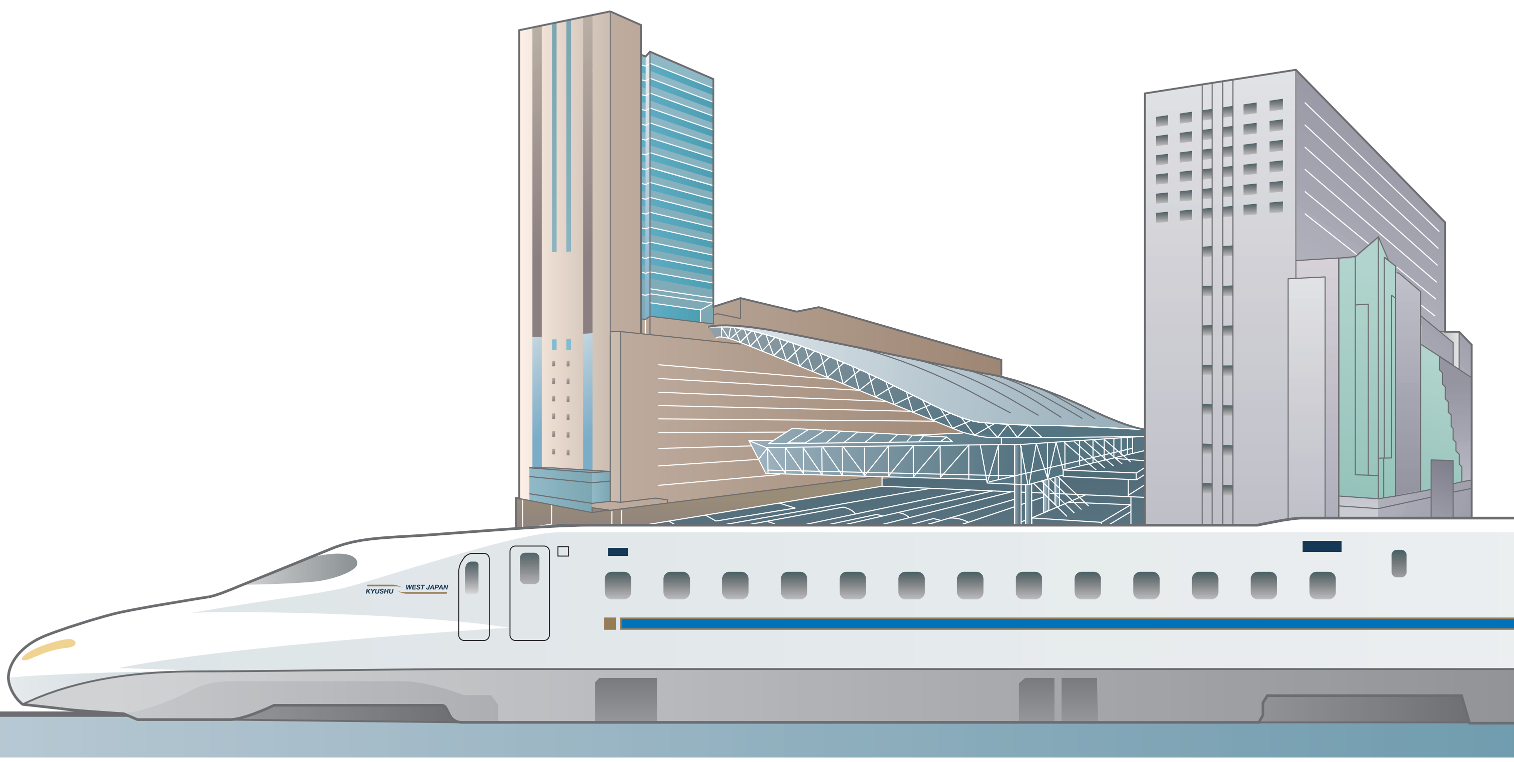
JR-WEST

Original Purpose, **A Fresh Start**

Annual Report 2011



WEST JAPAN RAILWAY COMPANY

West Japan Railway Company (JR-West) is one of the six passenger railway transport companies formed by the split-up and privatization of Japanese National Railways (JNR) in 1987. Its mainstay railway business operates a network of lines with a total route length of approximately 5,000 kilometers, extending through 18 prefectures that account for around one-fifth of Japan's land area.

Railway systems in Japan evolved as a natural consequence of the cities that formed through the accumulation of people in the limited number of plains throughout the country. Joined like links in a chain, the geographical distribution of these cities has created a solid demand base that accounts for one-fourth of all passenger volume in Japan. While railway operations remain the core of its business, JR-West also aims to make the most of the assets that are part of its network of stations and railways to develop its retail, real estate, and hotel businesses.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates, and projections about its business, industry, and capital markets around the world.

These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "plan," or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.

Known or unknown risks, uncertainties, and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.

Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:

- expenses, liability, loss of revenue, or adverse publicity associated with property or casualty losses;
- economic downturn, deflation, and population decreases;
- adverse changes in laws, regulations, and government policies in Japan;
- service improvements, price reductions, and other strategies undertaken by competitors such as other passenger railway and airline companies;
- earthquake and other natural disaster risks; and
- failure of computer telecommunications systems disrupting railway or other operations.

All forward-looking statements in this annual report are made as of September 2011 based on information available to JR-West as of September 2011, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Future compensation and other expenses related to the Fukuchiyama Line accident that occurred on April 25, 2005 are difficult to estimate reasonably at this time, and so have not been included in forecasts.

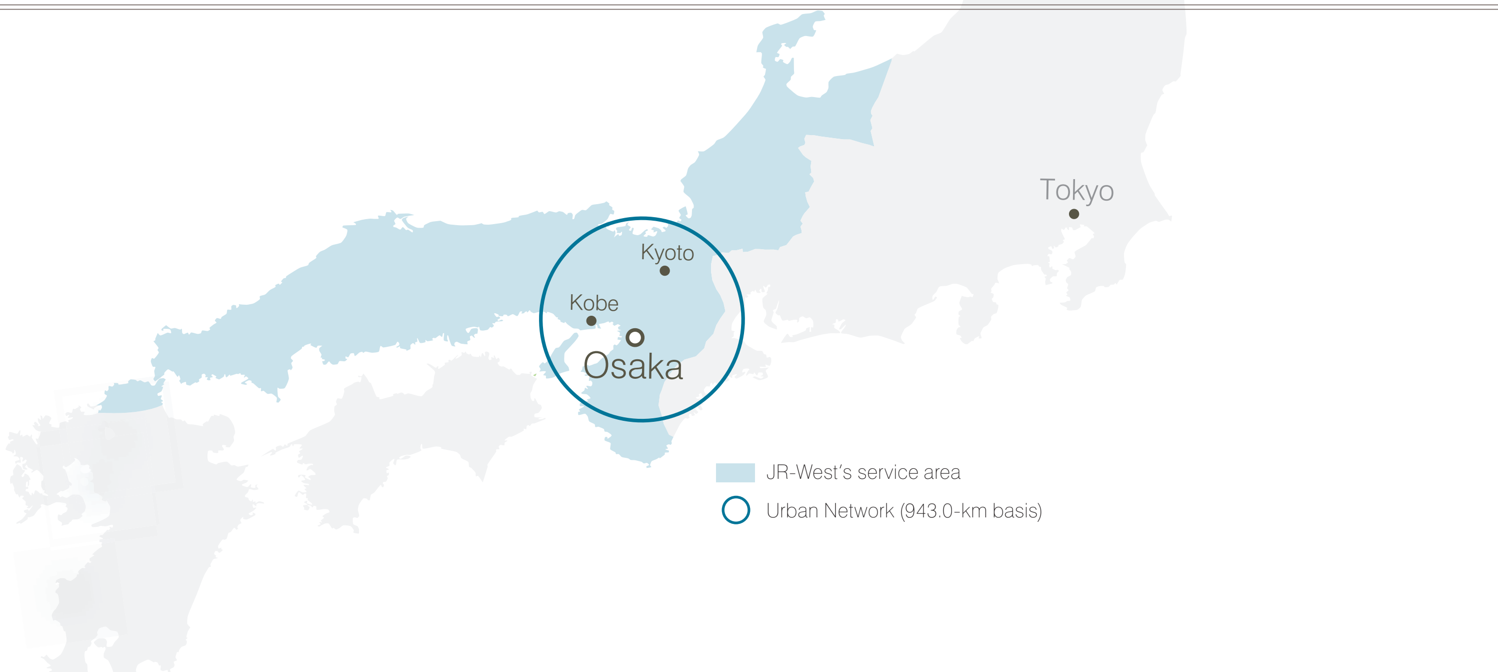
Contents

JR-West's business is central to people's daily lives. We operate a railway network that stretches across an area of approximately 104,000 square kilometers, covering 18 prefectures in western Honshu and the northern tip of Kyushu, with a total operating kilometerage of 5,012.7 kilometers. In addition to railway passenger services, we operate retail, real estate, and other businesses that offer synergistic benefits with the railway business. The area served by our railway network is home to approximately 43 million people—34% of Japan's population—with a nominal GDP of ¥163 trillion.

A significant portion of JR-West's revenue is derived from its Sanyo Shinkansen service, a high-speed intercity transport line operating at speeds of up to 300 kilometers per hour between Shin-Osaka Station in Osaka and Hakata Station in the city of Fukuoka in northern Kyushu. The service also connects several major cities in western Japan. JR-West's Urban Network provides services to the Kyoto–Osaka–Kobe metropolitan area, which has a population of more than 20 million people. Each day, an average of 3.9 million passengers (fiscal 2011) use JR-West's Urban Network , mainly for commuting to and from work or school.

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

Our Business is **Central to People's Lives.**



ROUTE LENGTH

5,012.7 km

POPULATION

43 million

GDP

¥163 trillion

TRANSPORTATION OPERATIONS

Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in the northern tip of Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

Urban Network

The Urban Network (Kyoto–Osaka–Kobe area conventional lines) provides passenger transport services to the densely populated cities of Kyoto, Osaka, and Kobe and their surrounding areas.

Other Conventional Lines

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

SALES OF GOODS AND FOOD SERVICES

JR-West's sales of goods and food services mainly target railway passengers, consisting of convenience stores, specialty stores, and food and beverage establishments located in and around station buildings, as well as department stores.

REAL ESTATE BUSINESS

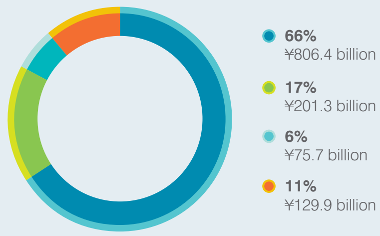
JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

OTHER BUSINESSES

JR-West's other businesses consist of a travel agency business operated by Nippon Travel Agency Co., Ltd., which became a consolidated subsidiary of JR-West in fiscal 2004, a hotel business operating the Hotel Granvia Kyoto and other hotels, as well as an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

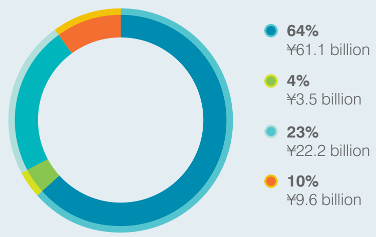
OPERATING REVENUES

by Business Segment (From Third Parties) (Consolidated)



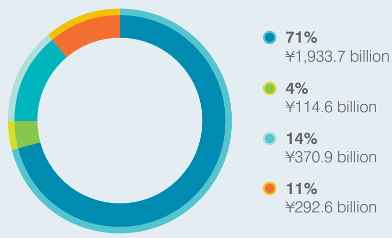
OPERATING INCOME

by Business Segment (Consolidated)



TOTAL ASSETS

by Business Segment (Consolidated)



- Transportation Operations
- Sales of Goods and Food Services
- Real Estate Business
- Other Businesses

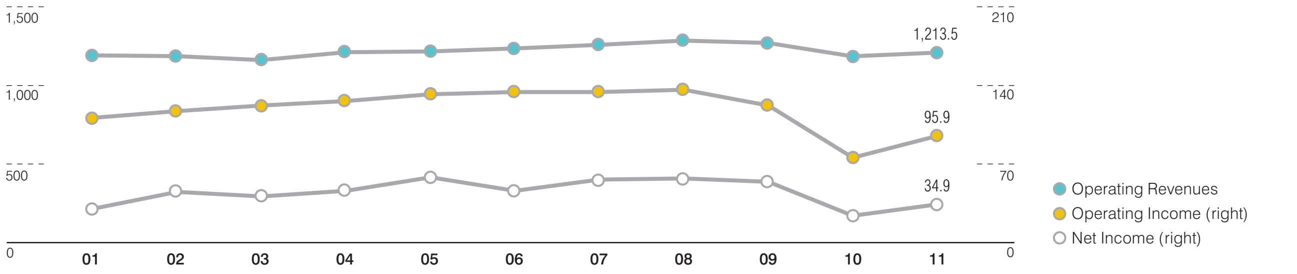
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

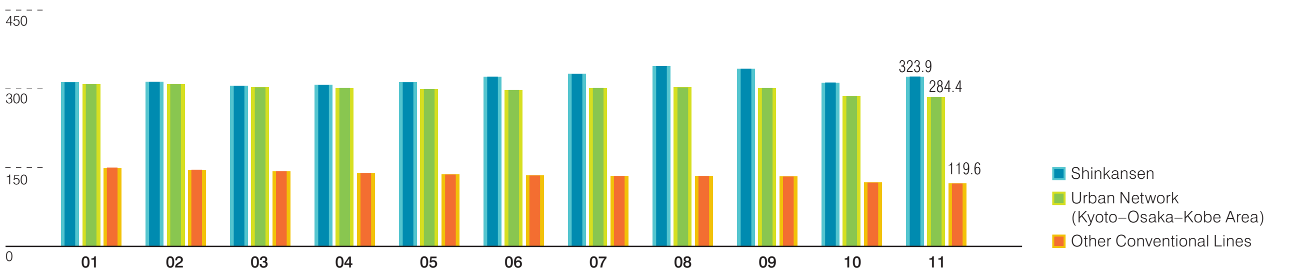
	Billions of yen			Millions of U.S. dollars[1]
	2011	2010	2009	2011
OPERATIONS:				
Operating revenues	**¥1,213.5**	¥1,190.1	¥1,275.3	**$14,620**
Operating income	**95.9**	76.5	122.5	**1,156**
Net income	**34.9**	24.8	54.5	**421**
BALANCE SHEETS:				
Total assets	**2,672.4**	2,546.3	2,461.8	**32,197**
Long-term debt and payables[2]	**1,102.6**	1,038.9	953.2	**13,284**
Total net assets	**721.2**	702.1	689.6	**8,689**
CASH FLOWS:				
Net cash provided by operating activities	**223.2**	161.3	178.8	**2,689**
Net cash used in investing activities	**(246.2)**	(208.7)	(172.6)	**(2,967)**
Net cash provided by (used in) financing activities	**51.4**	54.6	(10.1)	**619)**
OTHER DATA:				
Depreciation	**150.8**	141.9	137.0	**1,817**
Capital expenditures, excluding contributions received for construction	**260.0**	210.1	163.9	**3,132**
EBITDA[3]	**246.8**	218.4	259.5	**2,870**
			Yen	U.S. dollars[1]
PER SHARE DATA:				
Net income	**¥ 18,066**	¥ 12,837	¥ 27,729	**$ 217**
Cash dividends	**8,000**	7,000	7,000	**96**
Net assets	**355,712**	345,568	339,113	**4,285**
			%	
RATIOS:				
ROA (operating income basis)	**3.7**	3.1	5.0	
ROE	**5.2**	3.7	8.4	
DOE	**2.3**	2.0	2.1	
Equity ratio	**25.8**	26.3	26.7	

1 Yen figures have been converted into U.S. dollars at the rate of ¥83=U.S.$1.00, the exchange rate prevailing on March 31, 2011.
2 Long-term debt and payables includes the current portion of long-term debt and long-term payables.
3 EBITDA=Operating income + Depreciation

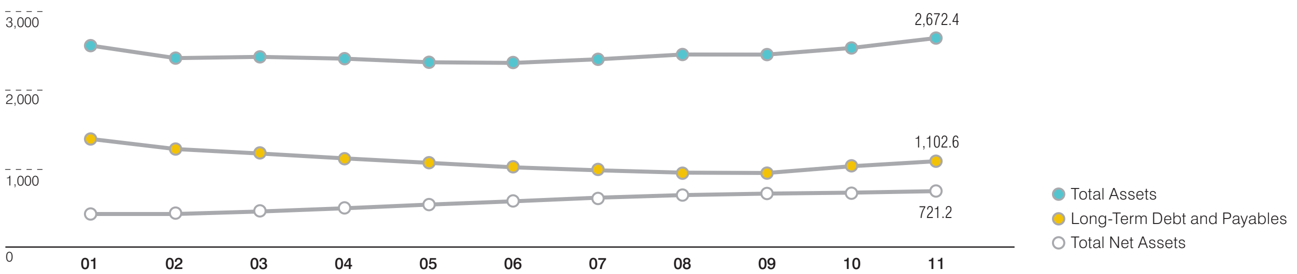
OPERATIONS
Billions of yen



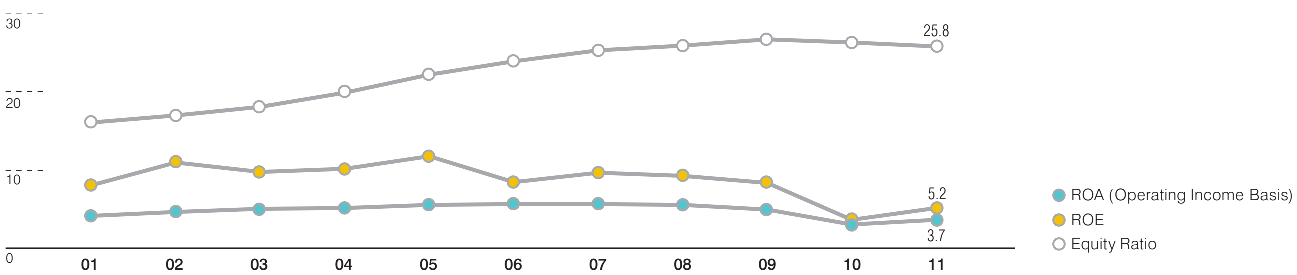
RAILWAY OPERATING REVENUES
Billions of yen



BALANCE SHEETS
Billions of yen



RATIOS
%



Our Goal is to

Achieve Sustainable Growth.

TAKAYUKI SASAKI
President, Representative Director, and Executive Officer

Effects of the Great East Japan Earthquake

First, I would like to state that the thoughts and prayers of all at JR-West are with those who have lost their lives and those who are otherwise suffering as a result of the Great East Japan Earthquake. With regard to the JR-West Group, fortunately, we did not suffer any direct damage to our facilities. However, we are experiencing some difficulties in procuring parts for our rolling stock that are produced in the affected regions. This has forced us to temporarily halt operation of certain trains. In addition to continuing our various initiatives to provide safe and secure transportation, we will offer support to the people in the affected regions to the greatest extent possible based on the situation on the ground within these regions and the needs of the people there. Further, we believe that in order to overcome the nationwide crisis caused by this disaster, it is important for us to first focus our efforts on invigorating the West Japan area, which in turn will help revitalize the domestic economy. We anticipate that this will lend strength to the recovery efforts following the earthquake. For this reason, we will redouble our efforts to contribute to the invigoration of the West Japan area through our business activities centered on railways.

Overview of Fiscal 2011

In the fiscal year ended March 2011, we were able to achieve increases in both revenues and income. This can be seen as the result of several factors, such as higher transportation revenues from Shinkansen services and other sources due to the recovery of the domestic economy as well as the recovery from the losses associated with the epidemic of the new influenza virus experienced during the previous year, and reduced expenses centered on personnel costs. Additionally, in October 2010, we revised the JR-West Group's Medium-Term Management Plan 2008–2012, which we originally formulated in May 2008. In this revision, we defined a management vision of achieving sustainable growth over the long term, while pursuing excellence in safety management and seeking to be a corporate group trusted by customers, communities, and society. In our efforts to realize this management vision, we will continue to implement initiatives based on our three pillars of management—"measures to have ourselves accepted as acting with the best intentions by the victims of the train accident," "measures to enhance safety," and "furthering of reform." In the revised plan, however, we also outlined three new strategies geared toward the realization of this vision—"coexistence with local communities," "innovation by technology," and "thinking and acting based on the field."

As a company that operates railways as its main business, we realize that we cannot survive independent of the communities in which we operate. Therefore, we must establish strong relationships with local governments, transportation providers, and other local organizations. Going forward, we will work to build comprehensive win-win relationships with these organizations. Also, in the future, we will need to address the various issues arising from the declining population in Japan. To this end, we intend to reform our railway operation system and implement other measures meant to promote innovation by technology. Additionally, we will thoroughly revise actual workflow processes throughout the Company from a perspective that focuses on the “field of play” that defines our operating environment. We hope that this will further stimulate the JR-West Group and help enhance our corporate culture.

Completion of Two Major Projects

In the fiscal year ending March 2012, we began operation of direct services between the Sanyo and the Kyushu Shinkansen lines as well as operation of “Osaka Station City,” both major projects that the JR-West Group has devoted many years to complete. On March 12, 2011, services began operation on all lines of the Kyushu Shinkansen line. On the same day, we began operating the new Mizuho and Sakura Shinkansen services, which connect Shin-Osaka and Kagoshima-Chuo stations by means of a direct service. It is unfortunately true that these new services got off to a slow start due to such factors as the Great East Japan Earthquake, which occurred the day before the direct services were due to begin. However, the substantial reduction in travel time combined with the traveling comfort provided by our new rolling stock won the praise of customers, consequently we believe that these services were able to achieve a strong start regardless of the difficult operating environment. Going forward, we will work in cooperation with travel companies and local governments in our service area to communicate the appeal of Kyushu’s many tourist destinations to people in the Kyoto–Osaka–Kobe area as well as to the rest of West Japan, while also communicating to people in Kyushu the appeal of Kyoto, Osaka, and other destinations in West Japan. Through these efforts, we hope to encourage increased interaction between both areas.

“Osaka Station City” held its grand opening on May 4, 2011, marking the completion of a massive development project. With a floor space of 245,000 m^2, the project required an investment of approximately ¥210 billion. In addition to making the station more open and easier to use, the project entailed the construction of a new building that would be amply equipped with department stores, specialty shops, and office spaces. We believe that ”Osaka Station City” will contribute greatly to increasing revenues from railway operations, as well as from the sales of goods and food services and the real estate business. Also, a number of other development projects, unrelated to the Group, are currently being conducted in the area surrounding Osaka Station. In the near future, we anticipate that this area will become densely populated by appealing large-scale commercial institutions thoroughly connected by underground and above-ground walkways, thus making it very easy to get around. The JR-West Group aims to make this area even more appealing so that people from the Kyoto-Osaka-Kobe area and even people living further away will come to visit it. To accomplish this goal, the Group will coordinate its efforts with railway operators and other organizations in the surrounding areas.

Forecast for Fiscal 2012

For the fiscal year ending March 2012, we are forecasting somewhat low operating results, due to the compounded effects of such factors as the economic slowdown following the Great East Japan Earthquake and the temporary increase of expenses associated with development projects. However, we will continue the vigorous implementation of the strategies outlined in our medium-term management plan, while making safety our utmost priority and addressing the management issues that were made apparent by the recent earthquake, including those related to disaster precautionary measures and the uninterrupted procurement of parts for our rolling stock. In these ways, we will steadily strengthen our management foundations amidst this harsh management environment, and work to ensure that the Group achieves improved operating results and sustainable growth.

In closing, I would like to ask our shareholders and other investors for their continued support.

May 2011

Takayuki Sasaki
President, Representative Director, and Executive Officer

In October 2010, the Company revised the JR-West Group's Medium-Term Management Plan 2008–2012, which outlines JR-West's goal of contributing to the invigoration of the West Japan area and create strong bonds of trust with all of its stakeholders. While continuing to stay true to our original purpose of realizing our Corporate Philosophy, the revised plan offers a fresh start. In doing so, the JR-West has identified three new strategies—coexistence with local communities, innovation by technology, and thinking and acting based on the field—and laid out the roadmap for a new quest in pursuit of sustainable growth. In this section, we will offer an overview of the revised plan. In addition, we will introduce the Group's initiatives with regard to the operation of Osaka Station City and the direct services between the Sanyo and the Kyushu Shinkansen lines—both of which are symbolic embodiments of these new strategies.

Original Purpose, **A Fresh Start**

REVISION OF THE JR-WEST GROUP'S MEDIUM-TERM MANAGEMENT PLAN 2008–2012

Background and Goals of the Revision

The Company caused an extremely serious accident that occurred on the Fukuchiyama Line. As a result, the JR-West Group established the Basic Safety Plan, a five-year plan targeting the goal of building a corporate culture that places top priority on safety, which was implemented in fiscal 2008. All Group members have subsequently worked tirelessly toward achieving this goal.

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

Contents

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

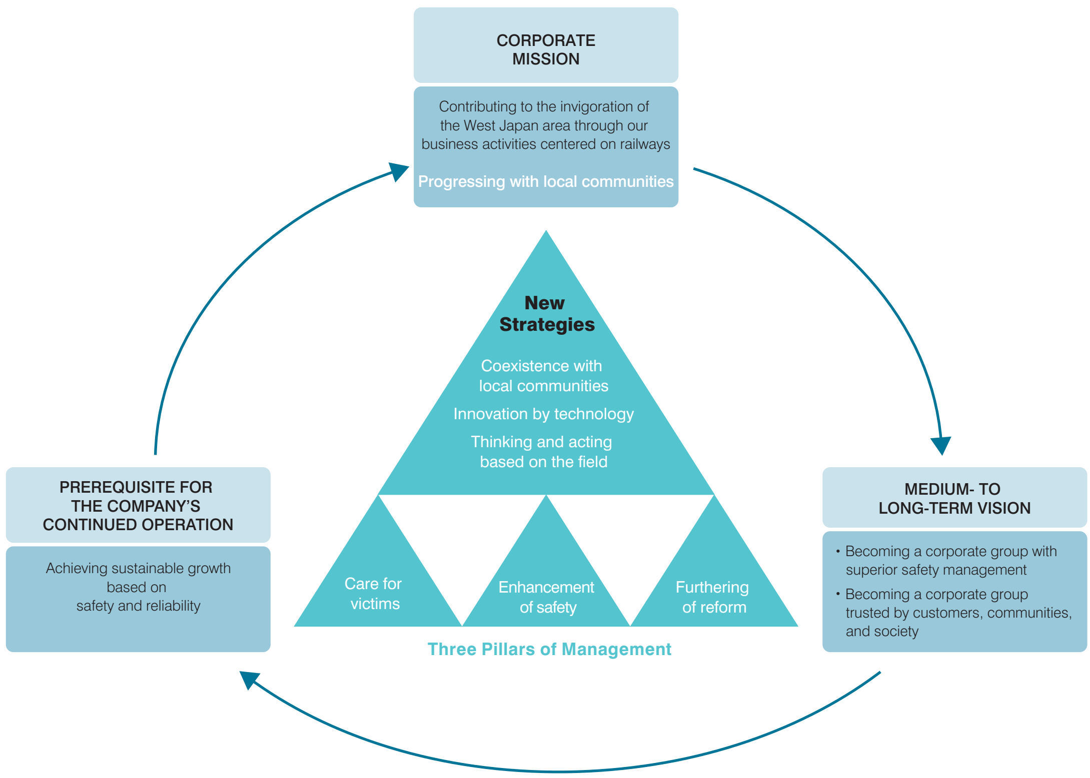
Further, in fall 2009, a serious compliance-related issue was uncovered within the Company, which not only caused great emotional distraught for the victims of the Fukuchiyama Line accident, but also severely damaged society's trust in the Company.

Faced with this unprecedented harsh environment, we decided to revise the current medium-term management plan, scheduled to end in fiscal 2013. We want to focus emphasis on long-term sustainability in our approach to management while further clarifying and realizing our medium- to long-term management vision.

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

MANAGEMENT VISION

We, ever mindful of the Fukuchiyama Line accident, pursuing sustainable growth based on safety and reliability, contributing to the invigoration of the West Japan area through our business activities, and establishing safety management systems, will seek to be a corporate group trusted by customers, communities, and society in order to realize our Corporate Philosophy.



CONTINUATION OF OUR THREE PILLARS OF MANAGEMENT

Regardless of the revision of the medium-term management plan, we will continue to vigorously promote management based on our three pillars of management, which are outlined below. Based on these pillars, the Group is cultivating a "safety first" mindset as well as developing a railway that can give customers peace of mind and is worthy of their trust.

Measures to Have Ourselves Accepted as Acting with the Best Intentions by the Victims of the Train Accident

- JR-West is earnestly approaching the victims of the train accident. By offering them our sympathy and support, we aim to address their concerns in a courteous and mindful manner. Additionally, we will continue to hold meetings with them in order to explain our initiatives to enhance safety, remain receptive toward their opinions of the Company, and respond to any questions they might have.

- Further, we will continue to provide venues for victims to discuss with us their opinions and desires of the Company in the hope of better being able to respond to their various needs. Also, we will develop measures to enable us to offer emotional support to victims and help alleviate any uncertainties they may have for the future. Going forward, the Company will thoroughly discuss the development of such measures while taking into consideration the opinions of the victims.

Measures to Enhance Safety

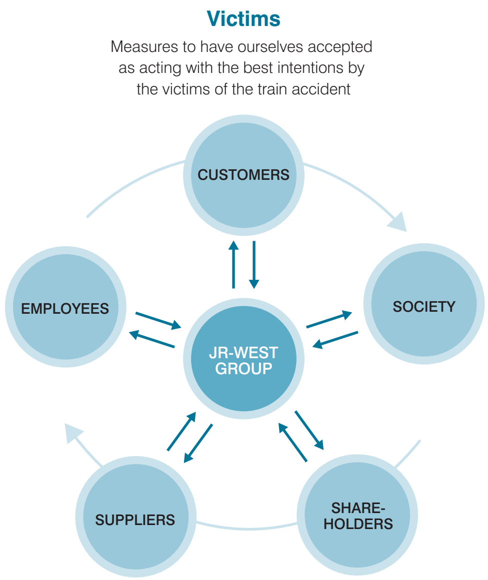
- In 2008, JR-West established the Basic Safety Plan in order to promote the enhancement of safety.
  A major goal set forth in this plan was the goal of building a corporate system that ensured no accidents producing casualties among our customers and no serious labor accidents affecting our employees occurred. This was also presented as a management goal in the medium-term management plan announced in May 2008. Accordingly, the Group will continue to work unceasingly to achieve this goal and complete the initiatives outlined in the Basic Safety Plan.

Furthering of Reform

- JR-West is implementing initiatives to reform its overly top-down corporate culture. At the same time, the Company is pushing forward comprehensive improvement measures that take into account its reflections regarding such issues as the information leaks that occurred during the investigation of the accident. Through these efforts, all Group members are working to reform the corporate culture through stronger corporate governance and a more open organizational structure.

VALUE PROVIDED TO AND SHARED WITH STAKEHOLDERS

We will create a virtuous cycle of value creation by achieving harmony with our stakeholders in the long-term and aim to increase our overall value (realizing a plus-sum game). We will then share the benefits this creates with stakeholders.



Customers

- Safety and security
  - Enhancement of safety
  - Elimination of occurrences that could make our customers feel uneasy
- Improved customer satisfaction
  - Reliable transportation
  - User-friendly timetables, facilities, and sales channels
  - Friendly service
- Innovative products and services
  - Response to the aging, declining population and the internationalization of customers

Society

- Invigoration of local communities
  - Improvement of our railway stations as well as town facilities in the Kansai urban area to make it a convenient, attractive place to live (enhancing the value of our railway belts)
  - Provision of public transportation to make the West Japan area a convenient, attractive place to live
  - Expansion of tourism demand to bring more visitors to the area
- Promotion of CSR and compliance

Employees

- Job satisfaction and pride
  - Improved teamwork through smooth communication
  - Respect for assertive, active mindsets and opinions
  - Increased awareness of corporate ethics
- Sense of acceptance
  - Clarification of the purpose, circumstances, and direction of each individual's work
- Transference and improvement of technical skills

Shareholders

- Ensured sustainability
  - Improvement in long-term operating revenues and reduction of fixed costs
- Long-term dividend stability
  - Dividend payment plans based on the consolidated DOE ratio

Suppliers

- Sincerity, fairness, and mutual trust
- Guaranteed safety and quality, and established compliance

NEW STRATEGIES TO REALIZE OUR MANAGEMENT VISION

With the aim of continuing to work toward realizing our management vision, we will continue pursuing the management goals and advancing the strategies outlined in Medium-Term Management Plan 2008–2012. At the same time, the Group will also focus its efforts on the implementation of its three new strategies: coexistence with local communities, innovation by technology, and thinking and acting based on the field.

Coexistence with Local Communities

- As a company that operates railways as its main business, JR-West cannot survive independent of the communities in which it operates. Thinking from the perspective of the communities we operate in, we will work to establish a comprehensive cooperative network of win-win relationships by strengthening our ties with local governments and other railway companies.
- Specifically, the entire Group will work to:
  - Enhance the value of our railway belts centered on the Kansai urban area,
  - Realize a plus-sum game in the West Japan area, and
  - Invigorate local communities through tourism

  in order to enrich the lives of the people of the communities in these areas.

Innovation by Technology

- As we enter an era of declining population, JR-West will undertake such challenges as the:
  - Transference of technical skills and improvement of technical and operational skills,
  - Resolution of issues through sophisticated technologies, and
  - Reform of the railway operation system

  to ensure the sustainable growth of the Company.
- Specifically, the goal of the railway operation system reform will be to apply widely used technologies, as well as technologies in the fields of information and telecommunications, to further the:
  - Development of a new safety system,
  - Development of an energy-saving railway system, and
  - Innovation of traffic control and maintenance systems by utilizing network technology

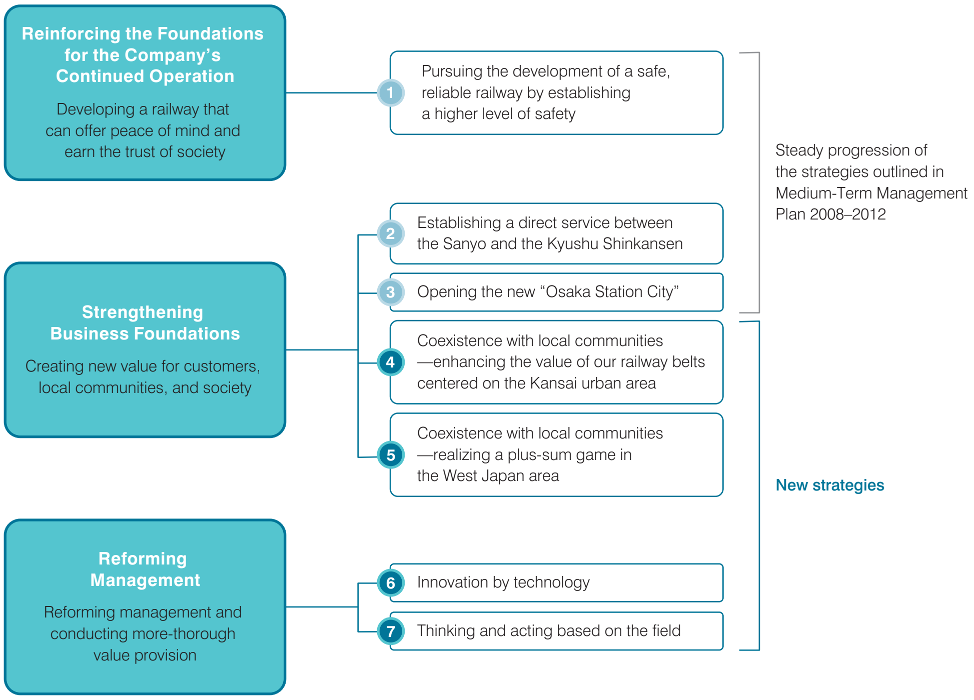
  in order to enhance safety, lower the fixed costs associated with railway operations, and reduce the amount of labor required for maintenance.

Thinking and Acting Based on the Field

- Employees utilizing the skills that they have learned “on the field of play” play a major role in enhancing safety and improving customer satisfaction. Also, ideas to further cost reductions and technological development are often found on the field. In recognizing this, we have defined “changing our operational frameworks from the perspective of the business field” as one of our principal directives. Accordingly, we realize that issues that occur on the field are also important management issues, and we will tackle these issues head-on with renewed vigor.
- Specifically, based on the results of company revitalization and reform initiatives, from the viewpoints of:
  - Focusing on actual “places,” “materials,” and “people” on the field,
  - Solving problems autonomously on the field,
  - Solving problems through the bottom-up approach, and
  - Simplifying the process of developing strategic measures and decision making

  we will rebuild operational systems based on the field.

KEY STRATEGIES TO REALIZE OUR MANAGEMENT VISION



FINANCIAL OUTLOOK FOR FISCAL 2013

Financial Indicators

Consolidated operating revenues: ¥1,300 billion

Consolidated EBITDA*: ¥266 billion

Consolidated ROA: 3.6%

* EBITDA = Operating income + Depreciation

Total Capital Expenditures for Fiscal 2009 to Fiscal 2013

Consolidated: ¥980 billion

Non-consolidated: ¥780 billion

(safety-related capital expenditures: ¥430 billion)

SHAREHOLDER RETURNS

We aim to create a virtuous cycle of value creation by achieving harmony with our stakeholders in the long-term and increase our overall value (realizing a plus-sum game). To these ends, we plan to offer shareholders robust returns as follows.

We believe providing shareholder returns that are stable in the long-term is an important management responsibility. Therefore, we are aiming for consolidated DOE of 3% in fiscal 2013, based on the expectation that our projects yield sufficient results.

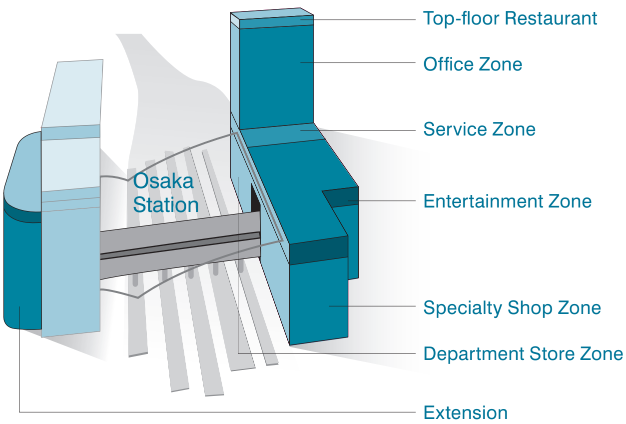
In line with this projection, we raised the dividend payments for fiscal 2011 from ¥3,500 for both the interim and year-end dividends to ¥4,000 for both the interim and year-end dividends, making for total dividend payments of ¥8,000 per share.

Note: JR-West made a stock split at the ration of 1 share to 100 shares as of June 30, 2011

OPENING OF OSAKA STATION CITY

Used by approximately 850,000 people per day, Osaka Station is the largest terminal station operated by the Company. Additionally, with over 2.5 million people using the facilities in the surrounding area on a daily basis, including those related to other modes of transportation, the Osaka Station railway station could be considered the focal point of West Japan. As a result, we aim to develop Osaka Station into a facility befitting its role as the gateway to Osaka, which in turn will help boost the revenues of the entire Group. At the same time, we hope to revitalize both the area surrounding Osaka Station as well as the Kansai region in general. This integrated plan was named the Osaka Station Development Project, which we have subsequently advanced, conducting investments totaling approximately ¥210 billion. On May 4, 2011, this development project reached a successful end, marked by the grand opening of Osaka Station City.

NEW FACILITIES



NORTH GATE BUILDING

The newly constructed North Gate Building, located on the north side of Osaka Station, is divided into a number of "zones," including the Department Store Zone, Specialty Shop Zone, and Office Zone.

Department Store Zone

The JR Osaka Mitsukoshi Isetan department store, operated by consolidated subsidiary West Japan Railway Isetan Limited, occupies the west side of the North Gate Building on the 12 floors from its second basement floor to the 10th above-ground floor. Following the JR Kyoto Isetan department store, this is the second store operated by this subsidiary, and it is the fourth department store located in the Umeda District of Osaka. While the total area of the sales floor is only 50,000m^2, smaller than that of the other department stores in the surrounding area, it features a unique atmosphere as the first department store to carry both the Isetan and Mitsukoshi names. Merging elements from both of its namesakes, JR Osaka Mitsukoshi Isetan features a number of uniquely arranged areas that mix the fashion traditionally provided by Isetan with the cultured and artistic nature characteristic of Mitsukoshi. In this way, JR Osaka Mitsukoshi Isetan is an entirely new type of department store, which is one of the reasons it has become popular among shoppers.

Specialty Shop Zone

The east side of the North Gate Building is home to the LUCUA shopping center, which is located on the 11 floors from the first basement floor to the 10th above-ground floor. Operated by consolidated subsidiary JR West Japan Shopping Center Development Company, LUCUA is a shopping center with 198 commercial tenants, roughly half of which are stores that are either the first location opened in Osaka's Umeda District, the first location in the Kansai region, or the first location in all of Japan. The main targets of this shopping center are fashion- and trend-conscious working women to which the center provides a sense of luxury that can be enjoyed in one's daily life and offers the opportunity to realize sensitive, sophisticated lifestyles. These characteristics have earned LUCUA a strong reputation with shoppers, a fact that can be seen in the smiles of the many satisfied customers that fill the shops.

Office Zone

The 14 floors from the 14th to 27th floor in the upper level of the North Gate Building are designated as the Office Zone, spanning a total floor space of approximately 21,000m^2. Each floor has a floor space of 1,500 m^2, which is free of obstructions such as pillars, thereby making it easily customized to meet the needs of tenants. This, as well as the convenience of being directly connected to the railway station, has helped this zone earn the praise of the tenants that occupy it. There are currently no vacancies in the Office Zone.

SOUTH GATE BUILDING

Located on the south side of Osaka Station, the South Gate Building is also divided into a number of zones, including the Department Store Zone and Hotel Zone.

Department Store Zone

The South Gate Building's Department Store Zone is currently occupied by Daimaru Umeda. The recent expansion of the South Gate Building increased the sales floor of this zone from 40,000m^2 to 64,000m^2, while existing areas of the zone were renovated as well.

Hotel Zone

The Hotel Zone is currently occupied by a hotel operated by consolidated subsidiary Hotel Granvia Osaka Co., Ltd. As part of the recent expansion, this subsidiary opened a restaurant in the LUCUA shopping center, located in the Specialty Shop Zone of the North Gate Building, and expanded the lobby and lounge on the first floor of the hotel. Further, in spring 2012, it plans to open an executive suite floor on the 27th floor of the South Gate Building.

DEVELOPING OPEN SQUARES AND CONNECTING PASSAGEWAYS—ENHANCING THE STATION'S APPEAL

We have developed eight open squares within Osaka Station City in the hope of allowing greater access to all that it has to offer, including access to the station, shopping, and entertainment. We also believe this will help Osaka Station City better offer a sense of relaxation, while also maintaining a level of energy. In addition, we have created underground and elevated passageways (as high as the second floor of a building) that extend in all directions in order to better connect Osaka Station City with its surrounding area. These connecting passageways help ease the process of changing to or from private railway or subway lines as well as offer smooth access to and from the surrounding area. The Company has also renovated the facilities of the railway station, creating new ticket gates and concourses, as well as built dome-shaped roofs, which are the symbol of this development project, over the platforms. Moreover, many measures have been taken to ensure that Osaka Station City is friendly toward the environment, including the installation of solar power generators to utilize natural energy. The efficient use of energy is promoted by taking advantage of dry mist cooling systems to reduce the need for air conditioning and installing double glazed windows in office buildings to provide better insulation. In addition, effective use is made of collected rainwater. Also, we have placed garbage reciprocals with divisions for different types of garbage on platforms to promote recycling and are actively reusing resources to lower the environmental impact of Osaka Station City.

IMPROVING RAILWAY ACCESS TO OSAKA

In March 2011, JR-West revised its timetables with the aim of encouraging people from areas throughout its service area to visit Osaka by train. Special rapid services on weekends and public holidays using trains with 12 cars were introduced on the line spanning from Himeji to Maibara. Additionally, the number of rapid services connecting directly to Osaka Station from Takarazuka, Kansai International Airport, and Nara were increased from two trains per hour to four trains per hour during the daytime.

COOPERATING WITH LOCAL BUSINESSES TO ATTRACT CUSTOMERS

The area surrounding Osaka Station is densely populated by businesses. While these businesses serve as competition for the Group's commercial facilities in this area, we think it is important that we work together with these businesses in order to improve the appeal of this area, thereby attract more visitors to the area. The Company is a member of the Umekita Phase 1 Development Area Project TMO Committee, which consists of three companies in addition to the Company: Hankyu Corporate, Hanshin Electric Railway Co., Ltd., and Mitsubishi Estate Co., Ltd. Together with these companies, JR-West has established the Umeda Area Management Organization. In addition, it also jointly develops area maps, actively holds a number of promotional events, communicates information regarding these events as well as the development project itself via the Internet, and conducts other area management activities.

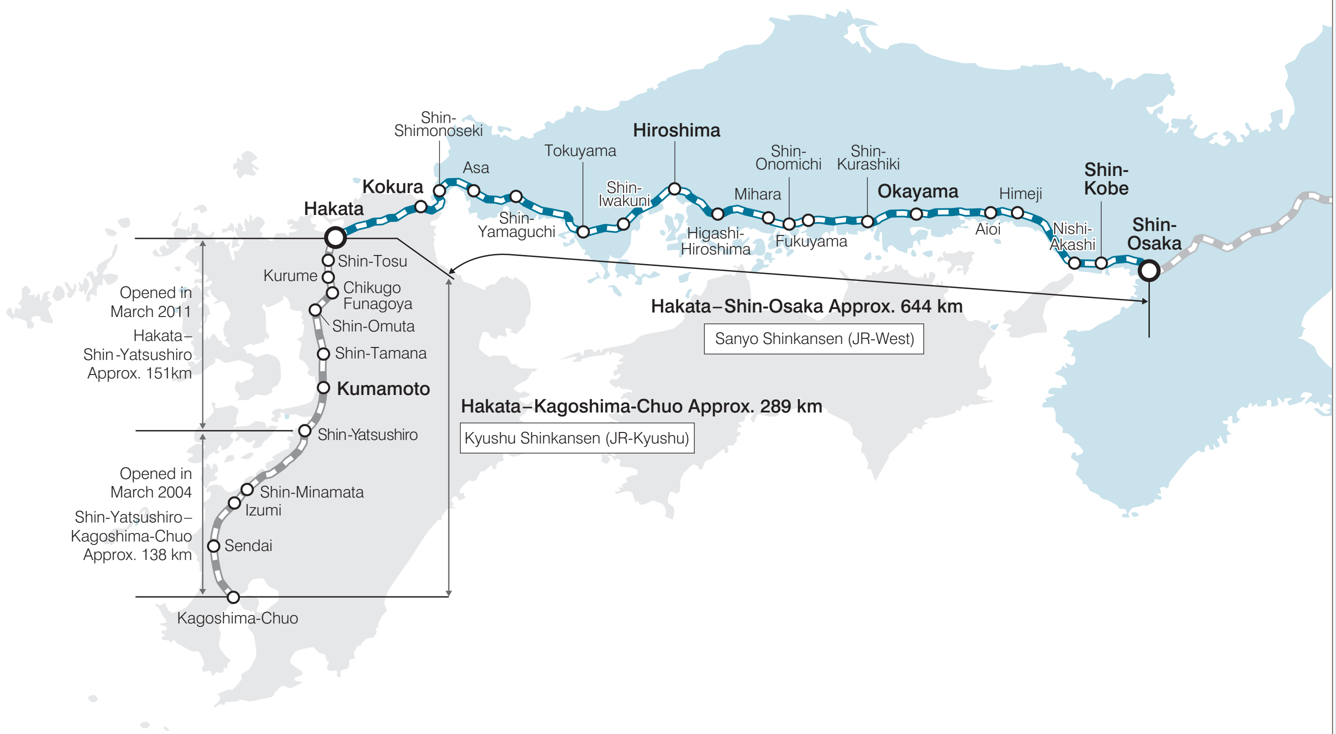
DIRECT SERVICES WITH THE KYUSHU SHINKANSEN LINE

On March 12, 2011, in conjunction with the commencement of operations of all sectors of the Kyushu Shinkansen, the Company began offering direct services between the Sanyo and Kyushu Shinkansen lines. Using these new direct services, passengers can travel between Shin-Osaka Station and Kago-shima-Chuo Station in as little as 3 hours and 45 minutes, and between Shin-Osaka Station and Kumamoto Station in as little as 2 hours and 59 minutes. Unfortunately, the start of these services was overshadowed by the Great East Japan Earthquake, which occurred on March 11, 2011, the day before the opening ceremony. Despite the circumstances in which the services were launched, we are aiming to offer a higher quality Shinkansen-travel experience through these direct services by introducing new rolling stock based on the state-of-the-art, highly reliable N700 Series trains. At the same time, we are working to stimulate tourism demand in Kyushu by advertising the appeal of Kyushu's various sightseeing spots. Due to these and other efforts, the direct services have produced notable results in the months after being launched.

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

Going forward, the Company will implement a number of initiatives geared toward boosting usage of the Sanyo Shinkansen. These will include conducting promotional tourism campaigns in coordination with local governments and raising the degree of cooperation with JR-Kysuhu with the aim of encouraging more exchanges between Kyushu and major areas in West Japan, such as the Kyoto–Osaka–Kobe area, Okayama, and Hiroshima. Further, we intend to revise timetables next spring to introduce new rolling stock and increase the number of trains offering direct services. Through such efforts, our aim is to significantly improve our market share of the combined air travel–railway market, increasing our share of travel between the Kyoto-Osaka-Kobe area and Kagoshima from the fiscal 2010's 10% to around 50%, and increasing our share of travel between the Kyoto-Osaka-Kobe area and Kumamoto from fiscal 2010's 32% to around 60%.

A total investment of approximately ¥100 billion is estimated to be necessary to implement these initiatives, the majority of which will be invested in new rolling stock.



SHARE OF PASSENGER MARKET: SHINKANSEN VS. AIRLINES (FISCAL 2010)

		Railways	Airlines	Total
Kyoto–Osaka–Kobe area–Kagoshima	Number of passengers (Market share)	341 people/day (10%)	2,980 people/day (90%)	3,321 people/day —
Kyoto–Osaka–Kobe area–Kumamoto	Number of passengers (Market share)	750 people/day (32%)	1,614 people/day (68%)	2,364 people/day —

Source: Survey on regional passenger flow, Ministry of Land, Infrastructure and Transport

SERVICE, DAILY FREQUENCY, TRAVEL TIME, FARE

	Service	Frequency	Travel Time (Fastest service)	Fare
Shin-Osaka–Kagoshima-Chuo	Mizuho	4 round trips per day	3h 45m	¥21,600 (¥17,000 with e-early reservation discount ticket)
	Sakura	10.5 round trips per day	4h 10m	¥21,300 (¥17,000 with e-early reservation discount ticket)
Shin-Osaka–Kumamoto	Mizuho	4 round trips per day	2h 59m	¥18,320 (¥14,400 with e-early reservation discount ticket)
	Sakura	11 round trips per day	3h 20m	¥18,020 (¥14,400 with e-early reservation discount ticket)

* The fastest Mizuho service runs a total of four times per day in the morning and evening.

TRAVEL TIME (REDUCTION)

	Hiroshima	Okayama	Shin-Osaka
Kumamoto	1h 37m (52m)	2h 14m (52m)	2h 59m (58m)
Kagoshima-Chuo	2h 23m (71m)	2h 59m (72m)	3h 45m (77m)

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

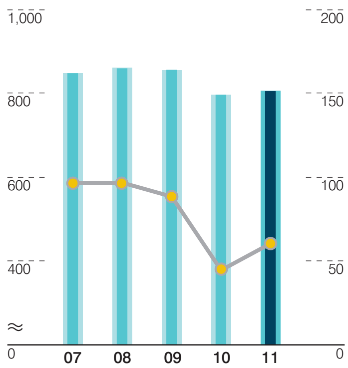
Our Transportation Network contributes to

the Development of the Community We Serve.

Transportation Operations

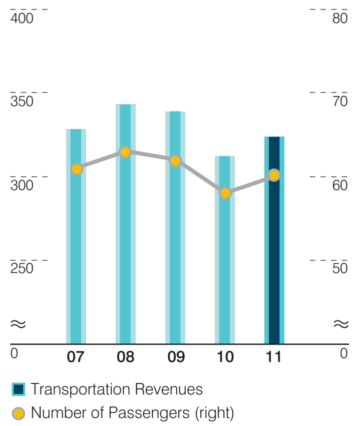
OPERATING RESULTS

Billions of yen



JR-West's Transportation Operations segment consists of railway operations and small-scale bus and ferry services. Its railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The railway network comprises a total of 1,222 railway stations, with an operating route length of 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network includes the Sanyo Shinkansen, a high-speed intercity railway line; the Urban Network, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines (excluding the three JR-West branch offices in Kyoto, Osaka, and Kobe). In fiscal 2011, operating revenues in this segment were up 1.1% year on year, to ¥806.4 billion. While demand for domestic tourism declined following the Great East Japan Earthquake, which occurred on March 11, 2011, this decline was more than offset by the revenues generated due to the strong economic recovery trend seen up until the earthquake, which contributed to an overall rise in revenues. Operating income also increased, rising 35.3%, to ¥61.1 billion. This was largely attributable to the significant decrease in personnel expenses as a result of the completion of the amortization of net retirement benefit obligation at transition of approximately ¥30.0 billion.

TRANSPORTATION REVENUES
Sanyo Shinkansen
Billions of yen / Millions of passengers



Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers and has 19 railway stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR-Central), operates all of the other 18 railway stations.

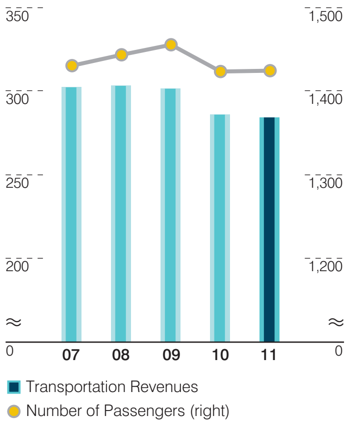
The services on the Sanyo Shinkansen include the Group's Nozomi, Hikari, and Kodama services, which it has offered for some time. Of particular interest are the direct Nozomi services operated by Central Japan Railway Company (JR-Central), which link Tokyo Station and Shin-Osaka Station. These Nozomi services allow passengers to travel on the Tokaido Shinkansen from Tokyo or Nagoya to the major railway stations along the Sanyo Shinkansen—Okayama, Hiroshima, and Hakata—without having to change trains. In addition, following the March 12 commencement of operations on all lines of the Kyushu Shinkansen, JR-West launched the Mizuho and Sakura Shinkansen services, which travel directly between the Sanyo Shinkansen and Kyushu Shinkansen lines. These new services enable customers to travel between Shin-Osaka and Kagoshima-Chuo in as little as 3 hours and 45 minutes.

Fiscal 2011 Results

In fiscal 2011, the Company was forced to face the effects of the Great East Japan Earthquake, which occurred in March 2011. However, its impact was offset by the benefits of a number of initiatives implemented earlier in the fiscal year. These included the launch of direct services between the Sanyo Shinkansen and Kyushu Shinkansen lines, which accompanied the commencement of operations on all lines of the Kyushu Shinkansen, as well as promotional campaigns highlighting the comfort of traveling on the new N700 Series along with the convenience and price advantages of the Express Reservation and EX-IC systems. Additionally, there was growth in revenues due to the absence of the new influenza epidemic, which caused a decline in revenues during the first half of the previous fiscal year. As a result, total passenger-kilometers for the Sanyo Shinkansen increased 4.9% year on year, to 15,546 million kilometers. Likewise, transportation revenues were up ¥11.4 billion, or 3.7%, to ¥323.9 billion.

Urban Network Service

TRANSPORTATION REVENUES
Urban Network Service
Billions of yen / Millions of passengers



The Urban Network provides passenger services for the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. It has an operating route length of 622.0 kilometers (943.0 kilometers including the three JR-West branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto–Osaka–Kobe region.

The Urban Network area includes the section of the Fukuchiyama Line between Tsukaguchi Station and Amagasaki Station, the location where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

Further, the renovation of Osaka Station—the largest JR-West-operated terminal station—that we undertook in 2003 reached completion, and we were subsequently able to hold the grand opening of Osaka Station City on May 4, 2011. Osaka Station serves as the gateway to the Kansai region as well as the gateway into Osaka itself. For this reason, we hope that Osaka Station City will serve as a new landmark in Osaka, a landmark that embodies a sense of flair and sophistication befitting its role as a gateway. This strong desire was a key factor in our naming of Osaka Station City. Further, it is our wish that it will come to be loved by all who visit it as a "city" that is both highly relaxing and convenient.

Fiscal 2011 Results

In transportation operations, we revised our timetables in consideration of the opening of Osaka Station City in March 2011, increasing the number of rapid services connecting directly to Osaka Station and beginning operation of special rapid services using trains with 12 cars on weekends and public holidays.

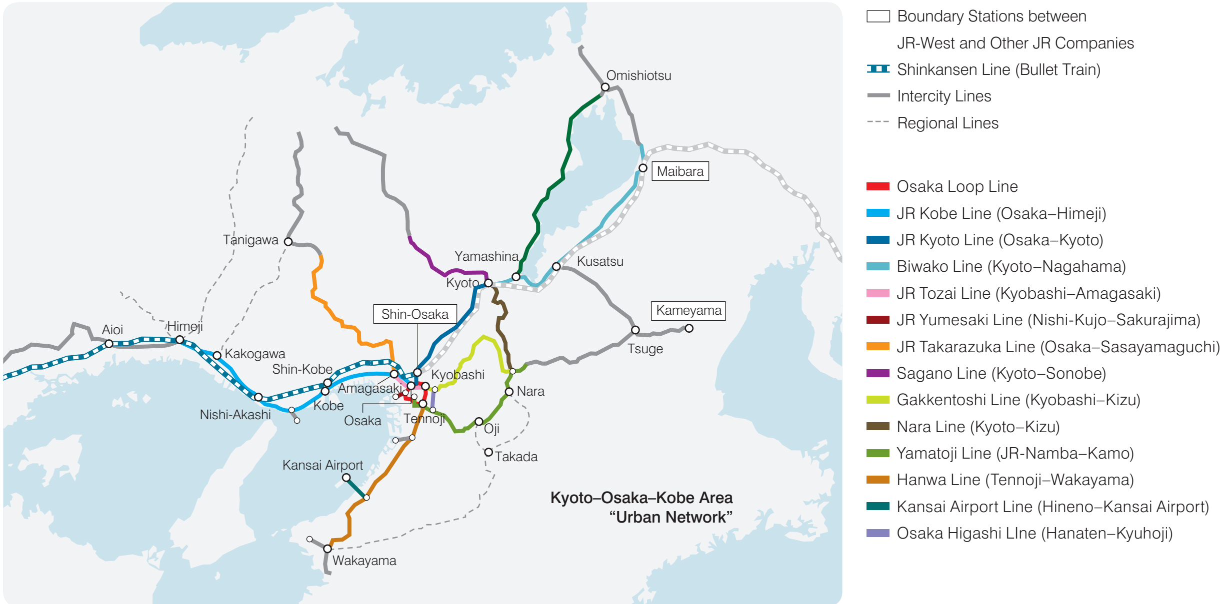
In marketing initiatives, we worked to further enhance railway convenience by launching the ICOCA direct commuter pass service in cooperation with Keihan Electric Railway Co., Ltd.

In customer service initiatives, we bolstered efforts to help passengers use the railway more safely and more comfortably, including the use of video on station displays and in-car displays to provide information for passengers. We also conducted campaigns to raise awareness of efforts to prevent groping.

Additionally, as part of the renovation of Osaka Station, we opened a portion of a structure built over the tracks for passengers to use when changing trains in November 2010. This structure was fully completed in April 2011.

In February 2011, we concluded a comprehensive partnership agreement with Shiga Prefecture. Under this agreement, we will promote initiatives geared toward deepening the extent of our "coexistence with local communities," through such efforts as fostering the development of urban areas around train stations.

In fiscal 2011, we saw revenue increase as a result of absence of the new influenza epidemic, which caused a decline in revenues during the first half of the previous fiscal year. In addition, JR-West worked in cooperation with local governments, travel agents, and other JR companies to stimulate demand for domestic tourism through various promotional campaigns such as the Nara Destination Campaign. However, the persistence of the overall slump in railway usage was compounded by the impact of the Great East Japan Earthquake, which occurred in March 2011. As a result, total passenger-kilometers for the Urban Network (including the three JR-West branch offices in Kyoto, Osaka, and Kobe) decreased 0.2% year on year, to 28,047 million kilometers, while transportation revenues were down ¥1.7 billion, or 0.6%, to ¥284.4 billion.



Other Conventional Lines

JR-West's other conventional lines comprise intercity transport provided by limited express and express services, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,425.7 kilometers.

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

Fiscal 2011 Results

In transportation operations, we implemented several measures geared toward improving the convenience of train services, such as the November 2010 introduction of the Hamakaze limited express and the December 2010 introduction of new train services in the suburbs of the Kyoto–Osaka–Kobe metropolitan area. Other initiatives included the introduction of new-model trains with exceptional safety and comfort on limited express services that connect Osaka and Kyoto to the northern Kinki region.

In sales initiatives, we worked to stimulate demand for tourism through the Japanese Beauty Hokuriku campaign as well as various other promotional campaigns conducted in cooperation with local governments, travel agents, and other JR companies.

However, the decline in rail-side populations coupled with the impact of the Great East Japan Earthquake resulted in the total passenger-kilometers for other conventional lines decreasing 0.6% year on year, to 9,020 million kilometers, while transportation revenues were down ¥1.7 billion, or 1.4%, to ¥119.6 billion.

Bus and Ferry Services

The Transportation Operations segment also includes bus and ferry services. In bus services, we enhanced convenience for customers through revised timetables and more-flexible fare schedules.

In ferry services (the Miyajima Line), we held special events to commemorate the first anniversary of our ferry operations, marketed our ferry service to travel companies, and took other steps to increase revenue.

FUTURE INITIATIVES IN TRANSPORTATION OPERATIONS

In railway operations, following the commencement of services on all lines of the Kyushu Shinkansen in March 2011, JR-West will establish convenient timetables incorporating direct-service operations on the Sanyo Shinkansen and Kyushu Shinkansen lines. It will also launch the online reservation service "e5489," and continue to take other steps to enhance the competitiveness of its Shinkansen services by ensuring the provision of high-quality customer service and faithfully reporting information. In addition, we will work to coordinate with local organizations, promote regional exchange, generate demand for tourism through such means as attracting foreign visitors to Japan, and bolster our information infrastructure. In regard to transportation IC cards (smart cards), JR-West will expand alliances with private railway operators and address the issues standing in the way of the development of services that are can be used reciprocally between railway operators nationwide. We will also implement other measures to enhance customer service, including strengthening efforts to incorporate customer feedback in management strategies, fostering a strong customer service mindset among employees, improving the quality of the customer service provided, as well as working in conjunction with local governments and other organizations to make our stations more accessible with "barrier free" facilities.

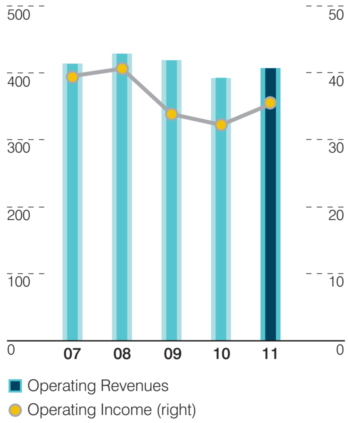
ICOCA IC Card

Use of the ICOCA non-contact IC card, a service introduced in the Urban Network area in November 2003, has steadily increased, with the number of cards issued reaching 6.01 million within the first seven-and-a-half years of its launch. In August 2004, we began offering reciprocal use with the Suica IC card, issued by East Japan Railway Company (JR-East), and in January 2006, we began offering reciprocal use with the PiTaPa IC card, issued by the Surutto Kansai Association, an organization composed of public and private railway operators in the Kansai region. We have also steadily broadened the geographical area in which the ICOCA IC card can be used, introducing it to the Okayama and Hiroshima areas from September 2007, and offering interoperability with Central Japan Railway Company (JR-Central)'s TOICA IC card from March 2008. In addition, in December 2009, we began discussions on tie-up services with the Surutto Kansai Association utilizing IC card passenger tickets, reaching an agreement that aims to further enhance railway passenger convenience by better coordinating services.

Also, to coincide with the February 2006 launch of the J-WEST Card, we began issuing the SMART ICOCA IC card, which allows cardholders to add money to their IC card without using cash. With the ICOCA electronic money (e-money) service launched in October 2005, we are working to further expand the number of stores in cities and towns where the service can be used, such as in major convenience store and restaurant chains. Previously, in March 2008, we began reciprocal use with JR-East's Suica e-money service, and in March 2010, we commenced reciprocal use with JR-Central's TOICA IC card. Further, in March 2011, we began offering ICOCA services that can be used reciprocally with Kyushu Railway Company (JR-Kyushu)'s SUGOCA service. These measures are designed to enhance ICOCA IC card user convenience in combination with promoting usage on railway services.

Non-Transportation Operations

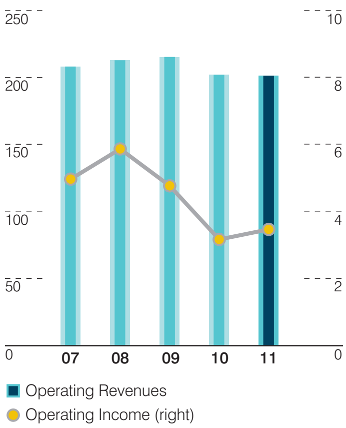
OPERATING RESULTS
Billions of yen



JR-West's Non-Transportation Operations segment comprises three operations: Sales of Goods and Food Services, Real Estate Business, and Other Businesses. Those operations contribute to the sustainable growth of the Group as a whole by vigorously taking advantage of their assets, improving services for customers using railway services and customers in areas alongside railway lines, as well as providing high-quality services that are safe and reliable to further increase the appeal of railway stations and earn the increased trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of its railway belts through initiatives that entail collaboration with local communities to develop individual railway stations and their surrounding areas. In development initiatives, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will develop commercial facilities in and around railway stations as well as areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums. Also, in order to foster earnings mainstays for the next generation, JR-West is furthering initiatives to create new businesses through collaborations both inside and outside the Group.

Sales of Goods and Food Services

OPERATING RESULTS
Billions of yen



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

Fiscal 2011 Results

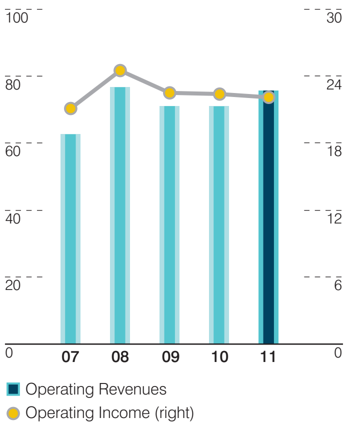
Throughout fiscal 2010, West Japan Railway Isetan Limited, the main operator of the new JR Osaka Mitsukoshi Isetan department store in the newly opened North Gate Building, continued to advance preparations for the store's May 2011 opening. We also continued efforts to make our stations even more attractive. This included opening new retail outlets and restaurants in Osaka Station and Hakata Station following station renovations, as well as the integrated development and opening of shops inside Nada Station, including the small-scale convenience store Daily-In as well as the cafe and bakery THIRD.

However, regardless of these efforts, operating revenues in Sales of Goods and Food Services were down 0.3% year, to ¥201.3 billion. The decrease was primarily attributable to the decline of revenues in its wholesale operations. Conversely, operating income was up 13.0%, to ¥3.5 billion, as a result of such factors as lower personnel expenses.

Real Estate Business

OPERATING RESULTS

Billions of yen



JR-West's Real Estate Business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at terminal railway stations, the development of commercial facilities near railway station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

Fiscal 2011 Results

In fiscal 2011, JR-West advanced development projects in its stations and their surrounding areas, including opening the JR Oji Station NK Building, which primarily contains restaurants, and the JR Tamatsukuri Station NK Building, which houses several health clinics. Additionally, we opened the VIERA Nara commercial facility located underneath the elevated tracks at Nara Station; the PLiE restaurant and gift centers, which are below the elevated tracks at Himeji Station; and the new Rinto fashion store in the Kanazawa 100bangai fashion shopping zone at Kanazawa Station.

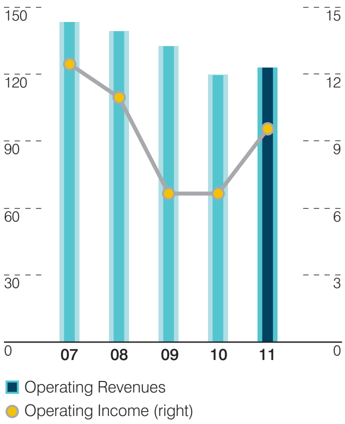
In regard to the Osaka Station Development Project, we advanced preparations for the May 2011 grand opening of Osaka Station City. As part of these preparations, we opened the South Gate Building in March 2011. Also, provisions were made in the North Gate Building to prepare for the opening of the LUCUA specialty shop zone. Further, we worked in cooperation with local businesses around Osaka Station in order to promote better area management, with the goal of invigorating the area surrounding the station. Also, we encouraged the development of condominiums on the former sites of company housing. In the Hiroshima area, we merged two consolidated subsidiaries in April 2010, which operate shopping centers, in the hope of further boosting their competitiveness and increasing the overall strength of these operations.

As a result, operating revenues in the Real Estate Business increased 6.8%, to ¥75.7 billion, while operating income fell 1.2%, to ¥22.2 billion.

Other Businesses

OPERATING RESULTS

Billions of yen



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

Fiscal 2011 Results

In the hotel business, we renovated restaurant facilities, held various promotional events, and implemented other initiatives geared toward increasing revenues. In the travel agency business, we targeted sales growth by enhancing our lineup of travel packages sold through its online sales system and improving the convenience of this system while also expanding our lineup of products that utilize our railway networks. In addition, we began accepting applications for the Osaka Station City J-WEST Card, and took other steps to increase the number of cardholders. In regard to our ICOCA e-money service, we commenced reciprocal use with JR-Kyushu's SUGOCA card. Also, we worked to increase the number of opportunities for this service to be used around town, making it usable at major convenience store chains as well as for purchasing tickets to events and tourist attractions.

As a result, operating revenues in Other Businesses increased 8.6% year on year, to ¥129.9 billion, while operating income was up 43.8%, to ¥9.6 billion.

FUTURE INITIATIVES IN NON-TRANSPORTATION OPERATIONS

In Sales of Goods and Food Services as well as Real Estate Business, JR-West will implement measures to further enhance the value of our railway belts, with the railway division working in cooperation with local governments and communities to maximize asset efficiency. In addition, with the aim of utilizing the full potential of stations and their surrounding areas—while also invigorating the area between stations—we will strive to create communities centered on stations offering comprehensive services and develop surrounding areas providing ample convenience and an attractive place to live.

Further, we will also work to bring out the full potential of Osaka Station City and conduct area management for the area around Osaka Station. In regard to the J-WEST Card, JR-West will increase the number of J-WEST Card cardholders, expand the number of stores where the ICOCA e-money service can be used, and take other steps to enhance convenience for customers in conjunction with their use of the Company's railway service.

Our Aim is

to Communicate with Society and Promote Dialogue with Stakeholders.

Corporate Philosophy

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

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

Corporate Philosophy

1. We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability.
2. We, with a central focus on railway business, will fulfill the expectations of our customers, shareholders, employees and their families by supporting the lifestyles of our customers, and achieving sustainable growth into the future.
3. We, valuing interaction with customers, and considering our business from our customers' perspective, will provide comfortable services that satisfy our customers.
4. We, together with our group companies, will consistently improve our service quality by enhancing technology and expertise through daily efforts and practices.
5. We, deepening mutual understanding and respecting each individual, will strive to create a company at which employees find job satisfaction and in which they take pride.
6. We, acting in a sincere and fair manner in compliance with the spirit of legal imperatives, and working to enhance corporate ethics, will seek to be a company trusted by communities and society.

Basic Approach to CSR

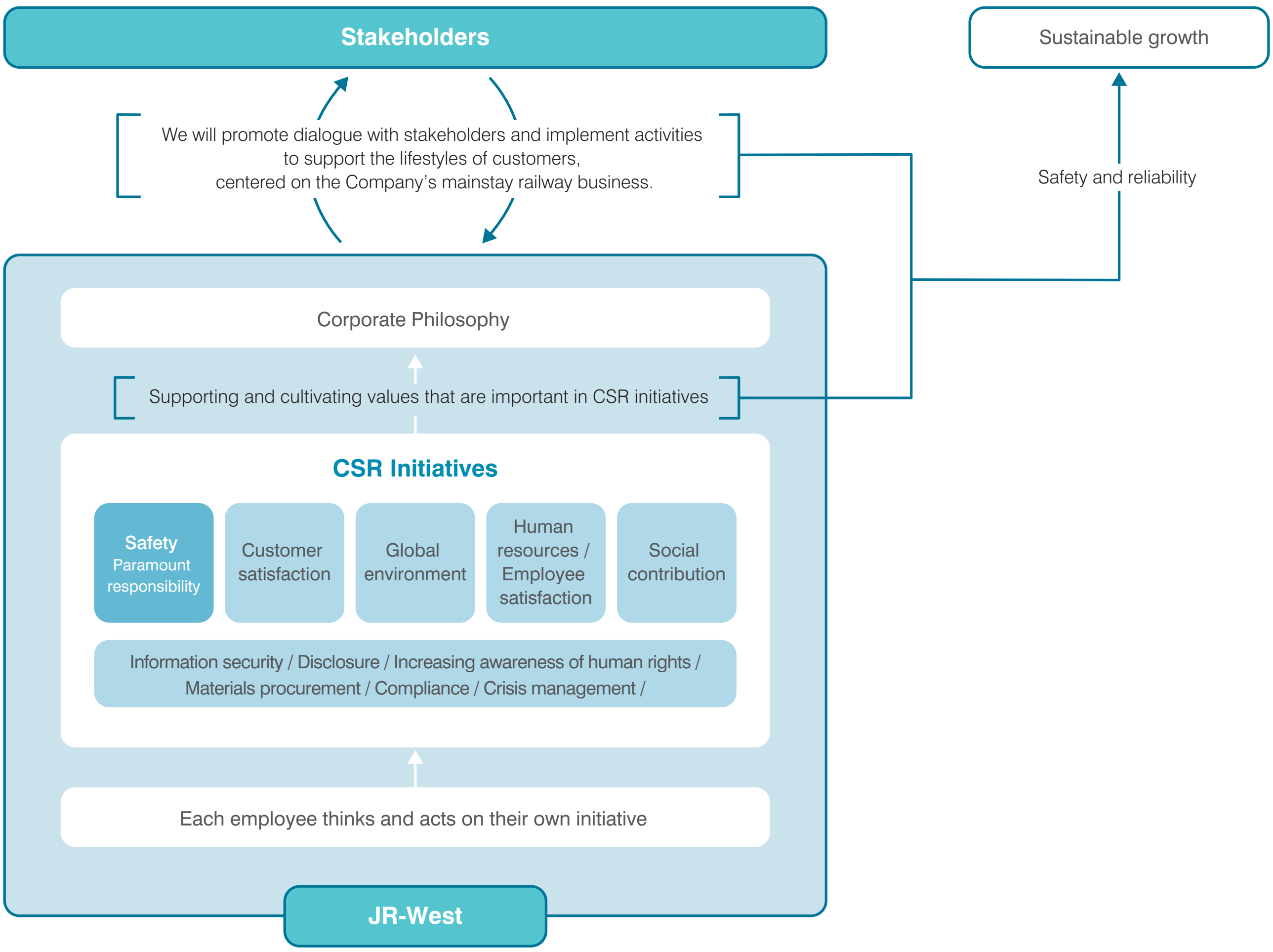
JR-West's responsibility as a good corporate citizen is to work toward realizing its Corporate Philosophy. In order to underpin and foster the key values set out in its Corporate Philosophy, and in light of society's expectations, JR-West has established priority areas relating to its CSR activities. The Company's most important responsibility is to ensure the safety of its customers and employees alike. The other four priority areas include customer satisfaction, the global environment, human resources / employee satisfaction, and coexistence with local communities. JR-West recognizes these five areas as areas where it can make unique contributions. JR-West also prioritizes compliance, crisis management, disclosure, information security, human rights, and materials procurement. JR-West recognizes these six areas as the foundations of its operations. Going forward, JR-West intends to communicate sincerely with society and actively promote dialogue with all its stakeholders. At the same time, the Company will heighten the quality of its business activities from the standpoint of its CSR-related activities. Through those efforts, JR-West hopes to meet society's expectations and to enhance its level of safety and reliability while realizing sustainable growth.

System to Promote CSR

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

With the exception of the paramount responsibility of safety—which is covered by a separate system—the CSR Promotion Committee is mandated to comprehensively examine 10 fields from a CSR perspective and implement improvements where necessary.

CSR PROMOTION FRAMEWORK



Safety Measures

Following the Fukuchiyama Line accident, JR-West formulated its new Corporate Philosophy, which sets out the direction in which the Company must strive toward and the Company's sense of values. The first item of the Corporate Philosophy stipulates, "We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability."

SAFETY CHARTER

Since JR-West defines safety as the one value that must always be upheld with the highest priority, JR-West has set out its Safety Charter as a specific code of conduct for employees regarding safety.

Safety Charter

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

1. Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.
2. The most important actions for ensuring safety are to execute basic motions, to rigorously enforce safety checks, and to implement flawless communication.
3. To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank, or assignment.
4. When uncertain about a decision, we must choose the most assuredly safe action.
5. Should an accident occur, our top priorities are to prevent concomitant accidents,and to aid passengers.

STANCE OF SAFETY MEASURES

Following the reflection over the Fukuchiyama Line accident, we believe that our greatest failure lies in not having been able to detect beforehand the factors that contributed to the serious accident. For this reason, we have subsequently striven to increase our sensitivity to safety, identify dangers and risks before they materialize, and build a system to enable the necessary steps to be taken in implementing proactive safety measures. To achieve this, we believe that it is necessary to establish an effective framework as well as instill safety awareness among employees.

Establishment of a Framework

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

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

Instilling Safety Awareness

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

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

STANCE OF SAFETY MEASURES

Developing Systems for Proactive Safety Measures

Establishment of a framework

Introduction of risk assessments

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

Instillment of safety awareness

Educate entire organization and each employee

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

Basic Safety Plan

We have formulated the Basic Safety Plan as our initiatives aimed at building a system of proactive safety measures. We are working together with our Group companies in an all-out effort to reach our attainment targets under the Basic Safety Plan.

Attainment Target

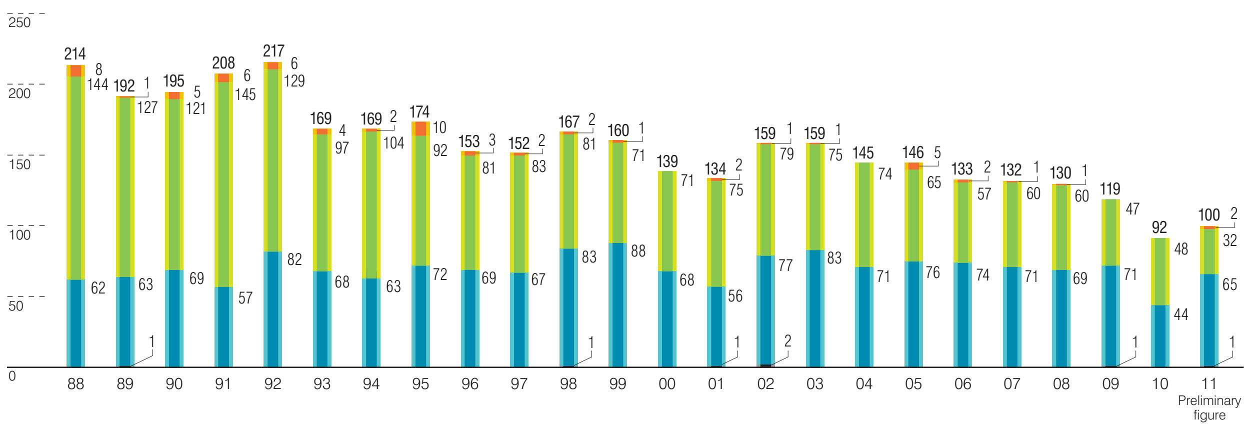
Building a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees.

Specifically, through the measures of the five-year Basic Safety Plan, we aim to implement and establish the following initiatives:

(1) Identification of risks that could lead to the death or injury of customers or serious labor accidents among employees, sharing results of evaluations on the seriousness of each risk among related individuals
(2) Implementation of countermeasures for risks that need to be given priority
(3) Reception of a large amount of safety information from employees, establishment of appropriate systems for monitoring risk

OPERATIONAL RAILWAY ACCIDENTS

Since its establishment, JR-West has implemented a number of safety measures geared toward improving safety through the enhancement of both the "soft" and "hard" elements of its operations. As a result, operational railway accidents have been declining. The number of operational railway accidents during fiscal 2011 was the second lowest in the Company's history. In particular, railway level crossing obstruction accidents were at an all-time low. However, in light of the fact that a certain number of accidents still occur, we will aggressively implement measures for the continued enhancement of safety.



Operational railway accidents: Accidents as stipulated by ministerial ordinance such as train collisions

- **Train accidents:** Train collisions, train derailments, and train fires
- **Railway level crossing obstruction accidents:** Collisions or contacts between trains or railcars and people or vehicles crossing railway tracks at railway level crossings
- **Railway death or injury accidents:** Deaths or injuries to people resulting from the operation of trains or railcars
- **Property damage accidents:** Property damage of ¥5 million or more resulting from the operation of trains or railcars

Preserving the Natural Environment

BASIC PRESERVATION POLICY

JR-West works together with other Group companies to contribute to the preservation of the natural environment and the realization of a sustainable society.

INITIATIVES TO PREVENT GLOBAL WARMING

CO_2 Emissions Reduction and Energy Conservation

Railways are a mode of transportation that has a relatively light impact on the environment. However, railway operations themselves require a great deal of electricity and fuel. The Company does not only focus on reducing the energy consumed by its railway operations, which accounts for the majority of the Group's energy consumption, it also endeavors to conserve energy in its stations, offices, and throughout all other areas of its operations. Through comprehensive energy conservation initiatives, the JR-West Group aims to help prevent global warming.

Introducing Energy-saving Rolling Stock

In order to reduce the energy consumed by its railway operations, which accounts for approximately 80% of its total energy consumption, JR-West is introducing new rolling stock equipped with VVVF inverter control systems, regenerative brakes, and other energy-saving features.

Energy-saving rolling stock
(321 Series)

Improving Ground Facilities

JR-West is improving its ground facilities to fully utilize the characteristics of its energy-saving rolling stock. This includes the installation of the DC feeding systems between up and down lines, hybrid electric power supply systems, and other facilities to help the Company better take advantage of the electricity acquired through the regenerative brakes of its energy-saving rolling stock.

Reducing the Energy Used by Stations, Offices, and Other Facilities

While stations and related facilities use relatively low amounts of energy in comparison to the amount consumed by railway operations, the move to make JR-West's stations barrier free tends to increase energy consumption. In addition to continuing its development of technologies to reduce energy consumption, JR-West is also advancing efforts to make its stations into environmentally friendly "eco-stations."

Utilizing Natural Energy

Solar and Wind Power

Using energy in a more efficient manner in its trains, stations, and other facilities is not the only way that JR-West is working to prevent global warming. By introducing solar power generators and miniature wind power generation facilities, it is also actively utilizing natural energy sources that do not lead to the emission of CO_2 gases. In addition, Osaka Station City, which began operation in May 2011, is equipped with solar power generators. A 103kw generator is equipped on the roof of the station platform and a 26kw generator is equipped on the roof of the access way leading to the parking structure. The energy from these generators is primarily used to power lighting and elevators.

RECYCLING INITIATIVES

Realization of a Recycling-based Society

The JR-West Group practices the "3Rs" (reduce, reuse, and recycle) with respect to all waste produced during the construction and maintenance of its facilities as well as the operation of its stations and trains. Specifically, it has established clear goals regarding the recycling of the material waste created through railway operations as well as the garbage collected from stations and trains, and is conducting recycling initiatives accordingly.

Addressing Waste Produced During Facility Maintenance and Construction

The JR-West Group performs regular maintenance and construction of facilities in order to ensure that its railways can operate safely. In fiscal 2011, the total waste produced through these activities and contracted construction amounted to 203,000 tons. To address this waste production, the Group employs construction designs and methods that utilize resources more efficiently and limit waste production. It is also proactive in its efforts to reuse such waste. In fiscal 2011, the Group was able to reuse 95.6% of the waste produced through these means.

Recycling Garbage from Stations and Trains

In fiscal 2011, the total amount of garbage collected from stations and trains was approximately 21,000 tons. In order to promote the recycling of such garbage, the Group placed garbage reciprocals with divisions for different types of garbage in its stations, trains, and other facilities, and worked to recover recyclables such as cans and plastic PET bottles with the cooperation of customers. In fiscal 2011, it was able to recycle 95.8% of the garbage collected in this way.

Placing Garbage Reciprocals

The Group hopes that its customers will help contribute to the separation of garbage for recycling. For this reason, it takes care to ensure that its garbage reciprocals are easy to use through such innovations as improving the shape of the reciprocals' mouths. The Group places large, transparent reciprocals with four divisions on its station platforms. In trains, smaller reciprocals with two divisions are being installed in consideration of the limited space.

Garbage reciprocal on a station platform

COMPLIANCE INITIATIVES

Consideration for Rail-side Environments

Reducing Noise and Vibration Pollution

The JR-West Group is actively working to reduce the noise and vibration pollution created by its railway operations. As one facet of these initiatives, it has installed noise barriers along the side of Shinkansen rail lines and is expanding the usage of N700 series trains, which run relatively quietly. On conventional lines, the Group is introducing maintenance cars that produce less noise when performing maintenance.

Noise barriers installed alongside Shinkansen rail lines

Quiet maintenance cars

Eliminating Soil Pollution

When selling plots of land or constructing facilities, should the level of Designated Hazardous Substances found in the soil exceed the acceptable limits defined by the Soil Contamination Countermeasures Act, the Company takes the necessary measures described in the act to address the issue.

Management of Chemical Substances

The JR-West Group is extremely careful when managing chemical substances. It maintains an accurate understanding of the types and volumes of the chemicals used or stored at its various operational sites, implements thorough storage and management measures, and is constantly striving to limit its usage of such substances.

Managing and Disposing of PCBs

Equipment that has used polychlorinated biphenyls (PCBs) and other items that have been contaminated by PCBs are carefully stored and managed in accordance with relevant laws and regulations. Further, the Group is steadily disposing of such materials according to laws and regulations. As of March 31, 2011, it had disposed of 535 tons of materials contaminated by PCBs.

Taking Steps to Address the PRTR Law

Under the Pollutant Release and Transfer Registers (PRTR) Law, companies are required to submit reports on the volumes of chemical substances they have released or transferred. Applicable substances handled by the JR-West Group include the chemicals used as organic solvents for train maintenance as well as antifreeze for diesel trains. In fiscal 2011, the Company submitted reports on these substances in accordance with the PRTR Law for 6 of its operational sites.

Our Duty is **to Enhance the Soundness, Transparency, and Efficiency of Management.**

Fundamental Stance on Corporate Governance

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

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

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

Further, through the appointment of external directors and the adoption of such systems as the executive officer system, JR-West is working to strengthen the oversight and supervisory functions of the Board of Directors, decide on matters of operational execution that are critical to management, and ensure oversight of the directors' execution of duties. The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors. In addition to participating in decision making as full members of the Board of Directors, the external directors work to further strengthen oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

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

To establish corporate ethics, the Company institutes its code of conduct and code of ethics, makes its officers comply with these codes and exercise the initiative in materializing the "Corporate Philosophy," and generates a sense of common values that will constitute the basis of honest and fair business behavior. The Company establishes a Corporate Ethics Committee with outsiders as its members as an advisory organ of its Board of Directors, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company also establishes a system to 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 improves its whistle-blowing system.

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

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

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

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

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

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

Pursuant to the Corporation Law of Japan, the Board of Directors formally approves the Company's fundamental stance regarding the internal control system and the status of this system.

An overview of this system is as follows.

(1) Systems to ensure directors and employees observe laws and regulations and the Company's articles of incorporation when executing their duties

To establish corporate ethics, the Company institutes its code of conduct and code of ethics in accordance with its "Corporate Philosophy" and generates a sense of common values that will constitute the basis of honest and fair business behavior by encouraging its officers to comply with these codes and exercise the initiative in materializing the Corporate Philosophy. The Company establishes a Corporate Ethics Committee with outsiders as its members as an advisory organ of its Board of Directors, which deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company also accepts consultations as to questionable acts from the perspective of law or corporate ethics through the "Ethics Office" of the Company and outside attorneys and improves its whistle-blowing system.

The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner and monitor the execution by the directors of their duties mutually. The Company makes a clear distinction between directors who engage exclusively in monitoring and supervision and directors execute business (concurrently serving as executive officers) as well, have two or more external directors, appoint the "Chairman," who shall act as chairman of the Board of Directors from among the external directors, and improve its information provision system to the external directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company clarifies 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 utilizes mechanisms of mutual supervision, such as a system of collective decision making. Also, it establishes various committees from time to time to ensure duties are executed transparently. In addition, 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 submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

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

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

In accordance with laws and regulations and the Company's document-management policies, each department in the Company appropriately prepares, stores, and manages information relating to the directors' execution of their duties, and when necessary makes this information available for inspection by directors or corporate auditors.

(3) Regulations for management of the risk of loss and related systems

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries among passengers. Solemnly accepting responsibility, the Company resolved that such an accident would never again occur. In accordance with its Corporate Philosophy and Safety Charter, JR-West has set "to establish a corporate culture that places top priority on safety" as its most important management objective and has been striving to realize this objective.

In June 2007, a report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission made various remarks, including "proposals" and "opinions." The Company quickly acted in response to the report's recommendations and has been steadily implementing improvement measures. Additionally, the Company formulated the Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, toward the goal of realizing higher levels of safety. Also, the Company works to establish safety management systems based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. In addition, the Company president serves as the Chairman of the Risk Management Committee. The committee identifies risks and critical events that could have a substantial impact on the Company's management, prepares related manuals, and discusses and decides upon important response measures. The committee also quickly constructs rapid first-response systems for a major crisis, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

Through these measures, the Company is working to maintain and improve systems to achieve appropriate risk management for all Company business activities.

(4) Systems to ensure that directors execute their duties efficiently

Based on the plan for all business activities defined by the Board of Directors at the start of each fiscal year, the directors responsible for each department appropriately carry out the duties necessary to implement the policies of their departments in accordance with their administrative authority and rules for decision making determined by regulations relating to Company organizations and the execution of Company duties. Further, the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, in principle convenes weekly to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, under which authority is delegated to the executive officers to strengthen the oversight and supervisory functions of the Board of Directors and enhance the speed of decision making.

(5) Systems to ensure the appropriateness of operations in the corporate group

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

The Company works to ensure that the appropriateness and the effectiveness of Group management are preserved. It maintains systems so that Group companies can discuss important management items with the Company prior to decisions being made. In addition, the Company's executives serve as directors and corporate auditors at important Group companies. Further, when required, the Company will confirm that Group companies are observing relevant laws and regulations in their business management through internal audits.

"Evaluation of Internal Controls for Financial Reporting" is carried out as a Groupwide measure because consolidated operations are the subject of these evaluations.

(6) Matters relating to those employees who provide assistance to corporate auditors and the independence of those employees from directors

The Company appoints corporate auditor staff to provide full-time support to the corporate auditors as they carry out their auditing duties. The staff carries out its duties in accordance with the instructions of the corporate auditor.

Further, decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the corporate auditors.

(7) Systems for directors and employees to report to corporate auditors and other systems regarding reporting to corporate auditors

Directors, executive officers, and employees immediately report to the corporate auditors or the Board of Corporate Auditors on serious accidents, behavior that violates laws and regulations or the Company's articles of incorporation, or if they discover a situation that might result in the Company incurring significant damage. Furthermore, corporate auditors receive regular reports and additional reports as needed on the status of internal audits, details of reporting to the Ethics Office, details of the activities of the special deputies to the president, details of the activities of each department and the issues they face, and any other items as requested by corporate auditors or the Board of Corporate Auditors.

(8) Other systems to ensure that the corporate auditors carry out their audits effectively

To ensure the effectiveness of the audits carried out by corporate auditors, directors and other executives maintain systems for corporate auditors to attend important meetings; to inspect important documents, including documents related to decisions; to cooperate with the internal audit department and accounting auditors; to regularly exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively.

Further, the Company works to coordinate the activities of departments that have jurisdiction over offices in the Company and to ensure that surveys in other locations are conducted effectively and efficiently.

Overview of Contracts for Limitation of Liability

In accordance with article 427, item 1 of the Companies Act of Japan, the Company provides in the Articles of Incorporation that external directors and external corporate auditors are to enter into a contract for limitation of liability with the Company, limiting the liability of the external directors and external corporate auditors under article 423, item 1 to a specified amount. As of June 24, 2011, all external directors and external corporate auditors had entered into such a contract with the Company.

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

In accordance with the auditing policies and audit plan prepared by the Board of Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also hold individual hearings with directors on matters considered necessary, audit the conduct of business by directors, and provide necessary advice and recommendations. Corporate auditors also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Board of Corporate Auditors meets regularly to hear reports on significant matters pertaining to audits as well as to deliberate and make decisions. With regard to the support system provided for the corporate auditors, including the external corporate auditors, the Company has expanded and strengthened the corporate auditor staff, whose duty is to provide full-time assistance to the corporate auditors. The staff carry out their duties in accordance with the instructions of the corporate auditors. Corporate auditor Yasumi Katsuki holds the qualifications of a certified public accountant and possesses a wealth of knowledge relating to finances and accounting.

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

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

With regard to independent accounting audits, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which carries out appropriate audits that are conducted by an audit team comprising three partners, 13 other certified public accountants (CPAs), 12 associate accountants, and nine other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the corporate auditors, the Inquiry & Auditing Department, and the accounting auditors involve close mutual cooperation and the ongoing exchange of information regarding each other's respective audit plans, methodology, and results, to facilitate efficient and effective auditing.

The Functions and Roles of the External Directors and External Corporate Auditors and Personal, Equity, Business, and Other Relationships with the Company

JR-West adopts the structure of a Company with Auditors as its corporate governance system. Specifically, by subjecting the execution of duties by the directors to appropriate auditing by each of the corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management. Further, five of the 14 directors are external directors, whose role is focused on oversight and supervision. In addition to participating in decision making as members of the Board of Directors, the external directors work to further strengthen the oversight and supervisory functions of the Board of Directors through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

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

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

Director Compensation, etc.

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

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

(2) Total compensation amounts for individual officers

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

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

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

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

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

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

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

Status of Stock Holdings

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

Number of companies: 41

Total carrying amount on the balance sheet: ¥8,239 million

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

Fiscal 2010

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
The Sumitomo Trust and Banking Co., Ltd.	2,947,000	¥1,614	To maintain a good relationship, facilitate smooth business operations
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥1,431	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥1,261	
Japan Tobacco Inc.	3,050	¥1,061	
Electric Power Development Co., Ltd.*	192,840	¥ 593	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 502	
Resona Holdings, Inc.*	299,300	¥ 353	
Chuo Mitsui Trust Holdings, Inc.*	943,500	¥ 331	
Mizuho Financial Group, Inc.*	1,647,450	¥ 304	
Mizuho Trust & Banking Co., Ltd.*	2,467,000	¥ 231	

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

Fiscal 2011

Investments in stocks for special purposes

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

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

(3) Stocks for which the holding purpose is purely investment purposes

There are no applicable items.

Number of Directors

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

Requirements Relating to Resolutions for the Appointment of Directors

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

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

(1) Acquisition of treasury stock

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

(2) Interim dividend

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

Conditions for Special Resolutions of the General Meeting of Shareholders

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

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 23, 2011

Board of Directors

Chairman of the Board of Directors

Noritaka Kurauchi [1]
Advisor, Sumitomo Electric Industries, Ltd.

Directors

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

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

Yumiko Sato [1]
Senior Research Fellow, Suntory Foundation

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

Director, President, and Executive Officer

Takayuki Sasaki [2]

Directors, Vice Presidents, and Executive Officers

Naoki Nishikawa [2]

Seiji Manabe [2]

Directors and Senior Managing Executive Officers

Akiyoshi Yamamoto
Shizuka Yabuki

Directors and Senior Executive Officers

Kenji Nanakawa
Hitoshi Nakamura
Tatsuo Kijima
Makoto Shibata

Corporate Auditors

Noboru Koide [3]
Tsutomu Iwasaki [3,4]
Ikuo Uno [4]
Director and Advisor, Nippon Life Insurance Company

Yasumi Katsuki [4]
Certified public accountant, Katsuki Office

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

EXECUTIVE OFFICERS

As of June 23, 2011

President, Representative Director, and Executive Officer

Takayuki Sasaki

Vice Presidents, Representative Directors, and Executive Officers

Naoki Nishikawa
Senior General Manager of Railway Operations Headquarters

Seiji Manabe

Directors and Senior Managing Executive Officers

Akiyoshi Yamamoto
Senior General Manager of Kansai Urban Area Regional Head Office

Shizuka Yabuki
Senior General Manager of Business Development Headquarters

Directors and Senior Executive Officers

Kenji Nanakawa
General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line / Deputy Senior General Manager of Railway Operations Headquarters

Hitoshi Nakamura
Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line

Tatsuo Kijima
Senior General Manager of Corporate Planning Headquarters / Senior General Manager of Tokyo Headquarters

Makoto Shibata
Senior General Manager of IT Development Headquarters / Deputy Senior General Manager of Railway Operations Headquarters / Senior General Manager of Marketing Division, Railway Operations Headquarters

Senior Executive Officers

Kenji Shiratori
General Manager of Safety Research Institute

Michio Utsunomiya
General Manager of Transport Safety Department, Railway Operations Headquarters

Tatsuya Mano
General Manager of Shinkansen Supervising Department, Railway Operations Headquarters / General Manager of Shinkansen Management Division

Yoshinori Tsujiko
General Manager of Corporate Communications Department

Masaru Kawakami
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka Branch, Kansai Urban Area Regional Head Office

Executive Officers

Shigeki Kitazono
Deputy Senior General Manager of Business Development Headquarters

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

Katsunori Matsuura
General Manager of Finance Department

Akihiro Horisaka
General Manager of General Affairs Department

Kazuaki Hasegawa
General Manager of Okayama Branch

Masashi Nonaka
Deputy Senior General Manager of Tokyo Headquarters

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

Kouhei Ogino
General Manager of Construction Department

Osamu Ishimoto
General Manager of Yonago Branch

Takaiki Ikoma
General Manager of Transport Department, Railway Operations Headquarters

Shoji Kurasaka
General Manager of Personnel Department

Fumito Ogata
General Manager of Corporate Ethics & Risk Management Department

Takayuki Sugiki
General Manager of Hiroshima Branch

Nobutoshi Nikaido
Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kyoto Branch, Kansai Urban Area Regional Head Office

Masato Yamaguchi
Deputy Senior General Manager of Business Development Headquarters

Atsushi Sugioka
Deputy Senior General Manager of Corporate Planning Headquarters

Katsumi Imai
General Manager of Wakayama Branch

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

Toshihiko Kunihiro
General Manager of Fukuchiyama Branch

Katsuyoshi Miura
General Manager of Kanazawa Branch

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

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

Technical Directors

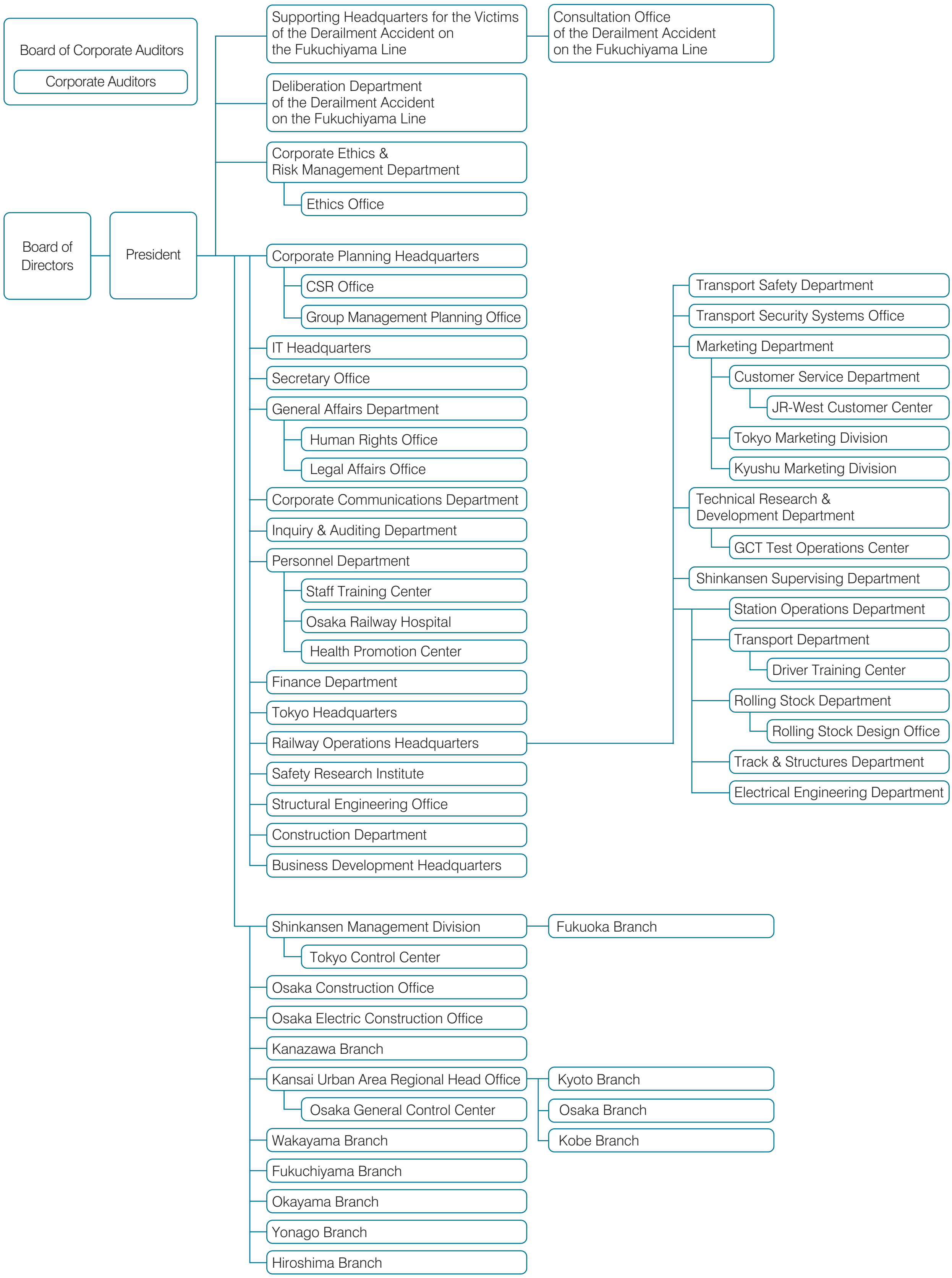
Yoshifumi Matsuda
General Manager of Structural Engineering Office

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

Katsumi Tsuchida
Deputy General Manager of Construction Department

ORGANIZATIONAL STRUCTURE

As of July 1, 2011



FINANCIAL SECTION

Contents

Results of Operations

In fiscal 2011, ended March 31, 2011, operating revenues increased ¥23.3 billion year on year, or 2.0%, to ¥1,213.5 billion. At the end of the fiscal year, operations were affected by the Great East Japan Earthquake, which occurred on March 11, 2011. However, fiscal 2011 also saw the successful launch of direct services between the Sanyo Shinkansen and Kyushu Shinkansen lines, which accompanied the commencement of operations on all sectors of the Kyushu Shinkansen. In addition, we implemented promotional campaigns highlighting the comfort of traveling on the new N700 series train along with the convenience and price advantages of the Express Reservation and EX-IC systems. Further, revenues grew due to the absence of any influenza epidemics, which caused declines in revenues during the first half of the previous fiscal year, as well as due to the higher revenues in the real estate business and from travel agency operations.

Operating expenses were up ¥3.9 billion, or 0.4%, to ¥1,117.5 billion, largely due to higher non-personnel costs, which offset the decline in personnel expenses following lower retirement benefit expenses. Operating income increased ¥19.4 billion, or 25.4%, to ¥95.9 billion.

Non-operating expenses decreased ¥1.3 billion, due to factors such as a rise in equity in earnings of affiliates. Recurring profit increased ¥20.8 billion, or 43.3%, to ¥68.9 billion.

An extraordinary loss was recorded despite recording a gain on contributions received for construction. Key factors in recording the extraordinary loss were a loss on reduction of fixed assets associated with this construction as well as impairment losses recorded on the fixed assets of certain subsidiaries and the cost of removing asbestos at these subsidiaries. As a result of the above, net income increased ¥10.1 billion, or 40.7%, to ¥34.9 billion.

Factors Affecting Revenues

The Transportation Operations segment's operating revenues are derived mainly from railway transportation. Revenue from railway transportation depends mainly on the number of passengers, and consequently is affected by numerous factors including competition from other modes of transportation, such as airlines, competition from rival railway companies, economic conditions, and the falling birthrate and aging population. Further, we believe that railway passengers make their railway usage decisions based on the safety and reliability of the railway while considering such factors as travel times, the comprehensiveness of the railway network, fares, and levels of comfort. Revenue from the Sanyo Shinkansen Line is mainly affected by the number of business and leisure passengers using the line. Such factors as the state of the economy and competition with domestic airlines may affect the number of such passengers. A large proportion of revenues from JR-West's Urban Network are derived from passengers commuting to and from work or school. Hence, these revenues are relatively unaffected by the economic cycle. However, the Group anticipates an impact on these revenues from demographic changes, including the declining birthrate, an aging population, and continuing urbanization. Within JR-West's Other Conventional Lines, revenue from passengers traveling between cities is affected by such factors as the economic cycle and competition with intercity bus services and private automobiles. Revenue from local lines is affected by such factors as competition with private automobiles, local economic conditions, and demographic trends.

The Sales of Goods and Food Services segment's revenues primarily consist of income from department store businesses, merchandise sales, and restaurant operations. Revenue in this segment is influenced by economic conditions as well as competition from other department stores, retailers, and restaurants. Because businesses in this segment are predominantly located within stations or in the surrounding area, the number of passengers also has an impact. However, because the number of people using stations remains relatively stable, there is less of an impact from such factors on revenue in this segment compared to other companies in the same industry. The number of new store openings and store closings also has an effect.

The Real Estate Business segment's revenues are derived mainly from leasing income from the leasing of facilities in and around stations. Although this segment is affected by economic conditions, the impact is less than that for competitors, as stations enjoy relatively stable traffic, and as a result tenants prefer offices that are conveniently located either on station premises or in the surrounding area. The Group's real estate leasing contracts mainly comprise fixed-rental leases and leases that specify a percentage of the tenant's sales as the rent fee. Consequently, revenues in the Real Estate Business segment are affected by fluctuations in tenant sales. Attracting popular stores to become tenants is necessary not only to bolster percentage-of-sales revenues but is also crucial for increasing the customer drawing power of the Group's stations and shopping centers. The refurbishment and renewal of stores is also a key factor in improving customer drawing power.

The Other Businesses segment's revenues primarily consist of income from hotel and travel agency operations. Hotel revenue is affected mainly by economic conditions, room rates, and competition from other hotels. Travel agency revenue is affected mainly by competition from other travel agents, as well as any factor that deters travel, such as adverse economic conditions or terrorist attacks. In addition to hotel and travel agency operations, the Other Businesses segment also comprises construction, advertising, and other business. These businesses are primarily conducted with the goal of expanding the customer base of the Company's mainstay railway business as well as enhancing its stations and other facilities.

Factors Affecting Expenses

Due to the Company's early retirement program leading to an increase in retirees, the Company is proactively recruiting new hires. In fiscal 2011, personnel costs declined ¥29.9 billion compared with the previous fiscal year, to ¥235.3 billion, as a result of reductions in retirement expenses.

In non-personnel costs, the characteristics of railway operations include (i) the ownership of a large amount of plant and equipment and a high ratio of costs related to their maintenance, which is necessary to ensure safety; and (ii) a high proportion of fixed costs, which are not linked to revenues. For these reasons, the JR-West Group is working to achieve structural reductions of costs through the introduction of rolling stock and equipment that is easily maintained, mechanization, and the improvement of existing infrastructure, while placing the highest priority on ensuring safety. However, we have also continued to implement safety improvement measures in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations. As a result, for the further enhancement of safety, we have estimated the additional costs the Company may need to incur in the foreseeable future in order to continue the implementation of safety improvement initiatives. Further, we anticipate that it may be necessary to incur additional costs to improve the Company's competitiveness when compared to competing modes of transportation by enhancing service quality, employing information technologies for sales promotion purposes, and utilizing outsourcers to improve operational efficiency.

In regard to railway usage charges, JR-West leases the JR Tozai Line from Kansai Rapid Railway Co., Ltd. Since April 1, 2004, annual rail usage charges have been renegotiated every three years, taking consideration of interest rate fluctuations and other factors. As a result, expenses paid amounted to approximately ¥16.6 billion in fiscal 2011.

Among non-operating expenses, interest expense is a major factor. The JR-West Group pays close attention to the level of total long-term liabilities and total interest expense with the aim of ensuring the stability of management. In fiscal 2011, the Group's total interest expense declined ¥0.5 billion, to ¥33.7 billion, as a result of interest rate reductions on long-term liabilities.

Cash Flows

Net cash provided by operating activities increased ¥61.9 billion, to ¥223.2 billion. This result principally reflected an increase in income before income taxes and minority interests and a decrease in income taxes paid.

Net cash used in investing activities increased ¥37.5 billion, to ¥246.2 billion. This increase was mainly attributable to higher purchases of fixed assets.

Net cash provided by financing activities decreased ¥3.1 billion, to ¥51.4 billion. The most significant change was a decrease in proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2011 increased ¥28.4 billion from the end of the previous fiscal year, to ¥79.5 billion.

Capital Demand and Capital Expenditures

JR-West made capital expenditures totaling ¥282.7 billion in fiscal 2011, of which the Transportation Operations segment accounted for ¥227.0 billion, the Sales of Goods and Food Services segment ¥6.5 billion, the Real Estate Business segment ¥41.1 billion, and the Other Businesses segment ¥8.0 billion. Capital investment in the Transportation Operations segment was mainly for railroad infrastructure centered on safety enhancements and purchases of new rolling stock to replace aged rolling stock. The Group's capital expenditures in the Sales of Goods and Food Services, Real Estate Business, and Other Businesses segments were mainly for construction of new facilities and renovation of aged facilities.

In December 2003, the Group announced its plans to renovate Osaka Station and develop the New North Building. The JR-West Group has since conducted capital expenditures for these projects, as well as for the expansion of the ACTY Osaka building, totaling approximately ¥210 billion. These projects were completed and began operation in May 2011.

Further, in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations, JR-West is implementing various safety improvement measures, including installing operational safety equipment and other infrastructure-based initiatives necessary to further enhance safety, and is considering a range of other measures to bolster safety.

Liquidity and Financing

The JR-West Group receives substantial amounts of cash on a daily basis mainly from the Transportation Operations segment, ensuring a sufficient level of cash flow. At the same time, however, we recognize that improving financial efficiency is very important in terms of business management. As part of our efforts in this area, in October 2002 we introduced a cash management service (CMS), ensuring effective utilization of Group funds.

In terms of financing, JR-West typically procures funds required for repayment of existing debt, capital expenditures, or other expenses in an amount not covered by the Group's cash flows. Financing methods, including corporate bonds and long-term bank loans, are determined through a comprehensive consideration of market trends, interest rates, and other factors. For short-term financing, we raise necessary capital mainly through short-term bonds. We have further concluded commitment line contracts allowing procurement of funds in accordance with prescribed conditions, such as in the event of a major earthquake.

The following are issues related to operational and accounting matters that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of JR-West as of June 23, 2011. Further, the following is a translation of the business risks included in a document the Company submitted pursuant to Japan's Financial Instruments and Exchange Act.

1 Relating to Safety

An accident may occur in the Company's railway operations that could seriously impact the lives or damage the personal property of passengers. This may also have a significant impact on the Company's management.

The Company, which engages in railway operations as its core business, considers it the most important management priority to provide reliable and high-quality transportation services that give its customers a sense of safety.

However, on April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki Stations. Resolving that such an accident would never again occur, the Company formulated a new Corporate Philosophy, which expresses its vision and its sense of values as a company, and a new Safety Charter, which defines its fundamental safety policies. It has since implemented a series of measures to realize this Corporate Philosophy and Safety Charter. Moreover, the Company has steadily carried out measures in response to the remarks, including "proposals" and "opinions," in the report on the investigation of the railway accident on the Fukuchiyama Line published by the Aircraft and Railway Accidents Investigation Commission in June 2007. In addition, based on the recommendations made by the Safety Promotion Expert Committee established in September 2007, the Company has formulated and been steadily implementing its Basic Safety Plan to run for five years from April 2008. The Company is combining these measures with other safety measures implemented up until the present time to realize higher levels of safety.

It has also been working to create a safety management system based on the Railway Safety Management Manual instituted in accordance with the amended Railway Business Law of Japan implemented in 2006.

2 Relating to Legal Matters in Railway Operations

1. The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Railway operators are also required to receive approval from the MLIT for the upper limits of passenger fares and specified surcharges. Subject to prior notification, railway operators can then set or change these fares and surcharges within those upper limits (article 16). Railway operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (articles 28 and 28-2).

2. The Law for Partial Amendment of the Law for Passenger Railway Companies and Japan Freight Railway Company (Hereinafter the "Amended JR Law") (2001, Law No. 61)

The Amended JR Law enacted on December 1, 2001 (hereinafter, the "date of enactment"), excluded JR-East, JR-Central, and JR-West (the three JR passenger railway companies operating on Japan's main island of Honshu, hereinafter the "JR passenger railway companies in Honshu") from the application of the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law") (1986, Law No. 88). Specifically, the JR passenger railway companies in Honshu are excluded from the scope of all regulations pertaining to approval of the offering for the purchase of shares and others and approval of long-term borrowings, as defined by the JR Law (article 5); and approval of transfers of important assets (article 8), among others.

According to the Amended JR Law's supplementary provisions, the MLIT, based on the details of the restructuring of Japanese National Railways (JNR) and in order to ensure the convenience of passengers and otherwise, shall issue guidelines relating to items that need to be considered for the time being with respect to the management by the JR passenger railway companies in Honshu and any operators that run all or part of their railway business as a result of assignations, mergers, divisions, or successions on or after the date of enactment, as designated by the MLIT (hereinafter, "new companies"). The guidelines' stipulations are outlined in the three points below. Those guidelines were issued on November 7, 2001, and applied on December 1, 2001. The MLIT may advise and issue instructions to any new companies to ensure operational management in accordance with those guidelines. Moreover, the amended JR Law enables the MLIT to issue recommendations and directives in the event that its operational management runs counter to the guidelines without any justifiable reason.

The guidelines' stipulated items:

(a) Items relating to ensuring alliances and cooperation among companies (among new companies or among any new company and Hokkaido Railway Company, Shikoku Railway Company, Kyushu Railway Company, and Japan Freight Railway Company) with respect to the establishment of appropriate passenger fares and surcharges, the unhindered utilization of railway facilities, and other factors relating to railway operations among those companies

(b) Items relating to the appropriate maintenance of railway routes currently in operation reflecting trends in transportation demand and other changes in circumstances following the restructuring of JNR and items relating to ensuring the convenience of users through the development of stations and other railway facilities

(c) Items relating to consideration that new companies should give to the avoidance of actions that inappropriately obstruct business activities or unduly hamper the interests of small and medium-sized companies operating businesses within the operational areas of the new companies that are similar to the businesses of the new companies

Also, regarding all bonds issued by the JR passenger railway companies in Honshu prior to the Amended JR Law's date of enactment, transitional measures are stipulated, such as the continuance following the date of enactment of the stipulation of general security in article 4 of the JR Law.

3 Relating to Establishment of and Changes to Fares and Surcharges

1. System and Procedure for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limits of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges") (Railway Business Law, article 16, item 1).

Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, as well as limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

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

2. JR-West's Stance on Fare Revisions

(a) JR-West has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revision (April 1997).

Major private sector railway operators apply for fare revisions, if, following a comprehensive management judgment that takes into account the operations of ancillary departments, they anticipate they will record a loss in after-tax net income in its railway operations. In the majority of cases, the revisions are implemented once the above-described procedures have been completed. In the case of the Company, revenues obtained from ancillary departments constitute a small percentage of its total revenues, and based on this it considers the timely implementation of fair revisions to be a necessary measure to secure a fair level of profit.

(b) The Company strives to promote efficient business management to secure profits and to progress measures toward rationalization. However, the Company considers that the fair level of profit should be at a level that enables it to fund dividend payments to its shareholders, future capital investment, and measures to strengthen its financial structure, on the assumption that it makes such efforts.

(c) The Company recognizes the need to independently conduct capital expenditures, which have a substantial impact on the cost structure of its railway operations, based upon its clearly defined management responsibility.

3. Stance of the Ministry of Land, Infrastructure, Transport and Tourism

With respect to the implementation of fare revisions by JR-West, the position of the MLIT is as follows:

(a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including JR-West, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and fair profits, based on the efficient management of those companies ("total cost") (Railway Business Law, article 16, item 2).

In addition, a three-year period is stipulated for the calculation of costs.

(b) Even if the railway operator has non-railway businesses, the calculation of total cost, which comprises reasonable costs and fair profits, including required dividend payments to its shareholders, is based only on the operator's railway operations. Further, railway operators are required to submit their capital expenditure plans for increasing transportation services to ease congestion of commuter services and for other improvements in passenger services. Upon inspections, the capital cost necessary for such enhancements may be approved for the calculation of total cost.

(c) Total cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, to the capital invested in the railway operations. The calculation of total cost is as follows:

total cost = operating cost [1] + operational return

- operational return = assets utilized in railway business operations (rate base) x operational return rate
- assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital[2]
- operational return rate = equity ratio[3] x return rate on equity[4] + borrowed capital ratio[3] x return rate on borrowed capital[4]

1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.
2 Working capital = operating costs and certain stores
3 Equity ratio, 30%; Borrowed capital ratio, 70%
4 Return rate on equity is based on the average of yields to subscribers of public and corporate bonds, the overall industrial average return rate on equity, and the dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

(d) Subject to prior notification to the MLIT, railway operators can set or change fares and surcharges or other charges within the upper limits approved. However, the MLIT can issue directives requiring changes in fares and surcharges by specifying the date therefor if the fares and surcharges submitted are deemed to fall within the following categories (Railway Business Law, article 16, item 5):

- The setting or change would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the setting or change would give rise to unfair competition with other railway operators.

4 Relating to Plan for the Development of New Shinkansen Lines

1. Construction Plans for New Shinkansen Lines

The new Shinkansen lines are the five lines indicated in the plan for the Shinkansen line network that was decided pursuant to the 1970 Nationwide Shinkansen Railway Development Law, namely the Hokuriku Shinkansen Line (Tokyo–Osaka), the Hokkaido Shinkansen Line (Aomori–Sapporo), the Tohoku Shinkansen Line (Morioka–Aomori), the Kyushu Shinkansen Line (the Kagoshima route between Fukuoka–Kagoshima), and the Kyushu Shinkansen Line (the Nagasaki route between Fukuoka–Nagasaki). Of these lines, the Company is the operator of the Joetsu–Osaka segment of the Hokuriku Shinkansen Line.

Construction of the five lines was postponed due to deteriorating management conditions at JNR. However, the development scheme described below was created to solve the financial and other problems after the inauguration of JR companies, and construction has been progressed on a sequential basis. Until the present time, operations have commenced on the Hokuriku Shinkansen Line (between Takasaki–Nagano), the Tohoku Shinkansen Line (between Morioka–Shin-Aomori), and the Kyushu Shinkansen Line (between Hakata–Kagoshima-Chuo). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRTT), is progressing construction on the following sections of the three lines: the Hokuriku Shinkansen Line (between Nagano–Hakusan car maintenance center), the Hokkaido Shinkansen Line (between Shin-Aomori–Shin-Hakodate), and the Kyushu Shinkansen Line (Nagasaki route between Takeo Onsen–Isahaya).

Creation of the Development Scheme

- August 1988 (arrangement between the national government and ruling parties)
  Ruling on the start of construction according to a priority sequence and development standards for five segments of three Shinkansen lines
- December 1990 (arrangement between the national government and ruling parties)
  Ruling on a management separation for JR companies of the conventional lines running parallel with the new Shinkansen lines
- December 1996 (agreement between the national government and ruling parties)
  Ruling that cost burden by JR companies would be usage fees and other charges within the range of their expected benefits
- December 2000 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
- December 2004 (arrangement between the national government and ruling parties)
  Ruling on new segments for start of construction, and reviews of development standards and periods
  Details of the December 2004 arrangement between the national government and ruling parties on the Hokuriku Shinkansen Line
  - Between Nagano–Hakusan car maintenance center
    Assuming full development standards and following the completion of required approval procedures, construction was to begin on the segments between Toyama–Isurugi and Kanazawa–Hakusan car maintenance center at the beginning of fiscal 2006, targeting a coordinated completion date of the end of fiscal 2015. However, every effort was to be made to complete construction ahead of schedule.
  - Between Hakusan car maintenance center–Nanetsu
    For heightened efficiency, construction on the Fukui Station segment was to take place in coordination with construction for the elevation of the Echizen Railway Line. Following the completion of required approval procedures, construction was to begin at the beginning of fiscal 2006 with a targeted completion date of the end of fiscal 2009.
  - Between Nanetsu–Tsuruga
    Following the completion of necessary procedures, there was to be an immediate application for approval for the construction implementation plan.

Construction on the Hokuriku Shinkansen Line within the Company's Area of Operations

- August 1992
  Between Isurugi–Kanazawa (24 km): Construction commenced as a Shinkansen Railway Standard New Line (Super Express)
- April 2001
  Between Joetsu–Toyama (110 km): Construction commenced at full standard. (Prior to this, in September 1993 construction had commenced on the segment between Itoigawa–Shin-Kurobe as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
- April 2005
  Between Toyama–Kanazawa (59 km): Construction commenced at full standard. (Prior to this, in August 1992 construction had commenced on the segment between Isurugi–Kanazawa as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)
  Fukui Station segment: Construction commenced
- April 2006
  Hakusan car maintenance center: Construction commenced

2. Cost Burden of the Development of New Shinkansen Lines

Regarding the construction cost for the development of new Shinkansen lines, based on the agreement in December 1996 between the national government and the ruling parties, in 1997 the Nationwide Shinkansen Railway Development Law and related laws were revised to stipulate that "the national government, local governments, and JR passenger railway companies would assume the cost of new Shinkansen lines," and that "the cost burden by JR passenger railway companies which mainly operate on new Shinkansen lines shall be paid out of their usage fees and other charges, with the upper limit to be determined by the range of expected benefits."

Also, those subsidies from the JRTT, of which part of its financial resource is provided by JR-East, JR-Central, and JR-West as payments for the purchase of existing Shinkansen lines, shall be considered to be part of the cost burden borne by the national government.

Following the arrangement made between the national government and the ruling parties in December 2004, it was determined that the cost burden of JR passenger railway companies, which correspond to the expected benefits generated accompanying the opening of the Hokkaido Shinkansen Line (Shin-Aomori–Shin-Hakodate) and the Hokuriku Shinkansen Line (Joetsu–Kanazawa), and other new Shinkansen lines, would be carefully investigated when these segments commenced operations. The Company opposes this ruling as it considers it to lack rationality if the existing Shinkansen operators are required to bear part of the construction costs of new Shinkansen developments on segments on which they do not operate based on the assumption that they receive corresponding external benefits.

Further, following the launch of studies by the national government and ruling parties into methods of securing financing for construction on segments where construction has not yet started, the MLIT has requested the Company to provide it with data to calculate usage fees and other charges prior to the start of operations on these segments. But at the present point in time, the Company has not determined operational plan and fare structure for the services. Moreover, future trends in social and economic conditions and trends among competing modes of transportation cannot be ascertained at the present point in time. Therefore, the Company's response is that it is extremely difficult to objectively and rationally calculate future usage fees at the current time.

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

Based on the December 2004 arrangement between the national government and ruling parties, the construction scheme of the Hokuriku Shinkansen Line was reviewed based on the premise that it would be developed at full standard. Based on this review, construction commenced on the segment as far as the Hakusan car maintenance center and the Fukui Station segment and an application for approval was made for a plan to implement construction on the segment between Nanetsu–Tsuruga.

At the present time, the Company's position is that the Hokuriku Shinkansen Line will be constructed in a westward direction. This is in accordance with the Company's previous contention and it will continue to appeal to the relevant national government organizations for an extension of segments to undergo construction. But even if segments to undergo construction are extended, then the Company considers it essential that the previous fundamental principles, namely that "the burden of the Company shall be within the limit of expected benefits" and of "the management separation from JR-West of its conventional lines running parallel with the new Shinkansen line segments," should be protected.

5 Relating to Changing Population Dynamics, such as the Declining Birthrate and Aging Population

According to the "Population Projections for Japan (birth rate medium variant and death rate medium variant estimates)" published by the National Institute of Population and Social Security Research in December 2006, Japan's total population of 127.77 million people in 2005 was set to enter a long standing depopulation process, and by 2046 was projected to fall below 100.00 million people, to 99.38 million people. The working-age population (15 to 64) peaked in 1995, and subsequently entered a depopulation phase. By 2005, it had fallen to 84.42 million people, and by 2030 it is forecast to decrease to 67.40 million people. In contrast, the old-age population (65 and over), which was 25.76 million people in 2005, was projected to increase to 36.67 million people by 2030.

Moreover, according to the "Population Projections for Japan by Prefecture" published by the said institute in May 2007, by 2005 population was decreasing in all regions excluding Minami Kanto, Chubu, and Kinki. The population in Kinki was forecast to decrease between 2005 and 2010, and the population in all regions was forecast to decrease by 2035. Further, the working-age population, and also the percentage of this age group relative to the total population is already declining in every prefecture, while the old-age population will increase until 2020. With the exception of certain prefectures, it is projected to exceed 30% of the population.

The JR-West Group's main area of operations is West Japan, where it operates businesses that include railway, retail, real estate, and hotel operations. Depopulation and the declining birthrate and aging population trends are forecast to continue in this region. If the depopulation, declining birthrate, and aging population processes take place as projected, in the long term, due to a decrease in the number of passengers and customers at the Group's facilities and stores, this may have an effect on the Group's business results.

6 Relating to Competition

1. Railway Operations

The railway operations of the JR-West Group compete with the operations of other railway companies, airline companies, and alternative modes of transportation such as buses or automobiles. In addition, its performance is affected by conditions in the Japanese economy, particularly economic trends in its main area of operations, West Japan. As a result, competition trends and economic conditions in the future may have an effect on the Group's financial condition and results of operations.

The Company's Sanyo Shinkansen Line and intercity transportation operations on its conventional lines are primarily in competition with domestic airline companies, buses, and automobiles. In particular, the Company faces extremely severe competition from airline companies due to the heightened convenience of traveling by air as a result of factors such as the opening of new airports, expanded airport capacities, increased number of flights, and lower airfares. The Company has been working to strengthen its competitiveness by improving the convenience for customers. It has enhanced its provision of high-speed transportation services by launching the new N700 Series Shinkansen rolling stock, increasing departures of its Nozomi Shinkansen services, and launching the EX-IC service on the Sanyo Shinkansen Line. In addition, in March 2011, the Company began operation of services on all lines of the Kyushu Shinkansen line as well as the Mizuho and Sakura Shinkansen services, which connect the Sanyo Shinkansen Line and the Kyusyu Shinkansen Line by means of a direct service. Leveraging these services, the Company will continue to enhance its competitive edge by offering higher quality services and faithfully reporting information while promoting interaction between both regions and the development of information infrastructure in these regions.

In its Urban Network, the Company competes with other railway operators and with automobiles and buses. In March 2011, it revised timetables, increasing the rapid services connecting directly through Osaka Station and beginning operation of special rapid services using trains with 12 cars on holidays. It also introduced new rolling stock featuring higher degrees of safety and comfort to be used in suburban areas and for express services. Through such initiatives, the Company is promoting usage of its services.

In addition, it has been heightening the convenience for railway passengers by continuing to install barrier-free facilities, including elevators and escalators.

2. Non-Railway Operations

The JR-West Group carries out non-railway operations, principally Sales of Goods and Food Services, Real Estate, and Other Businesses (including hotel business). Non-railway operations are affected by conditions in the Japanese economy, particularly economic trends in the Group's main area of operations, West Japan. Therefore, economic conditions in the future may have an effect on the Group's financial condition and results of operations.

In addition, its non-railway operations are faced with an increasingly severe competitive environment: in Sales of Goods and Food Services, due to the opening of retail stores by competitors in areas surrounding its shops; in Real Estate, due to the entry of new competitors and the upgrade of competitors' commercial facilities in surrounding areas; and in Other Businesses, due to increased competition with existing and new competitors in hotel operations, such as the openings of foreign-affiliated luxury hotels or low-end budget hotels by Japanese companies. These factors may have an effect on the Group's revenues.

However, as the Group develops its operations in the stations and areas surrounding them, it can be considered to possess competitive advantages in terms of advantageous locations. The Group coordinates its non-railway operations with its railway operations, and at the same time cooperates with local authorities to develop areas in and around stations and to revitalize commercial areas under elevated railway tracks.

The Group has been implementing measures to increase the value of its railway belts by making more effective use of its assets through such means as the active utilization of the benefits created by the Osaka Station Development Project. In addition, it has been taking positive steps to enhance customer convenience, including expanding affiliated stores for ICOCA electronic money and increasing business tie-ups with other companies.

7 Relating to Long-term Debt and Payables

On its establishment in 1987 and based on the Japanese National Railways Reform Law (1986, Law No. 87), the Company inherited ¥1,015.8 billion of long-term debt from JNR. Further, on October 1, 1991, based on the Law Relating to the Transfer of Shinkansen Line Railway Facilities (1991, Law No. 45), the Company purchased the Sanyo Shinkansen Line railway facilities (excluding rolling stock) at the cost of ¥974.1 billion from the Shinkansen Holding Corporation. Through contracts with the Shinkansen Holding Corporation, of the transfer value, ¥859.1 billion is to be paid over 25.5 years and ¥114.9 billion over 60 years by half-yearly installment payments of equal amounts of principal and interest to the Railway Development Fund (presently, the Japan Railway Construction, Transport and Technology Agency) and the unpaid balance was to be recorded as long-term payables to the acquisition of railway properties.

While investing in safety and carrying out all other necessary investment, the JR-West Group is aiming to increase management stability by reducing its long-term debt (corporate bonds, long-term debt, and long-term payables to the acquisition of railway properties) and thereby decreasing its interest payments.

In fiscal 2011, owing to such factors as the steady progression of the Osaka Station Development Project, capital expenditures increased. As a result, consolidated long-term debt has entered a temporary upward phase. Consolidated long-term debt at March 31, 2011, stood at ¥1,102.6 billion (including the current portion thereof), an increase of 6.1% compared with the previous fiscal year-end. Interest payments for the years ended March 31, 2009, 2010, and 2011, were ¥34.5 billion, ¥34.3 billion, and ¥33.7 billion, respectively, thereby maintaining a constant level.

The Group will continue to pay close attention to its levels of long-term debt, payables, and interest payments in order to maintain management stability. However, a reduction in free cash flow due to unforeseen circumstances could affect the JR-West Group's financial condition and results of operations.

8 Relating to Major Projects

1. Osaka Higashi Line

a. Details and Current Status

- April 1981
  Approval from Transport Minister based on the Japanese National Railways Law
- April 1987
  Establishment of West Japan Railway Company, which inherited the above-described approval
- May 1996
  In the government budget for fiscal 1997, the project was approved to receive funding identified in "Supplementary Funding for Operational Expenses for the Revitalization of Arterial Railroads"
- November 1996
  Establishment of quasi-public company Osaka Soto-Kanjo Railway Co., Ltd.
- December 1996
  West Japan Railway Company acquired a license for second-type railway operations and Osaka Soto-Kanjo Railway Co., Ltd. for third-type railway operations
- February 1999
  Approval to carry out construction (Miyakojima–Kyuhoji)
- December 2002
  Approval to carry out construction (Shin-Osaka–Miyakojima)
- February 2005
  Approval to extend the deadline to complete construction (Shin-Osaka–Kyuhoji)
- August 2007
  Resolution on the names of the line and stations (5 stations to be opened in the spring of 2008)
- March 2008
  Start of operations between Hanaten–Kyuhoji
- September 2009
  Approval to extend the deadline to complete construction (Shin-Osaka–Hanaten)

b. Outline of the Plan

(a) Main construction contractor: Osaka Soto-Kanjo Railway Co., Ltd. (third-type railway operator)
(b) Main operator: West Japan Railway Company (second-type railway operator)
(c) Planned line: Between Shin-Osaka Station, Tokaido Main Line and Kyuhoji Station, Kansai Main Line
Length: 20.3 km
(d) No. of stations: 13 (including Shin-Osaka and Kyuhoji Stations)
(e) Total construction cost: Approx. ¥120 billion
(f) Planned construction period: Fiscal 1998 to fiscal 2019
(Segment between Hanaten–Kyuhoji completed in fiscal 2008)

c. JR-West's Stance

This line is to reciprocally connect radial railway lines on the outskirts of Osaka by utilizing the Katamachi Line between Hanaten–Yao and Shigino–Suita (commonly known as the Joto freight line), which is currently used as a freight line. The line is expected to contribute to the development of the Kinki region. In addition to contributing to the development of the areas adjacent to the railway line, it will also assist with the redevelopment of the areas to the east of Osaka—such as the Awaji District and the Hanaten/Ryuge District—and in the creation of a multiple-type railway network designed to withstand natural disasters. However, if the plan does not progress as forecast due to various changes in the operating environment or the anticipated benefits may not be obtained, this may have an effect on the Company's financial condition and results of operations.

2. The Osaka Station Development Project

a. Plan Outline

(a) Station renovations
Project implementing body: West Japan Railway Company
Measures: A new station built over the railway tracks to be constructed in the center part of the existing station; renovation of the concourse inside the ticket gates; improved barrier-free facilities; a Dome to be newly constructed
(b) Development of passageways and the square
Project implementing body: West Japan Railway Company
Measures: Development of the passageways and the square within the building directly connecting to the square in front of the station; development of the passageways running north to south through the station and the rooftop plaza
(c) Development of the New North Building
Project implementing bodies: Osaka Terminal Building Company, West Japan Railway Company
Total floor area: Approx. 210,000m^2; excluding planned car parking buildings
Uses: Department store, approx. 90,000m^2; specialty stores, approx. 40,000m^2; offices, etc., approx. 45,000m^2; cinema complex, approx. 10,000m^2; station facilities, etc.

(d) ACTY Osaka Building expansion

Project implementing bodies: Osaka Terminal Building Company, West Japan Railway Company

Total floor area: Approx. 35,000m^2

Uses: Department store, square, etc.

b. Schedule

- May 2004
  Construction of station renovations commenced
- October 2006
  Construction of the New North Building commenced
- May 2008
  Construction of the ACTY Osaka Building expansion commenced
- March 2011
  Start of operations of the ACTY Osaka Building expansion (ACTY was renamed the South Gate Building following the start of operations)
- April 2011
  Began full utilization of the stations built over the railway tracks
- May 2011
  Start of operations of the New North Building (North Gate Building) and Osaka Station City

c. Total Project Costs (for all Group companies)

Approx. ¥210 billion[1]

- Osaka Station renovations, New North Building development project: Approx. ¥190 billion
- ACTY Osaka Building expansion: Approx. ¥20 billion

d. JR-West's Stance

The objective of this project is to develop the Osaka Station to a level suitable for its position as the gateway to Osaka City; a pleasant, highly convenient, and lively terminal station. This project will contribute to each of the JR-West's railway operations, real estate business, and other businesses. However, if the project does not progress as forecast due to various changes in the operating environment, this may have an effect on the JR-West Group's financial condition and results of operations.

1 Revised based on various measures, including those to improve safety and for environmental protection

9 Relating to Computer Systems

Computer systems play a vital role in the JR-West Group's operations, and they are utilized not only in its railway operations and for sales of reserved seats, but also in many other areas throughout the Group's operations. Accordingly, if a problem should occur with these computer systems through a human error, a natural disaster, a power failure, a computer virus, or other reasons, it may have an impact on the Group's ability to carry out operations in the area where the problem occurred.

Further, if personal or other information should leak outside of the Group because of a computer virus infection or an erroneous operation of computer systems, it may cause stakeholders to lose trust in the Group, which in turn may have an effect on the Group's financial condition and results of operations.

The Group constantly strives to prevent computer system-related problems or accidents from occurring through regular system inspections, measures to improve system functionality, and employee training. It has also been working to minimize the impact on operations should a problem or accident occur, including the development of a rapid first motion system.

10 Relating to Natural Disasters

It is possible that the JR-West Group's operations or transportation network infrastructure will suffer considerable damage due to a natural disaster, such as an earthquake, typhoon, landslide, or flood; or due to a terrorist attack. For example, the Hanshin-Awaji (Kobe) Earthquake that occurred in January 1995 caused substantial damage to the railway network, particularly to the Sanyo Shinkansen Line and Tokaido Main Line.

Based on the impacts of such disasters as the Great East Japan Earthquake, which occurred in March 2011, the Company aims to minimize damage in the event a natural disaster or any other event should occur in the future. To this end, the Company has reevaluated its earthquake precautionary measures, including the earthquake early detection and warning systems installed on its Sanyo Shinkansen Line and the earthquake emergency news flash systems installed on its Sanyo Shinkansen Line as well as its conventional and other lines. It is also continuing the steady implementation of precautionary measures that have proven effects in limiting the spread of earthquake damage, such as the reinforcement of the earthquake resistance of the pillars used to support elevated tracks. Moreover, it has developed facilities and equipment that will minimize the damage that might occur should an earthquake vibration cause a running train to derail under the direction of the Shinkansen Derailment Countermeasures Committee, a committee created in consideration of the Shinkansen derailment following the October 2004 Mid Niigata Prefecture Earthquake that develops precaution measures and technologies to limit the effects of earthquakes on Shinkansen lines. It is also reevaluating its tsunami precautionary measures, and developing other measures to prevent, to the greatest possible extent, serious damages to the Group's operations from sources such as heavy rainfall and landslides.

As another one of its measures in response to natural disasters and other events, the Company has established a commitment line with financial institutions that enables it to raise capital according to predetermined conditions even if an earthquake should occur. Moreover, it has also acquired damage insurance inclusive of earthquake insurance for its main railway facilities. However, these countermeasures may be unable to entirely compensate for all the damage incurred due to an earthquake or other natural disaster.

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

11 Relating to an Infectious Disease Outbreak and Epidemic

If a long-term infectious disease epidemic such as Severe Acute Respiratory Syndrome (SARS) that broke out in 2003 or swine influenza should occur in West Japan, it is feared that this would limit economic activities and cause passengers to refrain from taking trips, or even result in trains being unable to run. There is a danger that such an epidemic may temporarily cause the JR-West Group to be unable to continue its operations, particularly its railway operations. Such a situation may have an impact on the Group's results of operations.

While closely collaborating with government organizations and local governments, the Company is investigating ways of continuing operations should an outbreak of an infectious disease occur.

12 Relating to Compliance

The Company, in conducting its business activities, is subject to the Corporation Law, the Financial Instruments and Exchange Law, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act on the Protection of Personal Information, and other generally applicable laws and ordinances, as well as the Railway Business Law and other laws and ordinances applicable to the relevant business category and the supervision of the relevant regulatory authorities according to the types of business. If the Company contravenes such statutory regulations or is subject to investigations by such regulatory authorities or in some situations, to any sanction, the public's trust of the JR-West Group may be undermined and, moreover, costs may be incurred to take measures to address the situation. Such a situation may have an impact on the Group's results of operations.

On September 28, 2009, with regard to a grave issue concerning compliance that had come up in the process of the investigation of the railway accident on the Fukuchiyama Line by the Aircraft and Railway Accidents Investigation Commission, the Company was ordered by the MLIT to conduct fact-finding inquiries, implement remediation measures, including preventive measures based on the results of such inquiries, and make a report thereof.

On November 18, 2009, the Company submitted to the MLIT the results of the fact-finding inquiries and remediation measures, including preventive measures, obtained from both the Special Committee on Compliance, a body comprised of third-party experts, and its own internal team reporting to the President. The Company has also implemented measures to prevent a recurrence of similar problems and strengthen its compliance system. Specifically, the Company has established the Corporate Ethics & Risk Management Department to integrate its functions to promote compliance and the Corporate Ethics Committee as an advisory body to the Board of Directors. The Company has also established the Ethics Office and the Public Interest Information Office to offer advice and act as contact points regarding compliance issues. In addition, a third-party consultation office has been newly established for the use of JR-West Group officers and employees who wish to discuss compliance-related matters. The Company is also taking active steps to improve corporate ethics education for employees. On December 9, 2010, the Company submitted a report to MLIT detailing the status of implementation of these and other remediation measures.

13 Relating to the Fukuchiyama Line Train Accident

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations in which 106 passengers lost their lives and more than 500 were injured. The trial to determine the criminal liability for professional negligence resulting in the deaths and injuries in relation to that accident of Masao Yamazaki, former President and Representative Director, began on December 21, 2010, at the Kobe District Court and is currently underway. In addition, pursuant to the ruling of the Kobe No. 1 Committee for the Inquest of Prosecution, on April 23, 2010, designated attorneys indicted three former Presidents and Representative Directors of the Company—Masataka Ide, Shojiro Nan-ya, and Takeshi Kakiuchi. The Company is continuing to sincerely listen to the opinions and requests of the victims of the accident and will strive to the utmost of its abilities to respond appropriately to this accident.

The Company will continue to make compensation payments and other payments relating to the accident. At the present point in time, it is difficult to make a rational estimate of what the total amount of these payments will be.

CONSOLIDATED BALANCE SHEETS

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2011, 2010 and 2009

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
ASSETS				
Current assets:				
Cash (Notes 3, 11 and 21)	¥ 79,742	¥ 51,314	¥ 41,414	$ 960
Notes and accounts receivable (Note 21):				
Unconsolidated subsidiaries and affiliates	1,204	2,103	1,974	14
Trade	92,711	80,846	83,753	1,117
Less allowance for doubtful accounts	(872)	(840)	(597)	(10)
Inventories (Note 5)	28,043	29,534	24,143	337
Income taxes refundable (Note 13)	199	641	340	2
Deferred income taxes (Note 13)	18,961	17,857	19,743	228
Prepaid expenses and other current assets	42,442	41,794	37,771	511
Total current assets	262,432	223,254	208,544	3,161
Investments:				
Unconsolidated subsidiaries and affiliates (Notes 6 and 21)	51,154	48,462	49,249	616
Other securities (Notes 4, 11 and 21)	9,252	10,865	11,244	111
Total investments	60,407	59,327	60,494	727
Property, plant and equipment, at cost (Notes 7, 8, 9, 11 and 12)**:**				
Land	655,872	658,809	657,643	7,902
Buildings and structures	2,888,854	2,832,430	2,777,425	34,805
Machinery, equipment and vehicles	1,249,699	1,170,282	1,126,245	15,056
Tools, furniture and fixtures	119,251	112,297	105,539	1,436
Construction in progress	139,615	107,533	75,811	1,682
	5,053,294	4,881,352	4,742,665	60,883
Less accumulated depreciation	(2,902,676)	(2,809,076)	(2,721,154)	(34,972)
Property, plant and equipment, net	2,150,617	2,072,276	2,021,511	25,911
Deferred income taxes (Note 13)	142,069	139,030	125,527	1,711
Other assets	56,896	52,496	45,811	685
Total assets (Note 23)	¥ 2,672,423	¥ 2,546,384	¥ 2,461,889	$ 32,197

See accompanying notes to consolidated financial statements.

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 10 and 21)	¥ 17,515	¥ 12,932	¥ 28,807	$ 211
Current portion of long-term debt (Notes 10, 11 and 21)	45,894	34,454	63,473	552
Current portion of long-term payables (Notes 12 and 21)	39,132	30,051	33,503	471
Notes and accounts payable (Note 21):				
Unconsolidated subsidiaries and affiliates	10,228	5,678	2,630	123
Trade	175,454	144,359	146,492	2,113
Prepaid railway fares received	31,183	31,450	31,510	375
Deposits and advances received (Note 21)	80,258	87,211	101,149	966
Accrued expenses (Note 21)	62,131	60,105	60,224	748
Accrued income taxes (Notes 13 and 21)	13,467	11,877	24,709	162
Allowance for customer point programs	660	580	563	7
Other current liabilities	11,910	9,500	16,299	143
Total current liabilities	487,837	428,201	509,365	5,877
Long-term debt (Notes 10, 11 and 21)	735,472	652,160	500,698	8,861
Long-term payables (Notes 12 and 21)	290,599	329,696	359,713	3,501
Accrued retirement benefits (Note 15)	322,737	324,801	292,774	3,888
Allowance for environmental safety measures	7,033	9,039	10,193	84
Allowance for unutilized gift tickets	2,670	2,715	2,808	32
Deferred income taxes (Note 13)	241	213	176	2
Other long-term liabilities	104,579	97,413	96,555	1,259
Total long-term liabilities	1,463,334	1,416,040	1,262,920	17,630
Contingent liabilities (Note 16)				
Net assets:				
Shareholders' equity (Note 17):				
Common stock (Note 24(1)):				
Authorized – 8,000,000 shares				
Issued and outstanding – 2,000,000 shares	100,000	100,000	100,000	1,204
Capital surplus	55,000	55,000	55,000	662
Retained earnings (Note 24(2))	563,766	543,323	531,236	6,792
Less treasury stock, at cost	(30,343)	(30,343)	(30,343)	(365)
Total shareholders' equity	688,423	667,980	655,893	8,294
Accumulated other comprehensive income:				
Net unrealized holding gain on securities (Note 4)	546	1,292	1,004	6
Net unrealized deferred loss on hedging instruments	(161)	(108)	(233)	(1)
Total accumulated other comprehensive income	384	1,183	770	4
Minority interests	32,443	32,977	32,938	390
Total net assets	721,251	702,141	689,602	8,689
Total liabilities and net assets	¥2,672,423	¥2,546,384	¥2,461,889	$32,197

CONSOLIDATED STATEMENTS OF INCOME

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
Operating revenues (Note 23)	**¥1,213,506**	¥1,190,135	¥1,275,308	**$14,620**
Operating expenses:				
Transportation, other services and cost of sales	**950,419**	915,865	944,505	**11,450**
Selling, general and administrative expenses (Note 18)	**167,097**	197,739	208,283	**2,013**
	1,117,517	1,113,605	1,152,789	**13,464**
Operating income (Note 23)	**95,988**	76,530	122,519	**1,156**
Other income (expenses):				
Interest and dividend income	**477**	632	588	**5**
Interest expense	**(33,786)**	(34,309)	(34,592)	**(407)**
Equity in earnings of affiliates	**2,421**	807	986	**29**
Loss on impairment of fixed assets (Notes 8 and 23)	**(3,790)**	(3,266)	(51)	**(45)**
Other, net	**(289)**	3,298	5,200	**(3)**
	(34,967)	(32,836)	(27,868)	**(421)**
Income before income taxes and minority interests	**61,021**	43,693	94,651	**735**
Income taxes (Note 13)**:**				
Current	**29,952**	31,047	52,432	**360**
Deferred	**(3,587)**	(11,820)	(13,621)	**(43)**
	26,364	19,226	38,810	**317**
Income before minority interests	**34,656**	24,466	55,841	**417**
Minority interests	**326**	391	(1,311)	**3**
Net income	**¥ 34,983**	¥ 24,858	¥ 54,529	**$ 421**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

West Japan Railway Company and its consolidated subsidiaries
Year ended March 31, 2011

	Millions of yen	Millions of U.S. dollars (Note 1)
	2011	2011
Income before minority interests	**¥34,656**	**$417**
Other comprehensive income:		
Net unrealized holding loss on securities	**(690)**	**(8)**
Net unrealized deferred loss on hedging instruments	**(66)**	**(0)**
The Company's share of other comprehensive income of affiliates accounted for by the equity method	**(50)**	**(0)**
Total other comprehensive loss	**(807)**	**(9)**
Total comprehensive income	**¥33,849**	**$407**

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

	Millions of yen	Millions of U.S. dollars (Note 1)
	2011	2011
Comprehensive income attributable to shareholders of the Company	**¥34,184**	**$411**
Comprehensive loss attributable to minority shareholders of consolidated subsidiaries	**(334)**	**(4)**
Total comprehensive income	**¥33,849**	**$407**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2011, 2010 and 2009

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred loss on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2008	¥ 100,000	¥ 55,000	¥ 489,366	¥ (10,343)	¥ 634,022	¥ 4,552	¥ 95	¥ 4,647	¥ 32,167	¥ 670,838
Net income for the year	—	—	54,529	—	54,529	—	—	—	—	54,529
Cash dividends	—	—	(12,816)	—	(12,816)	—	—	—	—	(12,816)
Purchases of treasury stock	—	—	—	(19,999)	(19,999)	—	—	—	—	(19,999)
Decrease in retained earnings resulting from the addition of an affiliate under the equity method	—	—	(193)	—	(193)	—	—	—	—	(193)
Increase in retained earnings resulting from merger of an unconsolidated subsidiary	—	—	351	—	351	—	—	—	—	351
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,548)	(328)	(3,876)	770	(3,106)
Balance at March 31, 2009	¥ 100,000	¥ 55,000	¥ 531,236	¥ (30,343)	¥ 655,893	¥ 1,004	¥ (233)	¥ 770	¥ 32,938	¥ 689,602
Net income for the year	—	—	24,858	—	24,858	—	—	—	—	24,858
Cash dividends	—	—	(13,561)	—	(13,561)	—	—	—	—	(13,561)
Increase in retained earnings resulting from merger of unconsolidated subsidiaries	—	—	337	—	337	—	—	—	—	337
Increase in retained earnings resulting from change in numbers of consolidated subsidiaries	—	—	452	—	452	—	—	—	—	452
Net changes in items other than shareholders' equity	—	—	—	—	—	288	124	412	39	451
Balance at March 31, 2010	¥ 100,000	¥ 55,000	¥ 543,323	¥ (30,343)	¥ 667,980	¥ 1,292	¥ (108)	¥ 1,183	¥ 32,977	¥ 702,141
Net income for the year	—	—	34,983	—	34,983	—	—	—	—	34,983
Cash dividends	—	—	(14,530)	—	(14,530)	—	—	—	—	(14,530)
Decrease in retained earnings resulting from change in numbers of consolidated subsidiaries	—	—	(10)	—	(10)	—	—	—	—	(10)
Net changes in items other than shareholders' equity	—	—	—	—	—	(746)	(52)	(799)	(534)	(1,333)
Balance at March 31, 2011	¥100,000	¥55,000	¥563,766	¥(30,343)	¥688,423	¥ 546	¥(161)	¥ 384	¥32,443	¥721,251

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred loss on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	$1,204	$662	$6,546	$(365)	$8,047	$15	$(1)	$14	$397	$8,459
Net income for the year	—	—	421	—	421	—	—	—	—	421
Cash dividends	—	—	(175)	—	(175)	—	—	—	—	(175)
Decrease in retained earnings resulting from change in numbers of consolidated subsidiaries	—	—	(0)	—	(0)	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	(8)	(0)	(9)	(6)	(16)
Balance at March 31, 2011	$1,204	$662	$6,792	$(365)	$8,294	$ 6	$(1)	$ 4	$390	$8,689

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 61,021	¥ 43,693	¥ 94,651	$ 735
Adjustments for:				
Depreciation and amortization	150,886	141,903	137,009	1,817
Loss on impairment of fixed assets	3,790	3,266	51	45
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	38,530	35,200	53,338	464
Loss on disposal of property, plant and equipment	8,878	8,873	7,394	106
(Decrease) increase in allowance for doubtful accounts	(29)	140	520	(0)
(Decrease) increase in accrued retirement benefits	(2,063)	31,959	35,729	(24)
Increase (decrease) in accrued bonuses	1,141	(1,259)	(595)	13
Decrease in other accruals	(1,728)	(1,302)	(3,419)	(20)
Interest and dividend income	(477)	(632)	(588)	(5)
Interest expense	33,786	34,309	34,592	407
Equity in earnings of affiliates	(2,421)	(807)	(986)	(29)
Gain on contributions received for construction	(39,737)	(35,961)	(54,935)	(478)
(Increase) decrease in notes and accounts receivable	(10,945)	4,623	8,095	(131)
Decrease (increase) in inventories	1,491	(5,339)	(1,826)	17
Increase (decrease) in notes and accounts payable	28,247	(15,242)	(33,736)	340
Increase (decrease) in accrued consumption taxes	2,029	(4,466)	2,611	24
Other	12,007	400	(1,568)	144
Subtotal	284,406	239,359	276,338	3,426
Interest and dividend income received	473	619	648	5
Interest paid	(33,875)	(34,409)	(34,827)	(408)
Income taxes paid	(27,783)	(44,260)	(63,318)	(334)
Net cash provided by operating activities	223,221	161,309	178,840	2,689
Cash flows from investing activities				
Purchases of marketable securities	(30,000)	—	—	(361)
Proceeds from sales of marketable securities	30,000	—	—	361
Payments for time deposits with a maturity in excess of three months	(230)	(35,230)	(230)	(2)
Proceeds from time deposits with a maturity in excess of three months	230	35,230	230	2
Purchases of property, plant and equipment	(277,342)	(246,183)	(201,716)	(3,341)
Proceeds from sales of property, plant and equipment	659	1,791	2,481	7
Contributions received for construction	34,370	37,855	40,928	414
Increase in investments in securities	(566)	(812)	(12,023)	(6)
Proceeds from sales of investments in securities	120	800	18	1
Increase in long-term loans receivable	(679)	(584)	(828)	(8)
Collection of long-term loans receivable	760	562	681	9
Other	(3,616)	(2,210)	(2,192)	(43)
Net cash used in investing activities	(246,293)	(208,782)	(172,651)	(2,967)
Cash flows from financing activities				
Increase (decrease) in short-term loans	1,897	(16,493)	14,447	22
Proceeds from long-term loans	67,100	66,900	63,606	808
Repayment of long-term loans	(33,460)	(42,770)	(43,060)	(403)
Proceeds from issuance of bonds	60,000	115,000	55,000	722
Redemption of bonds	—	(20,000)	(45,000)	—
Repayment of long-term payables	(29,984)	(33,437)	(34,539)	(361)
Purchases of treasury stock	—	—	(19,999)	—
Cash dividends paid to the Company's shareholders	(14,517)	(13,552)	(12,825)	(174)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(117)	(117)	(126)	(1)
Other	528	(907)	12,311	6
Net cash provided by (used in) financing activities	51,445	54,621	(10,185)	619
Net increase (decrease) in cash and cash equivalents	28,373	7,148	(3,996)	341
Cash and cash equivalents at beginning of year	51,084	41,184	44,606	615
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	54	2,690	—	0
Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiaries	—	61	574	—
Cash and cash equivalents at end of year (Note 3)	¥ 79,512	¥ 51,084	¥ 41,184	$ 957

See accompanying notes to consolidated financial statements.

West Japan Railway Company and its consolidated subsidiaries
March 31, 2011

01 Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

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

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥83=U.S.$1.00, the exchange rate prevailing on March 31, 2011. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Summary of Significant Accounting Policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or undisposed losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

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

The balance sheet date of one consolidated subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(3) Investments in securities

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

(4) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(5) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined primarily by the following methods:

Merchandise:
The last purchase price method or the retail cost method;
Real estate for sale and contracts in process:
The individual identification method;
Rails, materials and supplies: The moving average method.

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

Property, plant and equipment are stated at cost (see Note 7). Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(7) Intangible assets

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

(8) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of future income or cost savings. Any such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives, generally a period of five years.

(9) Leases

The Company and its consolidated subsidiaries have entered into contracts to lease certain equipment under noncancelable leases referred to as finance leases. Until the year ended March 31, 2008, finance leases other than those which transfer the ownership of the leased assets to the lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for as operating leases.

(10) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(11) Allowance for doubtful accounts

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

(12) Allowance for customer point programs

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

(13) Accrued retirement benefits

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

The net retirement benefit obligation at transition of ¥12,266 million is being amortized principally over a period of fifteen years.

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

Prior service cost is principally charged to income when incurred.

(14) Allowance for environmental safety measures

To meet expenditures for the disposal of polychlorinated biphenyl and other wastes held by the Company, an allowance at an amount reasonably estimated has been provided.

As the Company found soil pollution in a portion of land under development which it owns, an allowance has been provided at a reasonably estimated amount to meet expenditures of the related clean-up costs.

(15) Allowance for unutilized gift tickets

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

(16) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(17) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(18) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding forward foreign exchange contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally been applied to the underlying debt (“Special treatment”).

02 Adoption of New Accounting Standards

(1) Presentation of comprehensive income

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25 issued on June 30, 2010) and the Company was required to present the consolidated statement of comprehensive income. In connection with the adoption of this accounting standard, the amounts of accumulated other comprehensive income and total accumulated other comprehensive income shown in the accompanying consolidated balance sheets as of March 31, 2010 and 2009 and consolidated statements of changes in net assets for the years then ended had previously been stated as valuation and translation adjustments and total of valuation and translation adjustments shown in the consolidated balance sheets as of March 31, 2010 and 2009 and consolidated statements of changes in net assets for the years then ended, respectively.

(2) Asset retirement obligations

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

The effect of this adoption on consolidated financial statements for the year ended March 31, 2011 was immaterial.

(3) Equity method of accounting for investments

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force No.24 issued on March 10, 2008).

There was no impact on consolidated financial statements for the year ended March 31, 2011.

(4) Disclosures about segments of an enterprise and related information

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

(5) Business combinations and other accounting standards

Effective the year ended March 31, 2011, the Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, revised on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, revised on December 26, 2008) and "Guidance on Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised on December 26, 2008).

(6) Recognition of revenues and costs of construction contracts

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No.15) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18), both issued on December 27, 2007. Under these accounting standards, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was immaterial.

(7) Change in method for valuing securities

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008). Under this accounting standard, if future cash flows can be estimated for securities classified as other securities for which market prices are unavailable, they are determined at the present value of estimated future cash flows in the accompanying consolidated balance sheet as of March 31, 2010. Present value is calculated by discounting estimated future cash flows using the interest rate determined at Japanese government bond yields plus a credit spread premium.

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was immaterial.

(8) Disclosures of financial instruments

Effective the year ended March 31, 2010, the Company adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and "Guidance on Accounting Standard for Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008).

(9) Partial amendments to accounting standard for retirement benefits (Part3)

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," (ASBJ Statement No.19 issued on July 31, 2008).

The effect of this adoption on consolidated financial statements for the year ended March 31, 2010 was nil, because there was no actuarial gain or loss resulting from this adoption.

(10) Disclosures about fair value of investment and rental property

Effective the year ended March 31, 2010, the Company adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008).

(11) Leases

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 revised on March 30, 2007). Under these accounting standards, lease transactions commencing on or after April 1, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. Such leased assets under finance lease transactions are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

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

(12) Related party transactions

Effective the year ended March 31, 2009, the Company adopted, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006).

There were no items to be disclosed for the year ended March 31, 2009 as a result of the adoption of these standards.

03 Cash and Cash Equivalents

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2011, 2010 and 2009 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

			Millions of yen	Millions of U.S. dollars
	2011	2010	2009	2011
Cash	**¥79,742**	¥51,314	¥41,414	**$960**
Time deposits with original maturities in excess of three months included in cash	**(230)**	(230)	(230)	**(2)**
Cash and cash equivalents	**¥79,512**	¥51,084	¥41,184	**$957**

04 Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other investments in securities be classified as follows: trading, held-to-maturity, or other securities. The Company and its consolidated subsidiaries did not have any investments classified as trading or held-to-maturity securities at March 31, 2011, 2010 and 2009. The standard further requires that other securities be stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Investments in marketable securities at March 31, 2011, 2010 and 2009 are summarized as follows:

	Millions of yen					
	2011			2010		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥2,726**	**¥3,931**	**¥1,204**	¥4,944	¥7,211	¥2,266
Debt securities:						
Government bonds	**37**	**37**	**0**	37	37	0
Corporate bonds	**43**	**45**	**1**	50	51	1
Subtotal	**2,807**	**4,014**	**1,206**	5,031	7,300	2,269
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**3,404**	**2,881**	**(522)**	1,665	1,242	(422)
Debt securities:						
Government bonds	**105**	**103**	**(2)**	—	—	—
Subtotal	**3,509**	**2,984**	**(524)**	1,665	1,242	(422)
Total	**¥6,317**	**¥6,998**	**¥ 681**	¥6,697	¥8,543	¥1,846

	Millions of yen		
	2009		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥4,117	¥6,417	¥2,300
Debt securities:			
Government bonds	32	33	0
Subtotal	4,150	6,450	2,300
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,318	2,396	(921)
Debt securities:			
Government bonds	—	—	—
Subtotal	3,318	2,396	(921)
Total	¥7,468	¥8,847	¥1,378

	Millions of U.S. dollars		
	2011		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$32**	**$47**	**$14**
Debt securities:			
Government bonds	**0**	**0**	**0**
Corporate bonds	**0**	**0**	**0**
Subtotal	**33**	**48**	**14**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**41**	**34**	**(6)**
Debt securities:			
Government bonds	**1**	**1**	**(0)**
Subtotal	**42**	**35**	**(6)**
Total	**$76**	**$84**	**$ 8**

The carrying value of investments in non-marketable securities at March 31, 2009 was as follows:

	Millions of yen
	2009
Unlisted equity securities	¥2,276
Other	120
	¥2,397

05 Inventories

Inventories at March 31, 2011, 2010 and 2009 consisted of the following:

			Millions of yen	Millions of U.S. dollars
	2011	2010	2009	2011
Merchandise and real estate for sale	**¥ 5,123**	¥ 5,133	¥ 5,774	**$ 61**
Contracts in process	**11,118**	12,106	7,367	**133**
Rails, materials and supplies	**11,801**	12,295	11,001	**142**
	¥28,043	¥29,534	¥24,143	**$337**

06 Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2011, 2010 and 2009 consisted of the following:

			Millions of yen	Millions of U.S. dollars
	2011	2010	2009	2011
Investments in:				
Unconsolidated subsidiaries	**¥11,181**	¥11,040	¥12,818	**$134**
Affiliates	**39,973**	37,421	36,430	**481**
	¥51,154	¥48,462	¥49,249	**$616**

07 Property, Plant and Equipment

Contributions for the construction of railway facilities granted by national and municipal governments and others are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. Compensation for the expropriation of properties received from national and municipal governments and others, in accordance with the Corporation Tax Law, is also deducted directly from the acquisition costs of the properties acquired to replace the properties expropriated.

The contributions deducted from the acquisition costs of property, plant and equipment for the years ended March 31, 2011, 2010 and 2009 totaled ¥38,530 million ($464 million), ¥35,200 million and ¥53,338 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2011, 2010 and 2009 amounted to ¥637,643 million ($7,682 million), ¥603,841 million and ¥574,718 million, respectively.

The compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2011, 2010 and 2009 totaled ¥4,805 million ($57 million), ¥6,124 million and ¥10,166 million, respectively.

08 Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets relating to transportation, sales of goods and food services and other businesses primarily at each business which manages the receipts and payments separately. They also group their fixed assets in the real estate business, fixed assets which they have determined to dispose of and idle assets primarily at each asset.

Consequently, for the years ended March 31, 2011 and 2010, the Company wrote down the following fixed assets to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥3,790 million ($45 million) and ¥3,266 million, respectively, in the accompanying consolidated statements of income for the years then ended:

	Millions of yen		Millions of U.S. dollars
	2011	2010	2011
Assets to be disposed of:			
Buildings, land and other, held in Kobe City, Hyogo Prefecture	**¥3,149**	¥ —	**$ 37**
Building and other, held in Kurashiki City, Okayama Prefecture	**—**	2,367	**—**
Other assets:			
Building and other, held in Osaka City, Osaka Prefecture	**640**	—	**7**
Buildings, land and other, held in Kobe City, Hyogo Prefecture	**—**	898	**—**
Total	**¥3,790**	¥3,266	**$ 45**

Detailed information on loss on impairment of fixed assets for the year ended March 31, 2009 in the amount of ¥51 million was omitted because the amount involved was immaterial.

The recoverable value of the assets to be disposed of and the idle assets presented in the above table was measured primarily at net realizable value.

The recoverable value of other assets presented in the above table was measured at value in use and the Company determined their value in use at nil as a result of the estimation based on future cash flows for the year ended March 31, 2011.

The recoverable value of other assets presented in the above table was measured primarily at value in use, which is determined at future cash flows discounted at 5% for the year ended March 31, 2010.

09 Investment and Rental Properties

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

Rental income, net of related expenses relevant to these real estate properties amounted to ¥25,290 million ($304 million) and ¥26,085 million for the years ended March 31, 2011 and 2010, respectively. The rental income is recorded under operating revenues or other income and the rental expenses are recorded under operating expenses or other expenses.

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

Millions of yen

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

Millions of yen

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

			Millions of U.S. dollars
			2011
		Carrying Value	Fair Value
As of March 31, 2010	Net change	As of March 31, 2011	As of March 31, 2011
$1,385	**$332**	**$1,717**	**$3,469**

Notes: 1 The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2 The components of net change in carrying value for the years ended March 31, 2011 and 2010 included increases mainly due to acquisitions of real estate properties in the amount of ¥32,216 million ($388 million) and ¥17,353 million and decreases mainly due to depreciation in the amount of ¥4,353 million ($52 million) and ¥5,052 million, respectively.
3 The fair value of main properties is estimated in accordance with appraisal standards for valuing real-estate. The fair value of the others is based on book value or a valuation amount that reasonably reflects market value.

10 Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2011, 2010 and 2009 ranged from 0.23% to 0.79%, from 0.01% to 0.96%, and from 0.26% to 1.16%, respectively.

Long-term debt at March 31, 2011, 2010 and 2009 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	2011
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2017 through 2019	**¥110,000**	¥110,000	¥130,000	**$1,325**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.387% to 2.49%, due from 2013 through 2041	**334,970**	274,968	159,966	**4,035**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.00% to 6.00%, due in installments from 2012 through 2021	**66,618**	61,832	55,063	**802**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.4675% to 2.36%, due in installments from 2012 through 2031	**240,100**	209,700	190,772	**2,892**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2012 through 2019	**4,570**	5,180	5,810	**55**
Finance lease obligations, at rates ranging from 0.00% to 4.72%, due in installments from 2013 through 2031	**8,475**	7,397	4,116	**102**
Other	**16,632**	17,536	18,442	**200**
	781,366	686,614	564,171	**9,414**
Less current portion	**(45,894)**	(34,454)	(63,473)	**(552)**
	¥735,472	¥652,160	¥500,698	**$8,861**

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥ 45,894	$ 552
2013	103,197	1,243
2014	38,695	466
2015	46,400	559
2016	38,071	458
2017 and thereafter	509,106	6,133
	¥781,366	$9,414

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2011, 2010 and 2009 was as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	2011
Lines of credit	**¥100,000**	¥100,000	¥100,000	**$1,204**
Credit utilized	**—**	—	15,000	**—**
Available credit	**¥100,000**	¥100,000	¥ 85,000	**$1,204**

11 Pledged Assets

Assets pledged at March 31, 2011 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	¥ 230	$ 2
Investments in other securities	275	3
Land	190	2
Buildings and structures, net	17,868	215
	¥18,564	$223

The indebtedness secured by such collateral at March 31, 2011 was as follows:

	Millions of yen	Millions of U.S. dollars
Current portion of long-term loans included in current portion of long-term debt	¥ 610	$ 7
Long-term loans included in long-term debt	3,960	47
	¥4,570	$55

In addition, the entire property of the Company is subject to statutory preferential rights for the security of all its secured bonds.

12 Long-Term Payables

Long-term payables at March 31, 2011, 2010 and 2009 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	2011
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2012 through 2017	**¥135,658**	¥164,521	¥196,877	**$1,634**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2012 through 2052	**187,321**	187,860	188,365	**2,256**
Other	**6,751**	7,366	7,974	**81**
	329,732	359,748	393,217	**3,972**
Less current portion	**(39,132)**	(30,051)	(33,503)	**(471)**
	¥290,599	¥329,696	¥359,713	**$3,501**

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from Shinkansen Holding Corporation ("SHC") for a total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRTT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRTT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year.

The variable interest rates for the years ended March 31, 2011, 2010 and 2009 were 4.08%, 4.15% and 4.21%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥39,132	$ 471
2013	40,840	492
2014	39,717	478
2015	38,130	459
2016	33,686	405
2017 and thereafter	138,224	1,665
	¥329,732	$3,972

13 Income Taxes

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2011, 2010 and 2009.

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

	2011	2010
Statutory tax rate	**40.69%**	40.69%
Increase (decrease) in income taxes resulting from:		
Reversal of valuation allowance	**1.55**	2.04
Per capita portion of inhabitants' taxes	**1.16**	1.64
Permanent non-deductible expenses	**0.74**	0.81
Other	**(0.94)**	(1.18)
Effective tax rates	**43.20%**	44.00%

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2009 has been omitted because the difference between these tax rates was less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2011, 2010 and 2009 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	2011
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥ 14,101**	¥ 13,490	¥ 13,971	**$ 169**
Accrued enterprise taxes included in accrued income taxes	**1,636**	1,396	2,378	**19**
Accrued retirement benefits	**131,085**	131,952	118,930	**1,579**
Unrealized gain on property, plant and equipment	**7,951**	7,674	7,354	**95**
Tax loss carryforwards	**3,277**	1,570	229	**39**
Other	**29,248**	26,100	24,407	**352**
Gross deferred tax assets	**187,300**	182,186	167,271	**2,256**
Valuation allowance	**(8,299)**	(7,282)	(6,270)	**(99)**
Total deferred tax assets	**179,001**	174,903	161,000	**2,156**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(278)**	(751)	(561)	**(3)**
Contributions received for construction deducted from acquisition costs of property, plant and equipment	**(14,410)**	(14,780)	(13,092)	**(173)**
Gain on valuation of assets of consolidated subsidiaries	**(1,443)**	(1,443)	(1,443)	**(17)**
Other	**(2,079)**	(1,253)	(807)	**(25)**
Total deferred tax liabilities	**(18,212)**	(18,229)	(15,905)	**(219)**
Deferred tax assets, net	**¥160,789**	¥156,674	¥145,095	**$1,937**

14 Leases

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

Due to the adoption of the new accounting standards including the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 revised on March 30, 2007), real estate lease transactions were included in the following tables at March 31, 2009. As a result, the amounts increased significantly compared with those at March 31, 2008.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation / amortization and net book value of the leased assets as of March 31, 2011, 2010 and 2009, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions entered into by the Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

	Millions of yen							
	2011				2010			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:								
Buildings and structures	**¥2,403**	**¥ 353**	**¥ —**	**¥2,050**	¥2,403	¥ 266	¥ —	¥2,137
Machinery, equipment and vehicles	**539**	**283**	**113**	**143**	673	341	113	219
Tools, furniture and fixtures	**1,339**	**1,002**	**–**	**337**	1,806	1,032	—	773
Software included in other assets	**63**	**52**	**–**	**10**	118	104	—	13
	¥4,347	**¥1,691**	**¥113**	**¥2,542**	¥5,002	¥1,744	¥113	¥3,144

	Millions of yen			
	2009			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	¥2,403	¥ 179	¥—	¥2,224
Machinery, equipment and vehicles	797	340	—	457
Tools, furniture and fixtures	2,088	1,028	—	1,059
Software included in other assets	141	115	—	25
	¥5,431	¥1,664	¥—	¥3,767

	Millions of U.S. dollars			
	2011			
	Acquisition costs	Accumulated depreciation / amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	**$28**	**$ 4**	**$—**	**$24**
Machinery, equipment and vehicles	**6**	**3**	**1**	**1**
Tools, furniture and fixtures	**16**	**12**	**—**	**4**
Software included in other assets	**0**	**0**	**—**	**0**
	$52	**$20**	**$ 1**	**$30**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2011, 2010 and 2009 totaled ¥433 million ($5 million), ¥557 million and ¥646 million, respectively. These amounts are equal to the depreciation/amortization expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value. Accumulated impairment losses on the leased assets as of March 31, 2011, 2010 and 2009 are ¥113 million ($1 million), ¥113 million and nil, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥ 386	$ 4
2013 and thereafter	2,269	27
	¥2,656	$32

Future minimum lease payments subsequent to March 31, 2011 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥ 1,087	$ 13
2013 and thereafter	15,555	187
	¥16,642	$200

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2011, 2010 and 2009 for finance lease transactions in which certain consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

	Millions of yen					
	2011			2010		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	**¥2,455**	**¥1,132**	**¥1,322**	¥3,308	¥1,330	¥1,978
Tools, furniture and fixtures	**1,992**	**1,444**	**548**	2,766	1,807	959
	¥4,447	**¥2,577**	**¥1,870**	¥6,075	¥3,137	¥2,937

	Millions of yen		
	2009		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	¥3,443	¥1,061	¥2,382
Tools, furniture and fixtures	3,744	2,098	1,646
	¥7,188	¥3,160	¥4,028

	Millions of U.S. dollars		
	2011		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	**$29**	**$13**	**$15**
Tools, furniture and fixtures	**24**	**17**	**6**
	$53	**$31**	**$22**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2011, 2010 and 2009 were ¥648 million ($7 million), ¥950 million and ¥1,327 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2011, 2010 and 2009 computed by the straight-line method over the respective lease terms amounted to ¥577 million ($6 million), ¥870 million and ¥1,229 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥ 548	$ 6
2013 and thereafter	1,513	18
	¥2,061	$24

Future minimum lease receipts subsequent to March 31, 2011 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2012	¥ 402	$ 4
2013 and thereafter	3,547	42
	¥3,949	$47

15 Retirement Benefit Plans

The Company and its consolidated subsidiaries have unfunded lump-sum severance and retirement benefit plans covering substantially all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination of employment occurs. Certain consolidated subsidiaries have a funded defined contribution pension plan administered by a government agency.

The funded and accrued status of the retirement benefit plans of the Company and its consolidated subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011, 2010 and 2009 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	**2011**
Retirement benefit obligation	**¥(361,924)**	¥(365,596)	¥(373,335)	**$(4,360)**
Plan assets at fair value	**8,999**	9,313	8,879	**108**
Unfunded retirement benefit obligation	**(352,925)**	(356,282)	(364,455)	**(4,252)**
Unrecognized net retirement benefit obligation at transition	**4,088**	4,906	36,365	**49**
Unrecognized actuarial loss	**28,021**	28,635	37,536	**337**
Unrecognized prior service cost	**(1,308)**	(1,541)	(1,772)	**(15)**
Net retirement benefit obligation	**(322,122)**	(324,281)	(292,326)	**(3,880)**
Prepaid pension cost	**614**	519	448	**7**
Accrued retirement benefits	**¥(322,737)**	¥(324,801)	¥(292,774)	**$(3,888)**

The components of retirement benefit expenses for the years ended March 31, 2011, 2010 and 2009 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2011	2010	2009	**2011**
Service cost	**¥14,828**	¥15,189	¥15,315	**$178**
Interest cost	**7,210**	7,391	7,459	**86**
Expected return on plan assets	**(182)**	(174)	(234)	**(2)**
Amortization of net retirement benefit obligation at transition	**817**	31,462	31,458	**9**
Amortization of actuarial loss	**7,328**	7,530	7,573	**88**
Amortization of prior service cost	**463**	82	(231)	**5**
Expense recorded at certain consolidated subsidiaries on change in measurement of retirement benefit obligation from the simplified method to the principle method	**100**	740	—	**1**
	¥30,566	¥62,220	¥61,341	**$368**

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

	2011	2010	2009
Discount rate	**Principally 2.0%**	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	**Principally 2.5%**	Principally 2.5%	Principally 2.5%

16 Contingent Liabilities

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans, accounts payable – trade and other obligations of companies other than consolidated subsidiaries in the aggregate amount of ¥8,439 million ($101 million).

The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for a train accident on the Fukuchiyama Line, which occurred on April 25, 2005, as well as other related costs; however, it is unable to estimate the amounts of such expenditures on a reasonable basis at the present time.

17 Shareholders' Equity

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

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($136 million) at March 31, 2011, 2010 and 2009.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

				Number of shares
	March 31, 2010	Increase	Decrease	**March 31, 2011**
Common stock	2,000,000	—	—	**2,000,000**
Treasury stock	63,584	—	—	**63,584**

				Number of shares
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	2,000,000	—	—	2,000,000
Treasury stock	63,584	—	—	63,584

				Number of shares
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	2,000,000	—	—	2,000,000
Treasury stock	18,365	45,219	—	63,584

18 Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,339 million ($76 million), ¥6,480 million and ¥7,349 million for the years ended March 31, 2011, 2010 and 2009, respectively.

19 Other Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
	2010
Net unrealized holding gain on securities	¥277
Net unrealized deferred gain on hedging instruments	156
The Company's share of other comprehensive income of affiliates accounted for by the equity method	5
	¥439

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

	Millions of yen
	2010
Comprehensive income attributable to shareholders of the Company	¥25,271
Comprehensive loss attributable to minority shareholders of consolidated subsidiaries	(365)
Total comprehensive income	¥24,906

20 Amounts per Share

Amounts per share at March 31, 2011, 2010 and 2009 and for the years then ended were as follows:

	Yen			U.S. dollars
	2011	2010	2009	2011
Net assets	**¥355,712.84**	¥345,568.31	¥339,113.24	**$4,285**
Net income	**18,066.01**	12,837.31	27,729.03	**217**
Cash dividends	**8,000.00**	7,000.00	7,000.00	**96**

Net assets per share have been computed based on the number of shares of common stock outstanding at each balance sheet date.

Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended March 31, 2011, 2010 and 2009 since the Company had no potentially dilutive stock at March 31, 2011, 2010 and 2009.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

21 Financial Instruments

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Substantially all trade payables—trade notes and accounts payable and deposits and advances received—have payment due dates within one year. The Group is also exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies. However, regarding trade payables denominated in foreign currencies arising from organized foreign tours, forward foreign exchange contracts are principally arranged to reduce the risk. Bonds and bank borrowings are taken out principally for the purpose of settlement of existing payables and capital investments. The redemption dates of these long-term debts extend up to twenty-nine years from March 31, 2011. Some of them have variable interest rates and are exposed to interest rate fluctuation risk. Long-term payables are mainly derived from the purchase of Sanyo Shinkansen's facilities. These payables are settled by installments once every six months. The repayment dates of these payables extend up to forty years from March 31, 2011. Some of these payables have variable interest rates and are exposed to interest rate fluctuation risk.

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

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

(3) Risk management for financial instruments

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

In accordance with the internal policies of the Group for managing credit risk arising from trade receivables, the Group monitors due dates and outstanding balances by individual customer. The Group is also making efforts to identify and mitigate risks arising from bad debts from customers who are having financial difficulties.

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

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

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

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

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

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

Based on reports from each division of the Company and affiliated companies, the Company prepares and updates their cash flow plans on a timely basis to manage liquidity risk. In addition, the Company has the method of keeping the liquidity level stable to a certain extent by entering into commitment line contracts to enable the Company to raise funds in accordance with the policies determined in advance.

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

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

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to 2 in Note 21).

	Millions of yen 2011			Millions of yen 2010		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Cash	**¥ 79,742**	**¥ 79,742**	**¥ —**	¥ 51,314	¥ 51,314	¥ —
Notes and accounts receivable	**16,734**	**16,734**	**—**	14,282	14,282	—
Accrued fares (component of notes and accounts receivables)	**26,689**	**26,689**	**—**	22,714	22,714	—
Other accounts receivable (component of notes and accounts receivables)	**47,064**	**47,064**	**—**	42,038	42,038	—
Investments in securities:						
Other securities	**6,998**	**6,998**	**—**	8,543	8,543	—
Liabilities:						
Short-term loans	**(17,515)**	**(17,515)**	**—**	(12,932)	(12,932)	—
Notes and accounts payable	**(51,207)**	**(51,207)**	**—**	(47,999)	(47,999)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	**(134,824)**	**(134,824)**	**—**	(102,385)	(102,385)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	**(15,450)**	**(15,450)**	**—**	(13,793)	(13,793)	—
Deposits (component of deposits and advances received)	**(55,467)**	**(55,467)**	**—**	(52,150)	(52,150)	—
Bonds (component of long-term debt, including current portion)	**(444,970)**	**(466,707)**	**(21,737)**	(384,968)	(404,502)	(19,534)
Long-term loans (component of long-term debt, including current portion)	**(327,920)**	**(332,863)**	**(4,943)**	(294,249)	(299,927)	(5,678)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	**(329,510)**	**(445,817)**	**(116,307)**	(359,494)	(491,197)	(131,702)
Other long-term payables (component of long-term payables, including current portion)	**(222)**	**(235)**	**(13)**	(253)	(271)	(18)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	**(343)**	**(343)**	**—**	(231)	(231)	—

Millions of U.S. dollars

	2011		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash	$ 960	$ 960	$ —
Notes and accounts receivable	201	201	—
Accrued fares (component of notes and accounts receivables)	321	321	—
Other accounts receivable (component of notes and accounts receivables)	567	567	—
Investments in securities:			
Other securities	84	84	—
Liabilities:			
Short-term loans	(211)	(211)	—
Notes and accounts payable	(616)	(616)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(1,624)	(1,624)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(186)	(186)	—
Deposits (component of deposits and advances received)	(668)	(668)	—
Bonds (component of long-term debt, including current portion)	(5,361)	(5,622)	(261)
Long-term loans (component of long-term debt, including current portion)	(3,950)	(4,010)	(59)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(3,970)	(5,371)	(1,401)
Other long-term payables (component of long-term payables, including current portion)	(2)	(2)	(0)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	(4)	(4)	—

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

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

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

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

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

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

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

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

Derivatives transactions
Refer to Note 22.

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

	Millions of yen		Millions of U.S. dollars
	2011	2010	2011
Investments in securities			
Unlisted stocks	¥53,376	¥50,738	$643
Other	31	44	0

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

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

	Millions of yen					
	2011			2010		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	¥ 70,419	¥ —	¥ —	¥ 41,607	¥ —	¥—
Notes and accounts receivable:	16,276	457	—	14,243	39	—
Accrued fares (component of notes and accounts receivables)	26,689	—	—	22,714	–	—
Other accounts receivable (component of notes and accounts receivables)	46,842	222	—	42,035	2	0
Investments in securities:						
Other marketable securities with maturities (national government bonds)	—	37	116	—	37	—
Other marketable securities with maturities (corporate bonds)	6	25	12	6	25	18
Total	¥160,234	¥741	¥128	¥120,606	¥103	¥19

	Millions of U.S. dollars		
	2011		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash	$ 848	$—	$—
Notes and accounts receivable:	196	5	—
Accrued fares (component of notes and accounts receivables)	321	—	—
Other accounts receivable (component of notes and accounts receivables)	564	2	—
Investments in securities:			
Other marketable securities with maturities (national government bonds)	—	0	1
Other marketable securities with maturities (corporate bonds)	0	0	0
Total	$1,930	$ 8	$ 1

4 The redemption schedules for long-term debt and long-term payables are disclosed in Note 10 "Short-Term Loans and Long-Term Debt" and Note 12 "Long-Term Payables" in the Notes to Consolidated Financial Statements.

22 Derivative Transactions

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

Millions of yen

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

Millions of U.S. dollars

Method of hedge accounting	Description of transaction	Hedged items	2011 Notional amount	2011 Notional amount (over 1 year)	2011 Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps				
	Pay fixed / Receive floating	Long-term loans	$180	$180	(*1)
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forward transaction)	66	—	$(3) (*2)
	U.S. dollars		41	—	(1) (*2)
	Other		10	—	0 (*2)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro		$4	—	(*3)
	U.S. dollars	Other accounts payable	$5	—	(*3)
	Other		$0	—	(*3)
			$310	$180	$(4)

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

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

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

23 Segment Information

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

The Company primarily engages in businesses related to transportation, sales of goods and food services and real estate.

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

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

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

Millions of yen

	2011						
	Reportable segments						
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 806,460	¥201,322	¥ 75,767	¥129,955	¥1,213,506	¥ —	¥1,213,506
Intersegment operating revenues or transfers	17,402	48,680	14,170	174,015	254,269	(254,269)	—
Total	823,863	250,003	89,937	303,971	1,467,775	(254,269)	1,213,506
Segment income	¥ 61,165	¥ 3,586	¥ 22,251	¥ 9,674	¥ 96,678	¥ (689)	¥ 95,988
Segment assets	¥1,933,745	¥114,659	¥370,969	¥292,634	¥2,712,009	¥ (39,585)	¥2,672,423
Other items:							
Depreciation and amortization	¥ 129,513	¥ 4,905	¥ 11,829	¥ 4,638	¥ 150,886	¥ —	¥ 150,886
Loss on impairment of fixed assets	—	3,062	640	87	3,790	—	3,790
Investment to affiliates accounted for by the equity method	20,787	—	—	18,001	38,788	—	38,788
Increase in tangible and intangible fixed assets	228,495	9,497	41,858	7,917	287,768	—	287,768

Millions of yen

2010	Reportable segments						
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 797,490	¥201,995	¥ 70,953	¥119,695	¥1,190,135	¥ —	¥1,190,135
Intersegment operating revenues or transfers	16,047	46,582	13,796	167,230	243,657	(243,657)	—
Total	813,538	248,578	84,749	286,925	1,433,792	(243,657)	1,190,135
Segment income	¥ 45,202	¥ 3,174	¥ 22,511	¥ 6,729	¥ 77,617	¥ (1,087)	¥ 76,530
Segment assets	¥1,874,303	¥111,147	¥324,904	¥260,732	¥2,571,087	¥ (24,703)	¥2,546,384
Other items:							
Depreciation and amortization	¥ 120,107	¥ 5,169	¥ 11,640	¥ 4,986	¥ 141,903	¥ —	¥ 141,903
Loss on impairment of fixed assets	—	169	713	2,384	3,266	—	3,266
Investment to affiliates accounted for by the equity method	20,249	—	—	16,055	36,304	—	36,304
Increase in tangible and intangible fixed assets	202,640	13,501	37,853	1,869	255,864	—	255,864

Millions of U.S. dollars

2011	Reportable segments						
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal	Elimination and corporate	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	**$ 9,716**	**$2,425**	**$ 912**	**$1,565**	**$14,620**	**$ —**	**$14,620**
Intersegment operating revenues or transfers	**209**	**586**	**170**	**2,096**	**3,063**	**(3,063)**	**—**
Total	**9,926**	**3,012**	**1,083**	**3,662**	**17,684**	**(3,063)**	**14,620**
Segment income	**$ 736**	**$ 43**	**$ 268**	**$ 116**	**$ 1,164**	**$ (8)**	**$ 1,156**
Segment assets	**$23,298**	**$1,381**	**$4,469**	**$3,525**	**$32,674**	**$ (476)**	**$32,197**
Other items:							
Depreciation and amortization	**$ 1,560**	**$ 59**	**$ 142**	**$ 55**	**$ 1,817**	**$ —**	**$ 1,817**
Loss on impairment of fixed assets	**—**	**36**	**7**	**1**	**45**	**—**	**45**
Investment to affiliates accounted for by the equity method	**250**	**—**	**—**	**216**	**467**	**—**	**467**
Increase in tangible and intangible fixed assets	**2,752**	**114**	**504**	**95**	**3,467**	**—**	**3,467**

Segment income represents operating income in the consolidated statements of income for the years ended March 31, 2011 and 2010.

Information on each product and service for the year ended March 31, 2011 was omitted because it was same as that of the reportable segment information.

Geographical information and sales information to major customers for the year ended March 31, 2011 was omitted because there were no items that meet their disclosure criteria.

Information on loss on impairment of fixed assets per each reportable segment for the year ended March 31, 2011 was as follows:

	Millions of yen				
	2011				
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal
Loss on impairment of fixed assets	**¥—**	**¥3,062**	**¥640**	**¥87**	**¥3,790**

	Millions of U.S. dollars				
	2011				
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal
Loss on impairment of fixed assets	**$—**	**$36**	**$7**	**$1**	**$45**

Information on amortization of goodwill and negative goodwill, the balances and gain on recognition of negative goodwill as of and for the year ended March 31, 2011 was omitted because the amounts were immaterial.

Under the former segmentation policy applied by the Company up to the year ended March 31, 2010, segment information for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen						
	2010						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 797,490	¥201,995	¥ 70,953	¥119,695	¥1,190,135	¥ —	¥1,190,135
Intersegment operating revenues and transfers	16,047	46,582	13,796	167,230	243,657	(243,657)	—
Operating revenues	813,538	248,578	84,749	286,925	1,433,792	(243,657)	1,190,135
Operating expenses	768,335	245,404	62,237	280,196	1,356,175	(242,569)	1,113,605
Operating income	¥ 45,202	¥ 3,174	¥ 22,511	¥ 6,729	¥ 77,617	¥ (1,087)	¥ 76,530
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,874,303	¥111,147	¥324,904	¥260,732	¥2,571,087	¥ (24,703)	¥2,546,384
Depreciation and amortization	120,107	5,169	11,640	4,986	141,903	—	141,903
Loss on impairment of fixed assets	—	169	713	2,384	3,266	—	3,266
Capital expenditures	198,386	4,255	37,524	6,140	246,308	—	246,308

Millions of yen

	2009						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 856,184	¥215,371	¥ 71,140	¥132,612	¥1,275,308	¥ —	¥1,275,308
Intersegment operating revenues and transfers	16,439	44,974	13,073	168,335	242,823	(242,823)	—
Operating revenues	872,624	260,345	84,213	300,947	1,518,131	(242,823)	1,275,308
Operating expenses	783,500	255,568	61,595	294,220	1,394,884	(242,095)	1,152,789
Operating income	¥ 89,124	¥ 4,776	¥ 22,618	¥ 6,727	¥ 123,246	¥ (727)	¥ 122,519
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,831,341	¥ 99,729	¥306,405	¥255,672	¥2,493,150	¥ (31,261)	¥2,461,889
Depreciation and amortization	115,792	3,317	11,334	6,564	137,009	—	137,009
Loss on impairment of fixed assets	51	—	—	—	51	—	51
Capital expenditures	160,407	2,522	26,544	8,320	197,793	—	197,793

The Company and its consolidated subsidiaries are primarily engaged in railway, ferry, bus and other transportation services. They also engage in other activities such as sales of goods and food services and in the real estate business.

On April 1, 2009, one consolidated subsidiary split up some businesses and was merged with another consolidated subsidiary. As a result of review of the business segment considering character of the business and actual control structure, leasing business operated by merging consolidated subsidiary and included in "Other" segment was changed to "Sales of goods and food services" segment for the year ended March 31, 2010.

The business segment information of the Company and its consolidated subsidiaries conformed with revised classifications for the year ended March 31, 2009 was outlined as follows:

Millions of yen

	2009						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 856,184	¥217,306	¥ 71,140	¥130,676	¥1,275,308	¥ —	¥1,275,308
Intersegment operating revenues and transfers	16,439	46,502	13,073	167,090	243,106	(243,106)	—
Operating revenues	872,624	263,808	84,213	297,767	1,518,414	(243,106)	1,275,308
Operating expenses	783,500	258,917	61,595	291,154	1,395,167	(242,378)	1,152,789
Operating income	¥ 89,124	¥ 4,891	¥ 22,618	¥ 6,612	¥ 123,247	¥ (727)	¥ 122,519
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥1,831,341	¥110,688	¥306,405	¥259,180	¥2,507,616	¥ (45,727)	¥2,461,889
Depreciation and amortization	115,792	5,327	11,334	4,555	137,009	—	137,009
Loss on impairment of fixed assets	51	—	—	—	51	—	51
Capital expenditures	160,407	2,971	26,544	7,870	197,793	—	197,793

24 Subsequent Events

(1) Based on a resolution approved at a meeting of the Board of Directors held on May 18, 2011, the Company determined to implement a share split and adopt a lot trading system. The purpose of the split and the adoption of the lot trading system is to improve the availability and liquidity of the Company's shares on the stock exchange market considering the action plan for determining the transaction units launched by Japanese stock exchanges announced in November 2007. As a result, effective from July 1, 2011, the Company plans to split one share into 100 shares. In addition, the Company plans to set one trading lot at 100 shares.

Pro forma information on amounts per share at March 31, 2011 and 2010 and for the years then ended assuming that the split was implemented at April 1, 2010 and at April 1, 2009 was as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Net assets	**¥3,557.13**	¥3,455.68	**$42**
Net income	**180.66**	128.37	**2**

Pro forma information on diluted net income per share has not been presented for the years ended March 31, 2011 and 2010 since the Company had no potentially dilutive stock at March 31, 2011 and 2010.

(2) At a meeting held on May 18, 2011, the Board of Directors of the Company proposed the following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, and which is to be approved at a meeting of the shareholders of the Company to be held on June 23, 2011:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥4,000 = U.S.$48 per share)	¥7,749	$93

The Board of Directors
West Japan Railway Company

We have audited the accompanying consolidated balance sheets of West Japan Railway Company and consolidated subsidiaries as of March 31, 2011, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and consolidated subsidiaries at March 31, 2011, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 22, 2011 Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

Non-Consolidated 20-Year Financial Summary

Years ended March 31

	1992	1993	1994	1995[2]	1996	1997	1998	1999[3]	2000
FOR THE YEAR:									
Operating revenues:	¥917.2	¥922.5	¥937.6	¥874.1	¥936.2	¥956.0	¥946.0	¥909.4	¥885.1
Transportation:	819.0	820.4	824.9	767.5	823.9	839.1	830.0	795.5	773.9
Sanyo Shinkansen	359.7	357.6	362.3	307.8	332.2	350.3	346.0	326.7	313.0
Kyoto–Osaka–Kobe area	271.8	278.7	280.1	285.3	314.8	314.4	315.3	309.8	306.9
Other lines	186.7	183.2	181.6	173.6	176.1	173.7	167.9	158.4	153.5
Operating expenses:	789.4	778.2	801.0	773.0	795.9	825.9	831.1	796.7	786
Personnel	303.4	318.3	329.8	334.4	341.8	350.9	358.5	357.8	350.1
Non-personnel:	311.9	294.7	317.2	295.5	305.7	326.5	301.2	277.7	276.5
Energy	43.4	43.6	43.8	41.4	43.3	42.4	43.8	40.5	39.3
Maintenance	143.2	127.4	136.4	124.8	128.4	146.7	120.9	108.0	112.3
Miscellaneous	125.2	123.6	136.9	129.2	134.0	137.3	136.5	129.2	124.9
Taxes	21.6	25.8	26.4	20.6	29.1	27.1	38.0	31.3	31.0
Rental payments, etc.	5.8	5.8	5.9	7.9	9.0	10.0	23.0	22.8	23.8
Depreciation expenses	109.9	133.3	121.5	114.4	110.0	111.2	110.2	107.0	104.4
Operating income	127.8	144.3	136.5	101.1	140.3	130.0	114.8	112.7	99.0
Recurring profit	66.1	55.7	54.7	20.4	55.6	56.0	48.3	50.5	42.3
Net income (loss)	36.4	31.9	29.8	7.5	25.8	33.5	23.4	(5.6)	25.5
AT YEAR-END:									
Total assets	¥2,297.1[4]	¥2,306.5	¥2,327.9	¥2,355.1	¥2,297.9	¥2,333.4	¥2,277.2	¥2,242.0	¥2,232.6
Total net assets	238.6	260.4	280.1	277.5	293.2	316.6	327.8	312.0	346.6

1 Yen figures have been converted into U.S. dollars at the rate of ¥83=U.S.$1.00, the exchange rate prevailing on March 31, 2011.
2 The Hanshin-Awaji Earthquake occurred in January 1995.
3 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.
4 The Company purchased the Sanyo Shinkansen Line properties from Shinkansen Holding Corporation for a total purchase price of ¥974.1 billion in October 1991.

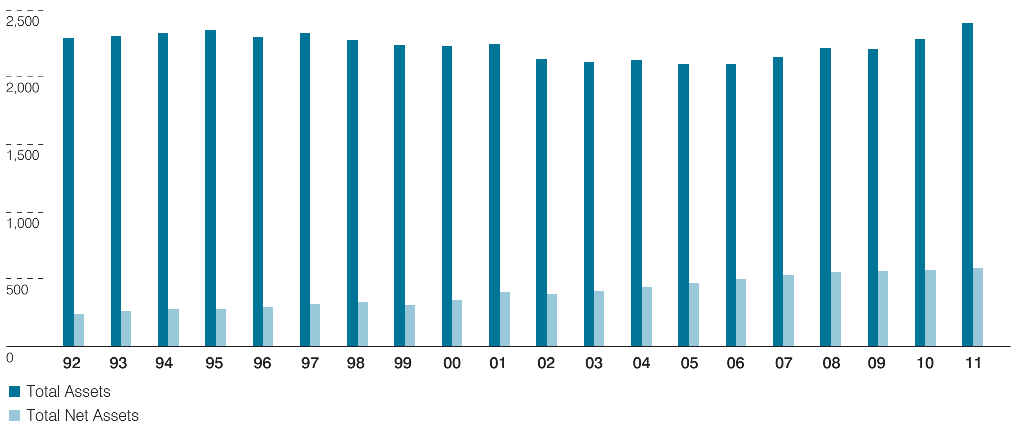
OPERATING REVENUES AND NET INCOME (LOSS)

Billions of yen

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Billions of yen 2011	Millions of U.S. dollars[1] 2011
¥881.4	¥869.8	¥849.0	¥845.8	¥846.4	¥851.2	¥865.8	¥879.4	¥875.0	¥816.7	**¥828.6**	**$9,983**
773.1	770.2	752.3	750.8	750.9	756.5	765.8	781.7	773.7	720.0	**728.0**	**8,771**
313.0	314.3	306.0	308.1	313.4	323.8	328.6	343.5	339.1	312.4	**323.9**	**3,902**
309.3	308.9	303.3	302.0	300.4	297.5	302.4	303.3	301.5	286.1	**284.4**	**3,426**
150.1	146.4	142.5	140.0	136.5	134.7	134.3	134.4	132.5	121.4	**119.6**	**1,441**
784.4	770.3	745.7	740.4	736.4	742.3	756.8	769.6	772.9	758.2	**752.8**	**9,070**
345.6	330.5	301.6	294.5	286.8	276.1	272.5	269.9	268.6	265.2	**235.3**	**2,835**
275.0	281.2	288.2	291.0	300.5	320.0	337.9	338.8	333.9	318.6	**333.4**	**4,016**
38.2	39.2	38.4	36.6	36.9	34.8	34.3	34.4	38.2	33.5	**33.7**	**406**
114.3	116.8	122.6	121.9	127.1	140.7	148.9	148.6	135.8	128.1	**135.8**	**1,636**
122.4	125.1	127.1	132.4	136.4	144.4	154.5	155.8	159.8	156.9	**163.8**	**1,974**
30.3	30.0	29.3	28.2	29.7	28.7	28.1	28.6	29.1	29.3	**29.8**	**359**
31.5	31.3	31.0	30.8	24.6	24.7	24.6	24.6	25.3	25.0	**25.1**	**302**
101.8	97.1	95.4	95.7	94.5	92.5	93.5	107.5	115.9	119.9	**129.1**	**1,555**
97.0	99.5	103.2	105.4	110.0	108.9	108.9	109.8	102.0	58.5	**75.8**	**913**
43.4	54.0	61.3	65.0	74.3	75.9	77.6	79.9	73.4	29.8	**48.5**	**584**
25.9	32.5	33.4	37.1	48.0	35.1	44.6	45.1	44.3	20.5	**28.5**	**343**
¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8	¥2,222.9	¥2,215.1	¥2,286.9	**¥2,405.7**	**$28,984**
403.3	388.6	410.7	439.3	474.3	502.2	533.3	552.4	560.7	568.1	**581.3**	**7,004**

TOTAL ASSETS AND TOTAL NET ASSETS

Billions of yen



Capital Expenditures and Cash Flows

Years ended March 31

Capital Expenditures

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Billions of yen 2011	Millions of U.S. dollars[1] 2011
CONSOLIDATED BASIS:													
Depreciation expenses	¥122.6	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	**¥150.8**	**$1,817**
Capital expenditures excluding a portion contributed by local governments, etc.	100.6	86.3	88.3	105.4	120.8	113.1	125.3	144.9	187.9	163.9	210.1	**260.0**	**3,132**
NON-CONSOLIDATED BASIS:													
Depreciation expenses	¥104.4	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	¥115.9	¥119.9	**¥129.1**	**$1,555**
Capital expenditures excluding a portion contributed by local governments, etc.	100.0	71.8	89.2	85.7	102.3	92.8	106.3	117.2	159.6	128.4	165.5	**208.5**	**2,512**

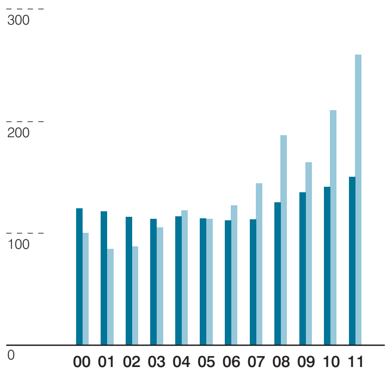
Cash Flows (Consolidated Basis)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Billions of yen 2011	Millions of U.S. dollars[1] 2011
Net cash provided by operating activities	¥154.7	¥138.7	¥ 99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	¥161.3	**¥223.2**	**$ 2,689**
Net cash (used in) provided by investing activities	(99.2)	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	**(246.2)**	**(2,967)**
Free cash flows	55.5	148.1	117.3	66.8	48.5	58.0	62.3	56.8	42.9	6.1	(47.4)	**(23.0)**	**(277)**
Net cash (used in) provided by financing activities	(66.5)	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	54.6	**51.4**	**619**

1 Yen figures have been converted into U.S. dollars at the rate of ¥83=U.S.$1.00, the exchange rate prevailing on March 31, 2011.

DEPRECIATION AND CAPITAL EXPENDITURES (CONSOLIDATED BASIS)

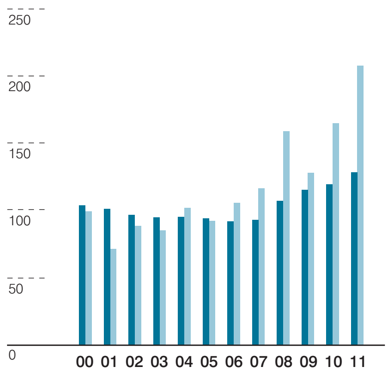
Billions of yen



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

DEPRECIATION AND CAPITAL EXPENDITURES (NON-CONSOLIDATED BASIS)

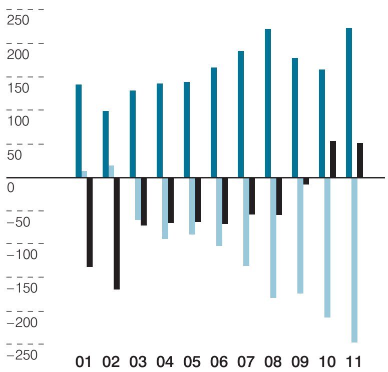
Billions of yen



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

CASH FLOWS

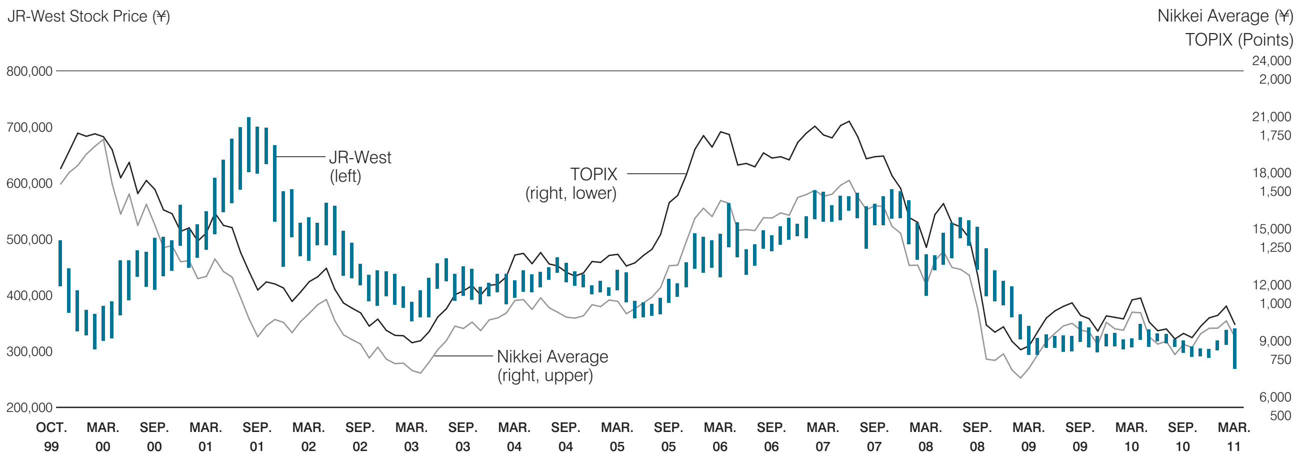
Billions of yen



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

As of March 31, 2011

Stock Price and Trading Volume



	Fiscal 1999	Fiscal 2001		Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005	
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	499,000	503,000	562,000	718,000	700,000	565,000	445,000	467,000	448,000	468,000	446,000
Low (¥)	305,000	324,000	435,000	510,000	452,000	419,000	355,000	362,000	385,000	406,000	400,000
Average Daily Trading Volume (Shares)	1438.86	1636.97	2151.64	3067.06	3827.91	2472.75	2164.39	3,136.44	5,045.71	6,500.51	5,313.89
Nikkei Average (¥)	20,337.32	15,747.26	12,999.70	9,774.68	11,024.94	9,383.29	7,972.71	10,219.05	11,715.39	10,823.57	11,668.95
TOPIX (Points)	1705.94	1470.78	1277.27	1023.42	1060.19	921.05	788.00	1,018.80	1,179.23	1,102.11	1,182.18

	Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	442,000	511,000	565,000	588,000	583,000	590,000	540,000	484,000	354,000	343,000	349,500	342,000
Low (¥)	360,000	398,000	438,000	491,000	484,000	400,000	446,000	294,900	295,200	299,300	298,600	270,000
Average Daily Trading Volume (Shares)	8,400.19	8,021.32	6,166.66	6,884.86	6,480.94	8,616.20	6,952.20	9,125.13	7,827.85	6,609.59	4,835.19	6,288.73
Nikkei Average (¥)	13,574.30	17,059.66	16,127.58	17,287.65	16,785.69	12,525.54	11,259.86	8,109.53	10,133.23	11,089.94	9,369.35	9,755.10
TOPIX (Points)	1,412.28	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81	829.51	869.38

- Based on prices on the First Section of the Tokyo Stock Exchange.
- The closing prices for the Nikkei Index and TOPIX are recorded at the end of the period (month).

Number of Shareholders: 166,507

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Unit)	107,050	5.53
The Master Trust Bank of Japan, Ltd. (Trust Unit)	104,483	5.39
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	45,892	2.37
Nippon Life Insurance Company	40,000	2.06
Japan Trustee Services Bank, Ltd.	35,464	1.83
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	35,363	1.83
The Sumitomo Trust and Banking Company Limited	32,000	1.65
Total	591,752	30.54

Note: For the purpose of computing the shareholding ratios, 62,653 shares of treasury stock are excluded from the total number of issued shares of the Company.

CONSOLIDATED SUBSIDIARIES

As of March 31, 2011

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP (%)
Transportation Operations	Chugoku JR Bus Company	2,840	Bus Services	100.0
	West Japan JR Bus Company	2,110	Bus Services	100.0
	JR West Miyajima Ferry Co., Ltd.	1,100	Ferry Services	100.0
	Sagano Scenic Railway	200	Railway Services	100.0
Sales of Goods and Food Services	West Japan Railway Isetan Limited	12,000	Department Store	60.0
	West Japan Railway Daily Service Net Company	2,300	Retail Sales	100.0
	West Japan Railway Food Service Net Company	899	Food Services	100.0
	Japan Railway Service Net Hiroshima Company	300	Retail Sales	100.0
	Japan Railway Service Net Okayama Company	230	Retail Sales	100.0
	Japan Railway West Trading Company	200	Wholesale	100.0
	Japan Railway Service Net Kanazawa Company	200	Retail Sales	100.0
	Japan Railway Service Net Yonago Company	200	Retail Sales	100.0
	Japan Railway Service Net Fukuoka Company	200	Retail Sales	100.0
	West Japan Railway Fashion Goods Co., Ltd.	100	Retail Sales	100.0
Real Estate Business	Kyoto Station Building Development Co., Ltd.	6,000	Real Estate Leasing	61.9
	Osaka Terminal Building Company	5,500	Real Estate Leasing	73.8
	Tennoji Terminal Building Co., Ltd.	1,800	Real Estate Leasing	100.0
	Kyoto Station Center Co., Ltd.	1,000	Real Estate Leasing	59.1
	JR-West Japan Real Estate & Development Company	620	Real Estate Leasing	100.0
	Toyama Terminal Building Company	550	Real Estate Leasing	63.6
	West JR Create Company	490	Real Estate Leasing	100.0
	Sanyo SC Development Company Co., Ltd.	300	Real Estate Leasing	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Real Estate Leasing	80.0
	Tennoji Station Building Co., Ltd.	100	Real Estate Leasing	100.0
	San-in Station Development Co., Ltd.	100	Real Estate Leasing	93.0
	KOBE SC DEVELOPMENT COMPANY	98	Real Estate Leasing	94.0
	Chugoku SC Development Co., Ltd.	75	Real Estate Leasing	100.0
	Wakayama Station Building Co., Ltd.	75	Real Estate Leasing	82.5
	Shin-Osaka Station Store Company	60	Real Estate Leasing	100.0
	Osaka Station Development Co., Ltd.	50	Real Estate Leasing	100.0
	Kyoto Eki-Kanko Department Store Company	40	Real Estate Leasing	96.3
	JR-West Fukuoka Development Co., Ltd.	30	Real Estate Leasing	100.0

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP (%)
Other Businesses	West Japan Railway Hotel Development Limited	18,000	Hotels	100.0
	Nippon Travel Agency Co., Ltd.	4,000	Travel Services	79.8
	Hotel Granvia Hiroshima Co., Ltd.	2,800	Hotel	93.1
	Hotel Granvia Osaka Co., Ltd.	2,200	Hotel	52.9
	Hotel Granvia Okayama Co., Ltd.	2,054	Hotel	93.9
	Wakayama Terminal Building Co., Ltd.	1,000	Hotel	61.0
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	67.0
	Kurashiki Station Development Co., Ltd.	320	Hotel	99.1
	JR West Japan LINEN Co., Ltd.	290	Linen, Supply Services	97.4
	JR West Japan Communications Company	200	Advertising Services	100.0
	WEST JAPAN RAILWAY TECHNOS CORPORATION	161	Maintenance for Railcar Facilities	62.7
	JR West Japan General Building Service Co., Ltd.	130	Building Management	95.0
	West Japan Railway MAINTEC Co., LTD.	100	Railcar-Related Cleaning	100.0
	Railway Track and Structures Technology Co., Ltd.	100	Constructing	100.0
	West Japan Railway Techsia Co., Ltd.	100	Maintenance for Railcar Facilities	69.1
	West Japan Electric Technologys Co., Ltd.	90	Electric Works	100.0
	West Japan Electric System Co., Ltd.	81	Railway-Related Electric Facilities	51.5
	JR West Japan MARUNIX Co., Ltd.	80	Baggage Service	100.0
	WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION	80	Maintenance for Railcar Facilities	100.0
	JR-West Japan Consultants Company	50	Consulting	100.0
	JR West Financial Management Co., Ltd.	50	Accounting Shared Service	100.0
	JR West Japan Transportation Service Co., Ltd.	50	Station Operations	100.0
	West Japan Railway Golf Co., Ltd.	50	Golf Course Management	88.1
	JR WEST IT Solutions Company	48	Information Services	100.0
	West Japan Railway Hiroshima MAINTEC Co., LTD.	35	Cleaning	100.0
	West Japan Railway Kanazawa MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Fukuoka MAINTEC Co., LTD.	30	Cleaning	100.0
	West Japan Railway Rent-A-Car & Lease Co., LTD.	30	Rent-a-Car Services	78.6
	West Japan Railway Okayama MAINTEC Co., LTD.	25	Cleaning	100.0
	West Japan Railway Fukuchiyama MAINTEC Co., LTD.	20	Cleaning	100.0
	West Japan Railway Yonago MAINTEC Co., LTD.	20	Cleaning	100.0
	West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0

CORPORATE DATA

As of March 31, 2011

COMPANY NAME
West Japan Railway Company

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

PAID-IN CAPITAL
¥100 billion

NUMBER OF EMPLOYEES
26,705

STOCK LISTINGS
Tokyo, Osaka, Nagoya, and Fukuoka
stock exchanges

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd.

MAIN FEATURES OF BUSINESS

Railway
(Non-Consolidated Basis)

Route Length and Track Gauge
51 lines; 5,012.7 km
Shinkansen (1 line): 644.0 km; 1,435 mm
Conventional lines (50 lines):
4,360.2 km; 1,067 mm
8.5 km; 1,435 mm

Double- and Multi-Tracked Section Length
2,253.2 km (44.9% of total route length)

Electrified-Section Length
3,385.7 km (67.5% of total route length)

Number of Stations
1,222

Rolling Stock
6,722 cars
- Electric railcars: 5,852
  - Shinkansen: 997
  - Conventional lines: 4,855
- Diesel railcars: 461
- Passenger cars: 63
- Freight cars: 228
- Electric locomotives: 22
- Diesel locomotives: 32
- Steam locomotives: 5

Number of Passengers per Year
1,778 million
- Shinkansen: 60 million
- Conventional lines: 1,732 million

Passenger-Kilometers per Year
52,614 million
- Shinkansen: 15,546 million
- Conventional lines: 37,067 million

Train-Kilometers per Day
531,000 km
- Shinkansen: 103,000 km
- Conventional lines: 427,000 km

Other Businesses

Bus Services

Ferry Services

Sales of Goods and Food Services
Retail and food service operations
Department store operations
Wholesale operations

Real Estate Business
Shopping center management
Real estate brokerage and leasing

Other Businesses
Travel agency
Hotels
Advertising services
Electrical engineering
Maintenance for railcar facilities
Construction consulting
Railcar-related cleaning
Rent-a-car services
Management of welfare facilities
Merchandise leasing
Construction
Information service

For further information, please contact the Investor Relations section of the
Corporate Planning Headquarters at the West Japan Railway Company Head Office.
4-24, Shibata 2-chome, Kita-ku, Osaka 530-8341, Japan
Tel: 81-6-6375-8981 Fax: 81-6-6375-8976
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JR-WEST

WEST JAPAN RAILWAY COMPANY

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