

**(Translation)**

To the Shareholders:

## **JR-West's Business Report**

DOCUMENTS ATTACHED TO  
THE NOTICE OF THE 27TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2013 to March 31, 2014)

### **West Japan Railway Company**

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To Our Shareholders:

West Japan Railway Group very seriously takes its responsibility for the train accident on the Fukuchiyama Line we caused on April 25, 2005 and the gravity of its consequences, and all officers and employees are making a group-wide effort to establish a safe, secure and trusted rail service.

In March 2013, the Group formulated a "JR-West Group Medium-Term Management Plan 2017" and its central core "Safety Think-and-Act Plan 2017", which have continued to place "Three Pillars of Management", comprising "measures to have ourselves accepted as acting with the best intentions by the victims of the train accident", "measures to enhance safety" and "furthering of reform", as its high-priority issues for management and to give shape to our management vision, the Group has newly announced "Our Future Direction - The Ideal Form for JR West" to substantiate the direction of our management. To materialize it, we have positioned the five-year period through the fiscal year ending March 31, 2018 as a "period for contributing to the establishment of a foundation for decisive management" and have initiated a group-wide effort to implement, as the Priority Strategies, the "Three Basic Strategies" of "Safety", "Customer Satisfaction" and "Technologies" and the "Four Business Strategies" of "Shinkansen", "Kansai Urban Area", "Other West Japan Area" and "Business Development".

Our business conditions are expected to remain difficult due to a population decline, competition from other modes of transport and an increase in the number of natural disasters, as well as up-front costs for future growth, including preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen, and the fundamental renovation of the commercial facilities in the west wing of the OSAKA STATION CITY North Gate Building for the fiscal year ending March 31, 2015. However, we, united as a group, will take the next step for a new era and move forward with communities to enhance our corporate value on a medium- and long-term basis.

Hence, we cordially seek the continued understanding and further support of our shareholders.

May 2014

Seiji Manabe,  
President and Representative Director

## **BUSINESS REPORT FOR THE 27TH FISCAL YEAR**

(From April 1, 2013 to March 31, 2014)

### **1. Matters concerning the situations of West Japan Railway Group (the "Group")**

(1) Developments and results of business activities

(i) General developments:

On April 25, 2005, the Company caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries of passengers. Since the accident JR-West has exerted its full effort with regard to its "Three Pillars of Management", comprising "Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident", "Measures to enhance safety" and "Furthering of reform".

During the fiscal year under review (April 1, 2013 to March 31, 2014), the Company continued to make sincere efforts for the victims of the Fukuchiyama Line accident. Along with conducting a memorial ceremony commemorating the deceased victims of the train accident on the Fukuchiyama Line, in May 2013 we held an explanatory briefing for the "Safety Think-and-Act Plan 2017", and in November a briefing regarding the accident site. In addition, we implemented measures to help foster a safe and secure society through the "JR-West Relief Foundation", a public-interest foundation established in the wake of the Fukuchiyama Line accident.

For this first year of the "JR-West Group Medium-Term Management Plan 2017" formulated in March 2013 and its central core "Safety Think-and-Act Plan 2017", we retained the "Three Pillars of Management" as our highest priority for management, while newly establishing "Our Future Direction-The Ideal Form for JR-West" to explicate its management vision. For the realization of this plan, following the principle of each and every employee "thinking and acting based on the field", the Company implemented priority strategies derived from the "Three Basic Strategies" of "Safety", "Customer Satisfaction" and "Technologies", and the "Four Business Strategies" of "Shinkansen", "Kansai Urban Area", "Other West Japan Area" and "Business Development".

In terms of "Safety", the highest priority of the Three Basic Strategies that the Group is currently pursuing, the Group made a concerted effort as a corporate group to implement specific measures of the "Safety Think-and-Act Plan 2017". Unfortunately, however, in September 2013, a work-related accident at one of the Company's contractors resulted in the death of an employee while on the job. The Group immediately took measures to prevent a reoccurrence, and as a corporate group reaffirmed the seriousness of the principles of "No accidents that cause injury or death to customers" and "No train-related labor accidents that result in fatalities among workers", and are making a concerted effort to adhere to these principles.

The business environment for the Company remains harsh, due to such factors as a population decline, competition from other modes of transport and an increase in the number

of natural disasters. Amid such circumstances, with the aim of enhancing its corporate value over a medium and long term, by deepening interactions and ties with communities, and working together as a corporate group to develop businesses with close ties to communities, the Company took steps to enhance the quality of the railway, expand non-transportation operations and promote a new business creation, whereby establishing a foundation for continued growth.

As a result, on a consolidated basis, operating revenues for the fiscal year under review rose 2.5% from the previous fiscal year to ¥1,331.0 billion. Operating income increased 3.9% from a year earlier to ¥134.5 billion, while recurring profit rose 7.9% to ¥112.9 billion, with net income (after income taxes) up 9.0% to ¥65.6 billion.

## (2) Results by business segment

### <Transportation Business>

As part of the specific measures for the "Safety Think-and-Act Plan 2017", the Company continued to push forward with its "Continual effort to realize safe, reliable transport service". One example of this effort was a shift to a more precise operating control on conventional lines following an earthquake, made with priority on ensuring safety. The Company also moved ahead with efforts to "increase the level of risk assessment", and took other steps to improve safety. Further, to achieve the goal of "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life", the Company conducted employee training and other measures through the Railway Safety Education Center, established to teach systematically the lessons learned from accidents. The Company also conducted trainings in accordance with the "Rules for Tsunami Evacuation Guidance" and other manuals formulated based on the lessons of the Great East Japan Earthquake, and took other steps to facilitate communication of information on earthquakes and tsunamis, and to provide for the smooth evacuation of passengers.

In terms of "investment in safety", the Company enhanced safety for level crossing systems and implemented safety measures for platforms, including the testing of automatic platform gates (rope style). For measures to limit damage from earthquakes and tsunamis, the Company conducted seismic retrofitting for pillars supporting elevated tracks, continued work to install derailment prevention guards on the Sanyo Shinkansen and upgraded its evacuation equipment. The Company also made steady efforts to improve transport quality, including updating the operation control system, as well as newly installing and expanding facilities to turn trains.

In transportation operations, the usage of the Sanyo Shinkansen and conventional lines was positive as a result of increases in the frequency of Shinkansen services and limited express services on conventional lines, mainly during the bon holidays and the year-end and New Year holidays. The Company also took steps to enhance convenience with timetable revisions implemented in March 2014 that included on the Shinkansen lines, a partial revision of the operating structure of *Nozomi* and *Sakura* services and an increase in the frequency of *Mizuho* trains, as well as on conventional lines, an increase in the frequency of *Biwako Express* limited express trains. In addition, in anticipation of the opening of the

Kanazawa segment of the Hokuriku Shinkansen in spring 2015, the Company established a special preparatory office. In October 2013, the Company decided on train names and their service schemes in outline, and in December, began conducting tests on certain rail segments.

During 2013, there were several instances of damage to railways as a result of heavy rains. Services are currently still suspended along certain sections of the San-in Main Line, Yamaguchi Line and Sanko Line, and the Company is working with the local governments concerned in a concentrated effort to restore services.

In marketing initiatives, to compete with other modes of transport, the Company launched "Super Haya-toku" early discount tickets and made efforts to promote the use of the Shinkansen through such initiatives as "Remember Kyushu Campaign" to firmly establish the use of direct through-services between the Sanyo and Kyushu Shinkansens and the "Detective Conan Kumamoto/Aso Mystery Tour". The Company also drew customers from throughout Japan by conducting the "Hiroshima Destination Campaign" and worked to stimulate tourism in cooperation with local communities, including conducting "Discover Shin-Hokuriku! Campaign" and the "Japanese Beauty Hokuriku" campaign, as part of an effort to increase the use of railways to the Hokuriku region. The Company also expanded services for overseas visitors to Japan, including the launch of free public Wi-Fi services at major stations, and the addition of frequently asked questions by customers on our global website regarding the use of JR West Japan line. Further, the Company took steps to enhance services for seniors, including expanding products for Zipangu Club members, and launching sales of the "Nori-nori Kippu" tickets for passengers over 60 years old. For the ICOCA e-money service, we worked to enhance usage convenience for customers by expanding the usage area through alliances with Nankai Electric Railway Company and JR Shikoku.

To contribute to the continued development of the local communities and railway services, the Company, in closer cooperation with the local governments and companies, implemented measures to materialize "coexistence with communities", such as development of communities centering on the stations and regional renovations.

In bus services, the Company worked to enhance customer convenience with measures, including transportation improvements and flexible pricing schemes designed around usage trends.

In ferry services (the Miyajima Line), the Company marketed the service to travel agencies and took other steps to secure revenue.

The Company acquired shares in Asia Air Survey Co., Ltd. and concluded a business partnership agreement with the aim of supporting major changeovers in railway operations and bolstering disaster response measures.

As a result, operating revenues for the Transportation Business segment increased 0.8% from the previous fiscal year to ¥851.3 billion, with operating income up 1.0% to ¥91.0 billion.

#### <Retail Business>

For the JR Osaka Mitsukoshi Isetan department store, the Group worked to offer highly original goods and services. In response to the tight commercial climate surrounding the department store, the Group took steps to establish shops that appeal to local customers, and is considering fundamental measures aimed at business revitalization. The Group also took steps to enhance the appeal of stations, including for the Sannomiya station, opening an Entree Marche hybrid convenience store, along with fashion and variety goods stores, for the Osaka station, opening an Eki Qo1 Pharmacy JR Osaka Store, an in-station dispensing pharmacy, and for the Fukuyama station, opening restaurants and other stores at its south exit. The Group also opened a business hotel Viainn Nagoya. In July 2013, the Company merged two consolidated subsidiaries in the San-in area with differing industries and types of business, with the aim of developing and operating more convenient and attractive commercial facilities.

As a result, operating revenues in the Retail Business segment rose 2.3% from the previous fiscal year to ¥240.1 billion, with operating income of ¥4.4 billion.

#### <Real Estate Business>

The Group moved forward with the development of stations and surrounding areas. At the Himeji Station Building, completed in April 2013, the Group opened "piole HIMEJI" in conjunction with the renovation of the shopping center underneath the elevated tracks. The Group also opened a new station building at the Nada station, a Higashi-Maizuru Station Building and a Shimonoseki Station Building "ripie". As part of the Osaka Loop Line Renovation Project, the Group opened VIERRA Tamatsukuri at the Tamatsukuri station. Further, the Group renovated and reopened the MEDIO Shin-Osaka fashion zone at the Shin-Osaka station, as well as Porta and The Cube at the Kyoto station. To stimulate business in the entire area around the Osaka station, the Group conducted area management activities in association with local business operators. In addition, the Group made efforts to utilize former sites of company housing, by developing residential buildings and leasing land to an education institution.

As a result, operating revenues for the Real Estate Business segment increased 12.5% from the previous fiscal year to ¥102.2 billion, with operating income down 0.8% from a year earlier to ¥27.7 billion.

#### <Other Businesses>

In hotel operations, the Group worked to expand sales through such measures as hosting various events. In travel agency operations, the Group expanded internet sales, and took steps to increase sales of products that utilize railways. For the J-West Card, the Group made efforts to acquire cardholders through an online application services and by running a campaign to waive the membership fee for the first year. For the ICOCA e-money service, the Group maximized the effect of nationwide reciprocal services of

transport IC cards that started in March 2013, and worked to expand opportunities to use the services, including introducing services at large commercial facilities outside of the stations. The Group also conducted a variety of campaigns to mark the 10th anniversary of ICOCA, and made efforts to promote its use. In addition, the Group developed and nurtured new businesses, including the launch of a "Rail & Car Share" service at Shinkansen stations and 12 major stations in the Kyoto-Osaka-Kobe region. As a result, operating revenues for the Other Businesses segment increased 6.8% from the previous fiscal year to ¥137.1 billion, with operating income down 4.0% to ¥11.8 billion.

## (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. The Group also made investments to improve services and profitability and build up its transportation infrastructures, among other things.

The investments totaled ¥189.0 billion.

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

- Construction to build new rolling stock (Shinkansen: 16 railcars, conventional railway lines: 40 railcars).

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

- Construction to elevate the tracks near the Toyama station on the Hokuriku Main Line.
- Construction to build new stations (one on the JR Kyoto Line, one on the Sanyo Main Line and one on the Johana Line).
- Construction to improve the concourse of the Shin-Osaka station.
- Construction to improve the Hiroshima station on the Sanyo Main Line.
- Construction to build new rolling stock (Shinkansen: 120 railcars, conventional railway lines: 4 railcars).
- Construction to build the Kyoto Railway Museum.

## (3) Fund-raising

The Group borrowed ¥10.0 billion in domestic straight bonds and ¥66.2 billion in long-term debt, which were used for debt redemption and capital expenditure.

## (4) Issues to be addressed

The Group takes very seriously its responsibility for the Fukuchiyama Line train accident and the gravity of its consequences, and is making a concerted effort to establish a safe, secure and trusted rail service. In March 2013, the Company formulated the "JR-West Group Medium-Term Management Plan 2017" and its central core "Safety Think-and-Act

Plan 2017". This medium-term management plan retains as its highest priority the "Three Pillars of Management" of "Measures to have ourselves accepted as acting with the best intentions by the victims of the train accident", "Measures to enhance safety" and "Furthering of reform", while also newly establishing as "Our Future Direction - The Ideal Form for JR-West", the objectives of fulfilling "Our Mission" of sustained railway operations, and contributing to the invigoration of local areas as a "company coexisting with communities". To achieve the goals of this plan, as its basic strategy the Group will concentrate on the three aspects of "Safety", "Customer Satisfaction" and "Technologies". In its four business areas of "Shinkansen", "Kansai Urban Area", "Other West Japan Area" and "Business Development", the Group has set targets in five years and clarified its direction, and will seek long-term, sustainable growth through implementing various strategies to achieve these targets and foundation building, and fulfilling its responsibilities as a member of society.

Regarding its response to the victims of the Fukuchiyama Line train accident (one of the "Three Pillars of Management"), the Company will continue to listen carefully to their opinions and make every effort to deal with them honestly.

In terms of "Safety", the highest priority of the Three Basic Strategies, under the "Safety Think-and-Act Plan 2017", the Group has exerted a concerted effort to achieve such goals as "No accidents that cause injury or death to customers, and no train-related labor accidents that result in fatalities among workers".

For the principle of "No accidents that cause injury or death to customers", the Company will continue to implement such measures as systems to assist drivers that prevent a train accident arising from excessive speed, as well as the improvement of ground and train equipment that prevents damage from spreading should an accident occur.

For the principle of "No train-related labor accidents that result in fatalities workers", the Company was reminded of the seriousness of this issue when a fatal accident occurred involving an employee of an affiliated company while on the job. The Company thoroughly analyzed the causes that led to this accident, and by taking the necessary countermeasures, is working to ensure that a similar accident will not occur again. Further, by enhancing the specific actions and processes during the remaining four years of this plan, the Company will make a concerted effort to realize our high goals.

In terms of "Customer Satisfaction", the Company has set a goal of making customers "JR-West fans", and will seek "customer-based management" that establishes as part of its corporate culture business activities conducted consistently from the customers' perspective. The Company will meet the needs and expectations of customers and pursue measures to enhance transport quality, such as minimizing the effects of transport disruptions and improving guidance information.

For "Technologies", the Company will focus on continuous innovations to support the basic strategies of "Safety" and "Customer Satisfaction", in order to pursue technical development aimed at fostering advances in railway operations systems. The Company will also seek to use technology to address such issues as engineer training and the development of gauge change trains.



Regarding the "Four Business Strategies", for "Shinkansen", the Company will work to further improve safety and reliability and provide a competitive transport service. The Company will also generate new demand by expanding services for seniors and overseas tourists visiting Japan. In addition, the Company will move steadily forward with preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen in spring 2015, including fostering personnel exchanges, and will enhance the potential of the Shinkansen.

For "Kansai Urban Area", through a focus on further safety and measures for a thoroughly reliable transport service, the Company will build a rail service that offers high-quality transport and is used repeatedly by customers. The Company will also enhance the value of its railway belts and brighten the appeal of the urban area with such measures as refurbishment of the Osaka Loop Line through the Osaka Loop Line Renovation Project, and new construction of the Kyoto Railway Museum scheduled to open in spring 2016.

For "Other West Japan Area", the Company will increase the safety and convenience of inter-city and intra-city transport, and from the standpoint of "coexistence with communities", develop businesses with close ties to specific areas, such as promotion of tourism through Destination Campaigns and introduction of new sleeper trains. The Company will also leverage the advantages and strengths of the region by working together with local communities to establish sustainable local transport.

For "Business Development", the Company will expand lifestyle-related services through such efforts as a business alliance with Seven-Eleven Japan Co., Ltd. for in-station stores, and will enhance the value of group assets through such measures as the development of terminal stations and a fundamental renovation of the commercial facilities in the west wing of the OSAKA STATION CITY North Gate Building. The Company will also foster business creation through the cultivation and nurturing of new business fields.

To effectively achieve these strategies, the Company will undertake specific measures toward "building foundations" for sound business and operational management as a company. These include "Enhance front-line capabilities", in which employees at all workplaces identify issues and resolve them on their own, as well as securing and training human resources and raising their motivation to work.

In terms of measures for compliance, corporate governance, disclosure, crisis management and the global environment, the Company will fulfill its responsibilities as a member of society.

The business environment for the Company remains harsh, due to such factors as a population decline, competition from other modes of transport and an increase in the number of natural disasters. The Company are also incurring up-front costs for future growth, such as the various preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen. Amid such circumstances, through the principle of "thinking and acting based on the field", the Company, united with the Group, will take the next step for a new era and move forward with communities to enhance its corporate value on a medium- and long-term basis.

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

(5) Assets and profits

Item	24th April 1, 2010 - Mar. 31, 2011	25th April 1, 2011 - Mar. 31, 2012	26th April 1, 2012 - Mar. 31, 2013	27th (current year) April 1, 2013 - Mar. 31, 2014
Operating revenues (billion yen)	1,213.5	1,287.6	1,298.9	1,331.0
Recurring profit (billion yen)	68.9	82.4	104.6	112.9
Net income (billion yen)	34.9	29.4	60.1	65.6
Net income per share (yen)	18,066	152	310	338
Total assets (billion yen)	2,672.4	2,642.9	2,613.7	2,687.8
Net assets (billion yen)	721.2	733.5	768.1	807.3

(Note) As of July 1, 2011, the Company subdivided each share of common stock into 100 shares and adopted a share unit system under which the number of shares constituting one unit of shares shall be 100 shares. Net income per share for the 25th fiscal year (April 1, 2011 to March 31, 2012) is stated by taking into account such subdivision of shares.

(6) State of major subsidiaries, etc. (as of March 31, 2014)

(i) 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
Osaka Terminal Building Company	5,500	74.4	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
Tennoji Shopping Center Development Co., Ltd.	1,800	100.0	Real estate leasing

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
JR-West Japan Real Estate & Development Company	620	100.0	Real estate leasing
Japan Railway West Trading Company	200	79.8 (100.0)	Wholesales
JR West Japan Communications Company	200	65.0 (100.0)	Advertising services
West Japan Railway Techsia Co., Ltd.	100	51.9 (69.1)	Machinery and equipment work
West Japan Electric System Co., Ltd.	81	51.5	Electric engineering

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

(ii) 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.	17,599	22.7 (23.5)	Railway services
Daitetsu Kogyo Co., Ltd.	1,232	36.9	Construction
Kosei Construction Co., Ltd.	780	20.3	Construction

(Notes) 1. The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

2. Daitetsu Kogyo Co., Ltd. acquired its own shares and the total number of voting rights decreased. Consequently, the equity ownership by the Company increased and it became a subsidiary of the Company as of April 24, 2014.

(7) Major businesses and offices (as of March 31, 2014)

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

(i) 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	991
Kanazawa Branch	-	(28.0) 637.0	(28.0) 637.0	164	583
Kansai Urban Area Regional Head Office	-	946.0	946.0	333	3,569
Wakayama Branch	-	282.5	282.5	86	0
Fukuchiyama Branch	-	331.7	331.7	71	161
Okayama Branch	-	601.0	601.0	154	380
Yonago Branch	-	605.7	605.7	154	234
Hiroshima Branch	-	959.3	959.3	257	593
Total	644.0	(28.0) 4,371.7	(28.0) 5,015.7	1,222	6,511

- (Notes) 1. Fukuoka Branch has been established under the Shinkansen Administration Department. Kyoto, Osaka and Kobe Branches have been established under the Kansai Urban Area Regional Head Office.
2. The kilometers in the parentheses are shown separately for Category III railway services (Nanao Line (between Wakura-Onsen and Anamizu)). The conventional railway lines of the Kansai Urban Area Regional Head Office include 28.6 kilometers of 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 Category I railway services.

Category I railway services:	Transportation services provided by using its own railway tracks
Category II railway services:	Transportation services provided by leasing railway tracks from other operators
Category III railway services:	Possession of railway tracks that are used by operators of Category II railway services for transportation services

(ii) Retail Business:

The Group engages in department store business in the Osaka station and the Kyoto station 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 (Amagasaki-City, Hyogo-Prefecture)
- Japan Railway West Trading Company (Suita-City, Osaka-Prefecture)

(iii) Real Estate Business:

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

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

(iv) 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 Techsia Co., Ltd. (Amagasaki-City, Hyogo-Prefecture)
- West Japan Electric System Co., Ltd. (Yodogawa-ku, Osaka-City)

(8) State of employees

(as of March 31, 2014)

Segment description	Number of employees (increase or decrease compared with the end of the previous fiscal year)	
Transportation Business	28,256	(+427)
Retail Business	2,349	(-77)
Real Estate Business	934	(+1)
Other Businesses	14,467	(+329)
Total	46,006	(+680)

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

## (9) Major lenders (top 10) (as of March 31, 2014)

Lender	Debt payable (billion yen)
Development Bank of Japan	46.3
Nippon Life Insurance Company	37.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	31.8
Sumitomo Mitsui Banking Corporation	22.0
Sumitomo Mitsui Trust Bank, Limited	16.0
Meiji Yasuda Life Insurance Company	14.0
Mizuho Bank, Ltd.	12.5
Sumitomo Life Insurance Company	12.0
The Dai-ichi Life Insurance Company, Limited	12.0
Resona Bank, Limited	10.1

**2. Matters concerning shares** (as of March 31, 2014)

- (1) Total number of issuable shares 800,000,000 shares
- (2) Total number of issued shares 193,735,000 shares  
 (Notes) 1. 606 shares of treasury stock are included in the total number of issued shares.  
 2. Pursuant to the resolution adopted at the meeting of the Board of Directors held on October 29, 2013, 4,521,600 shares of treasury stock (the ratio thereof to the total number of issued shares prior to the cancellation thereof was 2.28%) were cancelled on November 15, 2013.
- (3) Number of shareholders 160,149 persons
- (4) Major shareholders (top 10)

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	7,602,500	3.92
Mizuho Bank, Ltd.	6,450,000	3.33
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
Japan Trustee Services Bank, Ltd. (Trust Unit)	5,553,000	2.87
JR-West Employee Stock-Sharing Plan	4,520,700	2.33
Nippon Life Insurance Company	4,000,000	2.06
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,360,264	1.22
STATE STREET BANK WEST CLIENT - TREATY	2,255,058	1.16

(Note) For the purpose of computing the shareholding ratios, 606 shares of treasury stock are excluded from the total number of issued shares of the Company.

### 3. Matters concerning corporate officers (as of March 31, 2014)

#### (1) Names of Directors and Corporate Auditors, etc.

Title	Name	Duties and major concurrent posts
Chairman and Director (Chairman of the Board of Directors)	Takayuki Sasaki	
Director	Tadashi Ishikawa	Special Counsel, Oh-Ebashi LPC & Partners
Director	Yumiko Sato	Specially Professor, Institute for Creating Local Culture, Otemon Gakuin University
Director	Yuzo Murayama	Professor of Business Course, Graduate School, Doshisha University
Director	Norihiko Saito	Chairman and Representative Director, Kinden Corporation
Director	Hideo Miyahara	Specially-appointed Professor, Graduate School of Information Science and Technology, Osaka University Representative Director, Knowledge Capital Association Outside Director, Osaka Gas Co., Ltd.
President and Representative Director	Seiji Manabe	In charge of responses to the victims of the derailment accident on the Fukuchiyama Line of the Company
Executive Vice President and Representative Director	Akiyoshi Yamamoto	Provides general assistance to President. In charge of safety enhancement, Railway Operations Headquarters, Safety Research Institute, Structural Engineering Office and Construction Department
Executive Vice President and Representative Director	Shizuka Yabuki	Provides general assistance to President. In charge of Business Development Headquarters
Executive Vice President and Representative Director	Tatsuo Kijima	Provides general assistance to President. In charge of furthering of reform, Supporting Headquarters for the victims of the derailment accident on the Fukuchiyama Line of the Company, Corporate Planning Headquarters, Corporate Communication Department, Personnel Department and Finance Department
Director	Makoto Shibata	In charge of IT Development Headquarters and Marketing Division, Railway Operations Headquarters

Title	Name	Duties and major concurrent posts
Director	Akihiro Horisaka	In charge of Deliberation Department of the Derailment Accident on the Fukuchiyama Line, Corporate Ethics and Risk Management Department, Secretary Office, General Affairs Department, Inquiry & Auditing Department and Tokyo Headquarters
Director	Kazuaki Hasegawa	In charge of Kansai Urban Area Regional Head Office
Director	Norihiko Yoshie	In charge of innovation of railway technology, and Technical Research & Development Department and Shinkansen Supervising Department, Railway Operations Headquarters
Full-time Corporate Auditor	Yasutaka Kikuchi	
Full-time Corporate Auditor	Tsutomu Iwasaki	
Corporate Auditor	Ikuo Uno	Councilor, Nippon Life Insurance Company External Director, Toyota Motor Corporation External Director, Panasonic Corporation External Director, Fujikyuko Co., Ltd. External Corporate Auditor, Odakyu Electric Railway Co., Ltd. External Corporate Auditor, Tohoku Electric Power Company, Incorporated External Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.
Corporate Auditor	Yasumi Katsuki	Certified public accountant, Katsuki Office External Director, Sumitomo Seika Chemicals Company Limited External Corporate Auditor, Sakata Inx Corporation

- (Notes)
1. Directors Tadashi Ishikawa, Yumiko Sato, Yuzo Murayama, Norihiko Saito and Hideo Miyahara are external directors as provided for in Article 2, item 15 of the Companies Act of Japan.
  2. Full-time Corporate Auditor Tsutomu Iwasaki, Corporate Auditors Ikuo Uno and Yasumi Katsuki are external auditors as provided for in Article 2, item 16 of the Companies Act of Japan.
  3. The Company has registered all of its external officers (external directors and auditors) as independent officers as provided for by the financial instruments exchanges on which its shares are listed.
  4. Corporate Auditor Yasumi Katsuki, who is qualified as a certified public accountant, has considerable knowledge of financing and accounting.
  5. The Company has a business relationship with Nippon Life Insurance Company. It has no special relation with any other company or institution with which the external Directors and Corporate Auditors hold concurrent posts as listed above.



6. Directors Satoru Sone and Kenji Nanakawa resigned at the close of the 26th Ordinary General Meeting of Shareholders of the Company held on June 21, 2013.
7. Director Yuzo Murayama assumed the office of Vice President of Doshisha University as of April 1, 2014.

(2) Total amount of remuneration, etc. for Directors and Corporate Auditors

Classification	Number	Amount
Director	16	¥469 million
Corporate Auditor	4	¥76 million
Total	20	¥545 million

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

(3) Major activities of external officers

Classification	Name	Major activities
External Director	Tadashi Ishikawa	Mr. Ishikawa attended all of the 12 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.
	Yumiko Sato	Ms. Sato attended all of the 12 sessions of the Board of Directors held during the fiscal year under review and expressed her opinions from time to time, principally from the professional perspective of an academic expert.
	Yuzo Murayama	Mr. Murayama attended all of the 12 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.
	Norihiko Saito	Mr. Saito attended 11 of the 12 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.
	Hideo Miyahara	Mr. Miyahara attended all of the 10 sessions of the Board of Directors held during the fiscal year under review after he assumed office and expressed his opinions from time to time, principally from the professional perspective of an academic expert.

Classification	Name	Major activities
External Corporate Auditor	Tsutomu Iwasaki	Mr. Iwasaki attended all of the 12 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.
	Ikuo Uno	Mr. Uno attended 7 of the 12 sessions of the Board of Directors and 10 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.
	Yasumi Katsuki	Mr. Katsuki attended all of the 12 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 a certified public accountant.

(4) Summary of the agreements to limit liabilities

The Company has entered into an agreement with each of the External Directors and External Corporate Auditors to limit his/her liabilities as provided for in Article 423, paragraph 1 of the Companies Act of Japan in accordance with Article 427, paragraph 1 of the said act. The maximum amount of the liabilities under the agreement is as provided for in laws and ordinances.

**4. Matters concerning account auditors** (as of March 31, 2014)

(1) Name of the account auditors

Ernst & Young ShinNihon LLC

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

- (i) Amount of remuneration, etc. payable for the fiscal year under review: ¥174 million
- (ii) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: ¥377 million

(Note) The amount of remuneration payable to the account auditors for their audits under the Companies Act of Japan and the amount of remuneration payable for their audits under the Financial Instruments and Exchange Act 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 the amount in (i) above.

(3) Content of non-auditing services

The Company has entrusted the account auditors with, and paid remuneration for, support for the adoption of International Financial Reporting Standards (IFRS) and others, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act 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 Companies Act of Japan or otherwise it is considered necessary by the Company, the Company shall determine to dismiss or not to reappoint the account auditors.

**5. Systems to secure the properness of business activities** (as of March 31, 2014)

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

To establish corporate ethics, the Company shall institute its code of conduct and code of ethics in accordance with its "Corporate Philosophy", make its officers comply with these codes and exercise the initiative in materializing the "Corporate Philosophy" and generate a sense of common values that will constitute the bases of honest and fair business behaviors.

The Company shall establish a "Corporate Ethics Committee" with the President acting as chairman, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.

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

Against antisocial forces, the Company shall establish general supervising divisions and sections and manuals to cope. The Company shall also work closely with external specialized agencies and deal with them in a resolute attitude, and have no truck with them.

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 and matters concerning corporate ethics on a timely and appropriate manner and monitor the execution by the Directors of their duties mutually. 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, have two or more external Directors and improve the system of distributing information to the external

Directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company shall clarify the criteria for selection of Directors and Executive Officers to ensure objectivity and transparency.

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.

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

Through these measures, the Company shall endeavor to improve its systems to ensure compliance with law and establish corporate ethics 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 laws or ordinances and 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 work to establish a safe, secure and trusted rail service 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 enhance the levels of safety by focusing on "continual effort to realize safe, reliable transport service", "increasing the level

of risk assessment", "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life" and "investment in safety", which have all been set forth in the "Safety Think-and-Act Plan 2017" formulated in March 2013. 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 Act 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 a wide-scale disaster or any other 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 shall convene a session of the Executive Committee consisting of the Representative Directors and the Executive Officers serving at the head office of the Company once every week in principle, to deliberate on fundamental matters for execution of business, and introduce a system of executive officers to delegate authorities to the Executive Officers, whereby ensuring stronger functions of the Board of Directors to monitor and supervise and speedier decision-making.

(5) Systems to secure the properness of business activities of the corporate group

The Company shall determine policies on the establishment of corporate ethics in the whole Group by taking into consideration deliberations at its "Corporate Ethics Committee" and determine fundamental matters for risk management of the whole Group at its "Risk Management Committee". Based on these policies and fundamental matters, each group company shall take measures to establish committees and regulations, whereby formulating a system for the establishment of corporate ethics and appropriate risk management of the whole Group. In addition, with regard to the whistle-blowing system, the Company shall respond to consultations concerning any group company through contacts established in and outside of the Company.

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, confirm the observation of laws or ordinances and regulations concerning execution of business of the group companies.

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 shall appoint 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 reporting 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 and 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 and other important documents, cooperate with its internal audit section and account auditors and exchange opinions with the Representative Directors and other officers on a regular basis.

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, 2014)

(million yen)

### ASSETS

Current assets:	298,414
Cash and deposits.....	55,203
Trade notes and accounts receivable.....	20,794
Railway fares receivable .....	36,721
Accounts receivable .....	57,365
Marketable securities .....	18,000
Inventories.....	44,215
Deferred tax assets .....	18,622
Others .....	48,129
Less allowance for doubtful accounts.....	(638)
 Fixed assets:	 2,389,393
Tangible fixed assets:	2,135,199
Buildings and structures.....	1,073,890
Machinery, equipment and transport equipment .....	292,710
Land .....	659,947
Construction in progress .....	75,521
Other tangible fixed assets .....	33,129
 Intangible fixed assets:	 30,243
 Investments and other assets:	 223,950
Investment in securities.....	67,359
Deferred tax assets .....	128,520
Assets for retirement benefits .....	1,469
Others.....	27,738
Less allowance for doubtful accounts.....	(1,136)
 Deferred assets:	 83
 TOTAL ASSETS	 2,687,890

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

(million yen)

LIABILITIES

Current liabilities:	539,520
Trade notes and accounts payable.....	53,542
Short-term borrowings .....	25,754
Current portion of bonds .....	20,000
Current portion of long-term debt.....	25,625
Current portion of long-term payables for the acquisition of railway properties.....	38,073
Current portion of long-term payables.....	31
Accounts payable .....	118,198
Accrued consumption taxes .....	4,069
Accrued income taxes .....	29,419
Railway deposits received.....	5,077
Deposits.....	66,615
Prepaid railway fares received .....	50,997
Advances received .....	28,165
Allowance for bonuses.....	35,921
Allowance for rewards based on points .....	1,418
Others .....	36,609
Long-term liabilities:	1,340,991
Bonds .....	439,975
Long-term debt.....	285,189
Long-term payables for the acquisition of railway properties .....	171,795
Long-term payables .....	96
Deferred tax liabilities.....	405
Liabilities for retirement benefits.....	326,823
Allowance for environment and safety measures .....	10,204
Allowance for gift certificates yet to be redeemed .....	2,568
Others .....	103,934
<b>TOTAL LIABILITIES</b>	<b>1,880,511</b>

NET ASSETS

Shareholders' equity:	786,828
Common stock .....	100,000
Capital surplus .....	55,000
Retained earnings.....	632,187
Treasury stock.....	(359)
Accumulated other comprehensive income:	(2,920)
Evaluation difference on other securities.....	3,429
Deferred hedge income (loss) .....	557
Accumulated adjustments to retirement benefits.....	(6,906)
Minority interests:	23,470
<b>TOTAL NET ASSETS</b>	<b>807,378</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,687,890</b>

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



## CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2013 to March 31, 2014)

(million yen)

Operating revenues		1,331,019
Operating expenses:		
Transportation and other services and cost of sales	1,015,174	
Selling, general and administrative expenses	181,251	1,196,426
Operating income		134,593
Non-operating income:		
Interest income	50	
Dividend income	465	
Equity in earnings of affiliates	1,445	
Others	5,807	7,769
Non-operating expenses:		
Interest expenses	28,053	
Others	1,347	29,400
Recurring profit		112,961
Extraordinary profits:		
Proceeds from construction contract	15,955	
Expropriation compensation	5,601	
Gain on sales of fixed assets	2,125	
Others	2,707	26,390
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	13,972	
Loss on reduction entry of expropriation	5,220	
Impairment loss	54	
Others	8,416	27,664
Income before income tax		111,687
Corporation, inhabitant and enterprise taxes	47,965	
Income taxes – deferred	(3,339)	44,625
Income before income tax and minority interest		67,061
Minority interest		1,421
Net income		65,640

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.**

(From April 1, 2013 to March 31, 2014)

(million yen)

	Shareholders' equity					Accumulated other comprehensive income				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)	Accumulated adjustments to retirement benefits	Total accumulated other comprehensive income		
Balance as of April 1, 2013	100,000	55,000	609,508	(21,995)	742,512	2,677	488	-	3,165	22,495	768,174
Changes during the year:											
Distribution of surplus			(21,310)		(21,310)						(21,310)
Net income			65,640		65,640						65,640
Acquisition of treasury stock				(0)	(0)						(0)
Retirement of treasury stock			(21,649)	21,649	-						-
Change of the applicable scope of equity method				(12)	(12)						(12)
Changes in items other than shareholders' equity during the year (net)						751	68	(6,906)	(6,086)	974	(5,111)
Total changes during the year	-	-	22,679	21,636	44,316	751	68	(6,906)	(6,086)	974	39,204
Balance as of March 31, 2014	100,000	55,000	632,187	(359)	786,828	3,429	557	(6,906)	(2,920)	23,470	807,378

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

**BALANCE SHEET**  
(As of March 31, 2014)

	(million yen)
<b><u>ASSETS</u></b>	
Current assets:	207,797
Cash and deposits.....	42,013
Railway fares receivable.....	38,564
Accounts receivable.....	30,763
Accrued income.....	4,695
Short-term loans.....	21,036
Marketable securities.....	18,000
Materials and supplies.....	13,124
Prepaid expenses.....	2,033
Deferred tax assets.....	13,014
Others.....	25,035
Less allowance for doubtful accounts.....	(484)
Fixed assets:	2,184,827
Fixed assets for railway operations.....	1,642,017
Fixed assets for related businesses.....	71,581
Other relevant fixed assets.....	59,831
Construction in progress.....	72,946
Investments and other assets.....	338,450
Stocks of affiliates.....	140,310
Investment in securities.....	13,017
Long-term loans receivable.....	73,411
Long-term prepaid expenses.....	4,826
Deferred tax assets.....	105,899
Others.....	7,167
Less allowance for doubtful accounts.....	(6,182)
<b>TOTAL ASSETS</b>	<b>2,392,624</b>

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

<u>LIABILITIES</u>	(million yen)
Current liabilities:	544,718
Short-term borrowings .....	165,199
Current portion of bonds .....	20,000
Current portion of long-term debt.....	23,403
Current portion of long-term payables for acquisition of railway properties ..	38,073
Current portion of long-term payables.....	248
Other accounts payable .....	128,728
Accrued expenses.....	18,684
Accrued consumption taxes .....	2,081
Accrued income taxes .....	20,752
Railway deposits received.....	4,873
Deposits.....	17,151
Prepaid railway fares received .....	50,794
Advances received .....	26,106
Prepaid income received .....	979
Allowance for bonuses.....	26,748
Allowance for rewards based on points .....	541
Others .....	353
Long-term liabilities:	1,208,416
Bonds .....	439,975
Long-term debt.....	278,786
Long-term payables for acquisition of railway properties.....	171,795
Retirement allowances for employees .....	295,013
Allowance for environment and safety measures .....	10,047
Others .....	12,797
<b>TOTAL LIABILITIES</b>	<b>1,753,134</b>
 <u>NET ASSETS</u>	
Shareholders' equity:	636,626
Common stock .....	100,000
Capital surplus .....	55,000
Capital reserve .....	55,000
Retained earnings.....	481,629
Retained earnings reserve .....	11,327
Other retained earnings .....	470,302
Reserve for advanced depreciation of fixed assets .....	21,834
General reserve .....	360,000
Retained earnings carried forward .....	88,468
Treasury stock.....	(2)
Evaluation and exchange differences, etc.:	2,863
Evaluation difference on other securities.....	2,863
<b>TOTAL NET ASSETS</b>	<b>639,490</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,392,624</b>

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

## STATEMENT OF INCOME

(From April 1, 2013 to March 31, 2014)

(million yen)

Railway operations		
Operating revenues	850,526	
Operating expenses	760,313	
Operating income		90,213
Related businesses		
Operating revenues	23,125	
Operating expenses	11,564	
Operating income		11,560
Operating income		101,773
Non-operating income		
Interest and dividend income	1,459	
Others	5,115	6,575
Non-operating expenses		
Interest expenses and bond interest	27,836	
Others	521	28,357
Recurring profit		79,991
Extraordinary profits		
Proceeds from construction contract	15,955	
Expropriation compensation	5,186	
Gain on sale of fixed assets	1,850	
Others	852	23,845
Extraordinary expenses		
Loss on reduction entry of proceeds from construction	13,972	
Loss on reduction entry of expropriation	4,908	
Others	3,756	22,637
Income before income tax		81,198
Corporation, inhabitant and enterprise taxes	35,793	
Income taxes - deferred	(3,275)	32,517
Net income		48,680

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.**

(From April 1, 2013 to March 31, 2014)

(million yen)

	Shareholders' equity									Evaluation and exchange differences, etc.	Total net assets
	Common 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 April 1, 2013	100,000	55,000	11,327	22,132	360,000	82,449	475,909	(21,651)	609,257	2,352	611,609
Changes during the year:											
Distribution of surplus						(21,310)	(21,310)		(21,310)		(21,310)
Net income						48,680	48,680		48,680		48,680
Transfer to reserve for advanced depreciation of fixed assets				1,013		(1,013)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets				(1,311)		1,311	-		-		-
Acquisition of treasury stock								(0)	(0)		(0)
Retirement of treasury stock						(21,649)	(21,649)	21,649	-		-
Changes in items other than shareholders' equity during the year (net)										511	511
Total changes during the year	-	-	-	(298)	-	6,018	5,720	21,649	27,369	511	27,880
Balance as of March 31, 2014	100,000	55,000	11,327	21,834	360,000	88,468	481,629	(2)	636,626	2,863	639,490

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

Copy of Account Auditors' Audit Report Relating to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 8, 2014

The Board of Directors  
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Yoshihiro Shibata (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Naoya Nishino (seal)  
Designated and Limited Engagement 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, 2013 to March 31, 2014 pursuant to Article 444, paragraph 4 of the Companies Act of Japan.

Management's Responsibility for Consolidated Financial Statements

The responsibility of the Company's management is to prepare and present properly these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these consolidated financial statements free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these consolidated financial statements are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in consolidated financial statements and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the consolidated financial statements by fraud or error. An audit is not contemplated to

express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these consolidated financial statements to form a plan for adequate audit procedures according to conditions. 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 sufficient and appropriate audit evidence forming a basis for our opinion.

#### Account Auditors' 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.

#### Financial Interest

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountant Act 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 27th fiscal year from April 1, 2013 to March 31, 2014, 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 9, 2014

The Board of Corporate Auditors  
West Japan Railway Company

Yasutaka Kikuchi (seal)  
Full-time Corporate Auditor

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

Ikuo Uno (seal)  
External Corporate Auditor

Yasumi Katsuki (seal)  
External Corporate Auditor

Copy of Account Auditors' Audit Report

INDEPENDENT AUDITORS' REPORT

May 8, 2014

The Board of Directors  
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Yoshihiro Shibata (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Naoya Nishino (seal)  
Designated and Limited Engagement 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 27th fiscal year from April 1, 2013 to March 31, 2014 pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan.

Management's Responsibility for Financial Statements, etc.

The responsibility of the Company's management is to prepare and present properly these financial statements and the supplementary financial schedules in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these financial statements and the supplementary financial schedules free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and the supplementary financial schedules from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these financial statements and the supplementary financial schedules are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in financial statements and supplementary financial schedules and disclosure thereof. Audit

procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the financial statements and the supplementary financial schedules by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these financial statements and the supplementary financial schedules to form a plan for adequate audit procedures according to conditions. 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 these financial statements and the supplementary financial schedules.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

#### Account Auditors' 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.

#### Financial Interest

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

- END -

Copy of Audit Report of the Board of Corporate Auditors

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 27th fiscal year from April 1, 2013 to March 31, 2014, 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 such systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation as described in the business report and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Companies Act 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 present 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 details of the descriptions in the business report and the performance by the Directors of their duties concerning such internal control systems contain 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 9, 2014

The Board of Corporate Auditors  
West Japan Railway Company

Yasutaka Kikuchi (seal)  
Full-time Corporate Auditor

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

Ikuo Uno (seal)  
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