hr/>	
Total deferred tax assets	¥137,266 million

2. Principal details of deferred tax liabilities

Evaluation difference on other securities	(¥535 million)
Reserve for advanced depreciation of fixed assets	(¥12,419 million)
<hr/>	
Total deferred tax liabilities	(¥12,954 million)

3. Deferred tax assets – net ¥124,311 million

VI. 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 that do not transfer ownership thereof:

1. Amount equivalent to the acquisition prices of leased assets at the end of the fiscal year under review:	¥900 million
2. Amount equivalent to the accumulated depreciation of leased assets at the end of the fiscal year under review:	¥454 million
3. Amount equivalent to the balance of unearned rent of leased assets at the end of the fiscal year under review:	¥445 million

VII. Notes to information per share

1. Net assets per share:	¥289,462.54
2. Net income per share:	¥22,557.62

INDEPENDENT AUDITORS' REPORT

May 8, 2009

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

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, 2008 to March 31, 2009 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 Accountant Law of Japan.

- END -

Copy of Audit Report of the Board of Corporate Auditors Relating to Consolidated Financial Statements

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 22nd fiscal year from April 1, 2008 to March 31, 2009, 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 131 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 LLC, are proper.

May 13, 2009

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 8, 2009

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

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 22nd fiscal year from April 1, 2008 to March 31, 2009 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 Accountant Law of Japan.

- 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 22nd fiscal year from April 1, 2008 to March 31, 2009, 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 131 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 LLC, are proper.

May 13, 2009

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