April 28, 2010

Last posted on April 28, 2010

West Japan Railway Company

Flash Report (Consolidated and Non-Consolidated Basis)

Results for the year ended March 31, 2010

Forward-Looking Statements

This release 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 passenger railway and airlines companies;
- infectious disease outbreak and epidemic;
- earthquake and other natural disaster risks; and
- failure of computer telecommunications systems disrupting railway or other operations

All forward-looking statements in this release are made as of April 28, 2010 based on information available to JR-West as of the date April 28, 2010 and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

FLASH REPORT (CONSOLIDATED BASIS)

Company name: **West Japan Railway Company**

Stock listings: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya and Fukuoka Stock Exchanges

Code number: 9021 URL: http://www.westjr.co.jp

President: Takayuki Sasaki

For further information, please contact: Kazuyuki Hyakuda, General Manager, Corporate Communications Department

Telephone: +81-6-6375-8889

Scheduled date for the General Meeting of Shareholders: Undecided

Planned filing of an annual security report: Undecided Planned start of dividend payments: Undecided

(Figures less than ¥1 million have been omitted.)

1. Performance

(1) Operating results

1. Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2010	1,190,135	(6.7)	76,530	(37.5)	48,106	(49.3)	24,858	(54.4)
2009	1,275,308	(1.2)	122,519	(10.8)	94,850	(12.9)	54,529	(5.5)

	Net income per share	Net income per share after dilution	Return on equity	Recurring profit-to-total assets ratio	Operating income-to-operating revenues ratio
	Yen	Yen	%	%	%
2010	12,837.31	—	3.7	1.9	6.4
2009	27,729.03	—	8.4	3.9	9.6

(Reference) Gain on investment by equity method: Year ended March 31, 2010: ¥807 million, Year ended March 31, 2009: ¥986 million

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2010	2,546,384	702,141	26.3	345,568.31
2009	2,461,889	689,602	26.7	339,113.24

(Reference) Total shareholders' equity: March 31, 2010: ¥669,164 million, March 31, 2009: ¥656,664 million

(3) Cash flows

Years ended March 31

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2010	161,309	(208,782)	54,621	51,084
2009	178,840	(172,651)	(10,185)	41,184

2. Dividends

Year ended/ ending March 31

	Dividends per share					Total amount of dividends (for the entire fiscal year)	Payout ratio (Consolidated)	Dividends-to-net assets ratio (Consolidated)
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2009	—	3,500.00	—	3,500.00	7,000.00	13,650	25.2	2.1
2010	—	3,500.00	—	3,500.00	7,000.00	13,561	54.5	2.0
2011 (Forecast)	—	3,500.00	—	3,500.00	7,000.00		48.4	

3. Forecasts for Fiscal Year ending March 31, 2011

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	587,000	(0.7)	49,000	11.7	33,000	19.7
Fiscal year	1,193,000	0.2	78,000	1.9	49,000	1.9

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	19,000	10.9	9,811.94
Fiscal year	28,000	12.6	14,459.70

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None

   Additions: None Deletions: None

2. Changes in accounting rules, procedures or method of presentation relating to the preparation of the consolidated financial statements (Matters included in changes to significant items that form the basis for preparation of the consolidated financial statements).

   a. Changes in accordance with revisions to accounting standards: Yes

   b. Other changes: None

3. Number of Shares Outstanding (Common stock)

   Number of shares outstanding at fiscal year-end:

   2010: 2,000,000 shares 2009: 2,000,000 shares

   Number of treasury stocks at fiscal year-end:

   2010: 63,584 shares 2009: 63,584 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Performance

(1) Operating results

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2010	816,784	(6.7)	58,503	(42.7)	29,800	(59.4)	20,577	(53.6)
2009	875,030	(0.5)	102,094	(7.0)	73,411	(8.2)	44,380	(1.7)

	Net income per share	Net income per share after dilution
	Yen	Yen
2010	10,621.42	—
2009	22,557.62	—

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2010	2,286,949	568,102	24.8	293,237.50
2009	2,215,108	560,789	25.3	289,462.54

(Reference) Total shareholders' equity: March 31, 2010: ¥568,102 million, March 31, 2009: ¥560,789 million

2. Forecasts for Fiscal Year ending March 31, 2011

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	409,000	(0.4)	43,000	11.4	27,000	21.4
Fiscal year	818,000	0.1	63,000	7.7	35,000	17.4

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	16,000	9.1	8,258.72
Fiscal year	21,000	2.1	10,839.57

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

QUALITATIVE INFORMATION RELATED TO BUSINESS PERFORMANCE AND FINANCIAL STATEMENTS

1. BUSINESS PERFORMANCE

1. Analysis of Business Performance

(1) Overview of Results for the Subject Period

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 of passengers. Since the accident JR-West has exerted its full effort toward pursuing the three pillars of its management to support the bereaved families and all those who were victims of the accident, pursue safety improvement measures, and reform its corporate culture. We have also humbly accepted the report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission in June 2007, and are working to make improvements by sincerely and quickly addressing its proposals, opinions and other issues raised.

During the subject fiscal year (April 1, 2009 to March 31, 2010), JR-West held a memorial service for the victims of the Fukuchiyama Line accident, and continued to make a concerted effort to the families of the victims, including convening in August 2009 an explanatory meeting regarding the accident and our response. Further, in consideration of the Fukuchiyama Line accident, in April 2009 we established the JR West Anshin Foundation with the aim of fostering a safe and secure society. The foundation was certified as a public interest group in January 2010.

JR-West also worked to achieve the goal of its five-year Medium-Term Management Plan, formulated in May 2008. Under this plan, in accordance with the Corporate Philosophy and Safety Charter adopted in March 2006, we will establish “a corporate culture that places top priority on safety,” make further improvements in safety and regain customer trust, building on this foundation to achieve sustainable growth into the future. In particular, as part of our measures to address the most essential issue of improving safety, we have incorporated the Basic Safety Plan at the heart of the Medium-Term Management Plan. Working to “Build a corporate system to ensure no accidents to produce causalities among our customers and no serious labor accidents to our employees,” we have established a safety management system based on risk assessment, and implemented a range of other measures.

As part of its reform effort, JR-West also established and is implementing a range of measures that cover everything from raising awareness to general operations, based on the recommendations of an Advisory Panel for reform of corporate culture made up of experts from outside the Company.

In June 2009, JR-West put in place a structure to steadily implement the Basic Safety Plan, established the new position of Technical Director as a means of continually support improvements in the technological capabilities that underpin safety, and took other steps to further enhance the management foundation. We have also sincerely heeded the reprimand from the Kobe District Public Prosecutors Office regarding the Fukuchiyama Line accident, implementing a new management structure in August 2009, and putting in place a structure to thoroughly support the three pillars of our management efforts.

In response to the serious compliance issues raised during the investigation of the Fukuchiyama Line accident conducted by the Aircraft and Railway Accidents Investigation Commission, in September 2009 JR-West was ordered by the Minister of Land, Infrastructure, Transport and Tourism to submit a report on reoccurrence prevention and other improvement measures implemented based on an examination of the current situation and the results. In November JR-West compiled a report on reoccurrence prevention and other improvement measures, along with the results of the investigation conducted by a Special Committee on Compliance made up of experts from outside the Company, along with an in-house team under the direction of the president. This report was submitted to the Minister of Land, Infrastructure, Transport and Tourism, and JR-West continues to make a concerted effort to prevent a reoccurrence and achieve corporate revitalization.

Specifically, in December JR-West established a Corporate Revival Headquarters to provide for the quick and steady implementation of these measures, as well as a Corporate Ethics and Risk Management Department to coordinate all compliance functions. In February, the Corporate Ethics Committee was established as a consultative body for the Board of Directors, and makes deliberations on such matters as policies to establish corporate ethics. We also formulated a “Code of Conduct for Directors” and selection criteria for directors and other officers, in order to ensure adherence to corporate ethics based on a strong ethical viewpoint and sense of responsibility among directors. For everyone affected by the Fukuchiyama Line accident, JR-West held explanatory meetings in October and December 2009.

The business environment for JR-West was very challenging, with the sluggish Japanese economy compounded by deep discounts for expressway tolls, the spread of the new influenza virus in the first half of the subject fiscal year, and other issues. Faced with these conditions, with the aim of long-term improvements in its corporate value, JR-West has devoted its full effort to enhancing safety in its mainstay railway business, while also working to improve the value of our railway belts, by developing a variety of measures that draw on the unique characteristics of each of its businesses, including other Group operations, and effectively utilizing their assets. We also developed various marketing strategies to stimulate travel demand, worked to secure earnings, and under the Management Improvement Headquarters established in March 2009, revised the entire business operating structure to strengthen management foundations.

Nevertheless, consolidated operating revenues for the subject fiscal year (April 1, 2009 to March 31, 2010) declined from the same period of the previous fiscal year, down 6.7% to ¥1,190.1 billion. Operating income was down 37.5% from a year earlier to ¥76.5 billion, recurring profit fell 49.3% to ¥48.1 billion, and net income was down 54.4% to ¥24.8 billion.

(2) Results by Business Segment

Transportation Operations

In the railway business, JR-West continued to pursue improvement measures that reflected the remarks, including the proposals and opinions, noted in the investigation report on the Fukuchiyama Line accident. Further, to help “build a corporate system to ensure no accidents to produce causalities among our customers and no serious labor accidents to our employees” in accordance with the Basic Safety Plan formulated in April 2008, we moved forward with and worked to establish risk assessment measures. We also continued with such measures as convening regular safety meetings to allow top management and officers on the one hand, and employees in the field on the other, to directly exchange opinions.

In terms of facilities, along with expansion of the ATS-P system, JR-West took additional steps that included enhancing the safety of crossings, strengthening pillars supporting elevated tracks against earthquakes, and increasing the number of seismometers. Further, taking to heart the seriousness of accidents now and in the future, from April 2009 we expanded to all JR-West Group employees the safety training session conducted at the Railway Safety Education Center, established to teach systematically the lessons learned from accidents. Various types of training sessions were also conducted on caring for passengers and improved response in the event of an accident.

In transportation operations, JR-West worked to enhance convenience with measures that included revisions to the timetable in March, and upgrades to all *Nozomi* trains on the Sanyo Shinkansen between Tokyo and Hakata to N700 models. For conventional lines, we introduced new rolling stock for the limited express train *Thunderbird*, increased the number of rapid trains on the Sagano Line between Kyoto and Sonobe following completion of a double track along that segment, and in June 2009 increased the number of *Hakutaka* limited express trains operating between Kanazawa and Echigoyuzawa stations.

In October 2009 JR-West began using a new traffic control system on the Osaka Loop Line, Yamatoji Line and other networks in an effort to enhance safety and reliability.

In marketing initiatives, JR-West launched the EX-IC service for the Sanyo Shinkansen in August 2009 to enhance convenience, as well as continued to promote use of the Sanyo Shinkansen by operating additional trains, and implementing a proactive campaign to highlight the comfort of the N700 Series, along with the convenience and price advantages of the Express Reservation system. For conventional lines, in December 2009 we began negotiations with Surutto Kansai Association for an integrated service utilizing IC card (smart card) train passes, and reached an agreement to improve the convenience of railways through coordination. Also, amid the economic decline and the implementation of deep discounts for expressway tolls, JR-West actively worked to sell special promotional packages, such as the Kodama Reserved Seat Return Ticket, and West Japan Pass. We also worked in cooperation with local governments, travel agents and other JR companies to stimulate demand for tourism, such as through the Aitai Hyogo Destination Campaign, and the Japanese Beauty Hokuriku Campaign. In addition, in July 2009 JR-West merged two consolidated subsidiaries in the rental car business, creating a structure for more efficient secondary access from railways.

For customer service initiatives, in consideration of social trends such as the prevention of exposure to secondhand smoke, in June 2009 JR-West banned smoking on all limited express trains on conventional lines, and in July banned smoking on all platforms on conventional lines in the Kyoto-Osaka-Kobe area. We also continued to expand the system of screens that display current information on train operations during emergencies or other disruptions.

In environmental issues, JR-West implemented the “Think and Act Eco” initiative to encourage every employee to reconsider their lifestyles and work from an environmental perspective. Also, in November 2009 we launched the “Eco Life Point” service and other Groupwide measures incorporating customer participation.

In ferry services (the Miyajima Line), JR-West established a subsidiary in February 2009 in order to put in place a structure that allows for timely and appropriate decision-making, as well as to enhance safety and develop detailed marketing measures. The ferry service was transferred to this subsidiary, the JR West Miyajima Ferry Company, in April 2009.

In bus services, amid a highly competitive environment marked by deep discounts on expressway tolls and other factors, JR-West worked to enhance customer convenience with measures including timetable revisions, additional bus stops, and flexible pricing schemes.

However, as a result of the sharp decline in the Japanese economy, discounted expressway tolls, the spread of the new influenza virus in the first half of the subject fiscal year and other factors, operating revenues for the Transportation Operations segment decreased 6.9% from the same period of the previous fiscal year, to ¥797.4 billion, with operating income down 49.3%, to ¥45.2 billion.

Sales of Goods and Food Services

For the new department store in the New North Building of Osaka Station, JR-West began making preparations for opening centered on the development planning office for the facility’s main business operator West Japan Railway Isetan Ltd. We also continued to work to make stations more attractive, such as by opening a “gift market” along with other shops and restaurants as part of Hakata Station’s renovation. The commercial facility Eki Marché Takarazuka was opened in Takarazuka Station with the completion of an overhead connection bridge.

However, as a result of the sharp decline in the Japanese economy, the spread of the new influenza virus in the first half of the subject fiscal year and other factors, operating revenues in the Sales of Goods and Food Services segment declined 6.2% from the same period of the previous fiscal year, to ¥201.9 billion, with operating income down 33.6% to ¥3.1 billion.

Real Estate Business

JR-West worked to develop station premises and surrounding areas, including full renovation of “Station Plaza Tennoji” in Tennoji Station. We also opened the new “Wakayama Mio” shopping center in the Wakayama Station building, as well as the JR Sumakaihinkoen Station West NK Building, a structure on the west side of Sumakaihinkoen Station that includes a fitness club and other facilities.

We also moved steadily forward with the plan for the Osaka Station Development Project, including making progress with the renovation of Osaka Station and work to develop the New North Building, as well as expansion of the ACTY Osaka building. In addition, we actively developed condominium apartments on land formerly used for housing for company employees.

In April 2009 JR-West merged two consolidated subsidiaries in the Okayama area that operate a shopping center and develop property under elevated tracks, with the aim of strengthening their competitiveness and overall capabilities.

As a result, operating revenues for the Real Estate segment declined 0.3% from the previous fiscal year, to ¥70.9 billion, with operating income down 0.5%, to ¥22.5 billion.

Other Businesses

In hotel operations, JR-West worked to expand sales through such measures as renovation of guest facilities, and hosting various events.

In travel agency operations, JR-West worked to expand sales utilizing its internet sales system.

For the J-West Card credit card, JR-West worked to increase the number of cardholders through such measures as issuing additional cards to family members. For the ICOCA e-money service, we began offering interoperability with JR Central's TOICA service, and expanded the network of stores around town where the service can be used, such as major convenience store chains and restaurants.

However, as a result of the sharp decline in the Japanese economy, the spread of the new influenza virus in the first half of the subject fiscal year and other factors, operating revenues in the Other Businesses segment declined 9.7% from the same period of the previous fiscal year to ¥119.6 billion, with operating income on a par with the previous period at ¥6.7 billion.

(3) Qualitative Information on Consolidated Forecasts

The business environment for JR-West is expected to remain difficult due to the sluggish Japanese economy, along with other factors such as the deep discounts on expressway tolls, and the planned elimination of tolls on some expressways. In response to these circumstances, JR-West will implement sales measures responsive to changes in the business environment in an effort to secure earnings, and under the direction of the Corporate Revival Headquarters established in March 2009, work to strengthen the management structure through revision to the entire operational framework, while maintaining and enhancing safety. Further, in accordance with the JR-West Group Medium-Term Management Plan, we will work to establish a brand of trust and reliability, and to steadily implement business strategies to achieve sustainable development, including offering of direct through-service operations on the Sanyo and Kyushu Shinkansen lines, moving forward with the Osaka Station Development Project and enhancing the value of areas along rail lines through the coordinated effort of the railway and business creation divisions, in an effort to enhance medium- to long-term corporate value.

Consolidated Forecasts for the Year Ending March 31, 2011

Operating revenues:	¥1,193.0 billion	(up 0.2% YoY)
Operating income:	¥78.0 billion	(up 1.9% YoY)
Recurring profit:	¥49.0 billion	(up 1.9% YoY)
Net income:	¥28.0 billion	(up 12.6% YoY)

Note: Forecasts are based on certain assumptions considered reasonable at the present time, and are subject to change.

2. Qualitative Information on the Consolidated Financial Position

(1) Cash Flows From Operating Activities

Cash provided by operating activities amounted to ¥161.3 billion, a decline of ¥17.5 billion from the same period of the previous fiscal year. This was due mainly to the decline in income before income taxes and minority interests, offsetting expenditures for payment of the decline in income taxes paid.

(2) Cash Flows From Investing Activities

Cash used in investing activities amounted to ¥208.7 billion, an increase of ¥36.1 billion from the same period of the previous fiscal year. This was due mainly to increases in expenditures for acquisition of property, plant and equipment.

(3) Cash Flows From Financing Activities

Cash provided by financing activities amounted to ¥54.6 billion. This was due mainly to increases in proceeds from the issuance of bonds.

As a result, cash and cash equivalents at the end of the subject period totaled ¥51.0 billion, an increase of ¥9.9 billion from the end of the previous fiscal year (March 31, 2009).

(Reference) Cash Flow Indicators

Years ended March 31

	2006	2007	2008	2009	2010
Equity ratio (%)	23.9	25.3	25.9	26.7	26.3
Equity ratio, based on market value (%)	42.2	45.3	35.2	24.5	24.5
Interest-bearing debt to cash flow ratio (Times)	6.1	5.1	4.2	5.2	6.3
Interest coverage ratio (Times)	3.4	3.6	3.9	3.6	2.2

Notes:

Equity ratio: shareholders' equity/ total assets

Market-based rate of equity ratio: total market capitalization/ total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/ operating cash flows

Interest coverage ratio: (operating income + interest & dividend income)/ interest expense

Notes:

1. All of the figures in the above table were calculated on a consolidated basis.
2. Total market capitalization was calculated by multiplying the closing stock price at the end of the term by the total amount of outstanding stock at the end of the term (excluding treasury stock).
3. Cash flow is defined as operating cash flow.
4. Interest-bearing debt is defined as interest-bearing debt of long-term debt and payables.

3. Basic Policy Regarding Distribution of Earnings

JR-West's basic policy, in consideration of the steady improvement in the stability and soundness of its finances, is to place priority on the strengthening and expansion of its business foundation with sufficient investments for improved safety and growth, and enhance the corporate value of the Company.

Regarding the specific policy for dividends, JR-West considers it important to maintain and improve its return on capital, and to provide sufficient shareholder returns in accordance with shareholders' equity and the status of long-term debt. On the premise that current project achieve results as planned, from fiscal 2013 (ending March 31, 2013) we plan to achieve 3% of consolidated dividend on equity (DOE).

For the subject fiscal year, JR-West plans to pay a dividend of ¥7,000 per share, consisting of the ¥3,500 per share interim dividend already paid, and a year-end dividend of ¥3,500 per share.

2. MANAGEMENT POLICIES

On April 25, 2005, an extremely serious accident between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line resulted in 106 fatalities and injuries to more than 500 passengers.

We pray for all the victims of the accident and offer our sincerest apologies to their bereaved families. We would also like to express our deepest sympathies and sincerest apologies to the injured, and hope they recover as soon as possible. We further offer deep apologies to passengers, shareholders and local residents for the excessive strain and trouble that we have caused.

We pledge never to forget this accident, and to remain conscious of our responsibility for protecting the truly precious lives of our customers. We also persistently act on the basis of safety first, and are working to build a railway that assures our customers of safety and reliability, in accordance with our Corporate Philosophy and Safety Charter.

1. Basic Management Policies

The JR-West Group, concentrating on its core business of railway operations, will work to establish a corporate culture that places a top priority on safety, regain trust as quickly as possible, and pursue sustainable development as a corporate group.

Specifically, these "three pillars of management" are to 1) support the bereaved families and all those who were victims of the accident, 2) pursue safety improvement measures, and 3) reform the corporate culture. We will make a concerted effort as a company to put the organization on the path to revitalization as quickly as possible, and regain trust.

Despite the lack of transparency in the outlook for the business environment, JR-West has continued to work to improve its corporate value. In accordance with the Corporate Philosophy and Safety Charter, and while maintaining a foundation of prioritizing safety and accurately assessing market trends, we have implemented strategic and timely measures that allow us to provide high-quality services and products that induce customers to continue choosing JR-West with confidence.

2. Medium-Term Management Strategies

The JR-West Group announced its "JR-West Group's Medium-Term Management Plan 2008-2012" in May 2008, formulated from the standpoint of realizing our Corporate Philosophy, the common values that we as a company must strive to achieve. In addition to the ultimate goal of the Basic Safety Plan formulated and announced in April 2008 to "Build a corporate system to ensure no accidents to produce causalities among our customers and no serious labor accidents to our employees", JR-West has established three main management goals for the period of this plan: 1) Establish a brand of safety and reliability; 2) Pursue business strategies for sustainable growth; and 3) Foster a management vision from a long-term perspective. Through its corporate activities aimed at achieving these goals, JR-West will meet the expectations of all stakeholders, including its customers, shareholders, its employees and their families, as well as local communities and society at large.

3. Management Issues

JR-West is redoubling its efforts to establish a corporate culture that places top priority on safety, and places the highest management priority on regaining the trust of customers and society lost as a result of the Fukuchiyama Line accident. Building on a foundation of providing a safe and reliable, high-quality transport service, JR-West recognizes that it must, as a corporate group, strive to provide a beneficial service to society, and achieve sustainable growth into the future.

In consideration of the serious compliance issues raised in the course of the investigation of the Fukuchiyama Line accident conducted by the Aircraft and Railway Accidents Investigation Commission, JR-West will implement measures to prevent a reoccurrence including ensuring corporate ethics and strengthening corporate governance, and will further enhance the measures outlined in the three pillars of management taken up to now to revitalize the company.

Being responsive to the bereaved families and all those who suffered as a result of the Fukuchiyama Line accident is one of our highest priorities. We will deal with them honestly, listen carefully to their opinions and requests, and strive to ensure that they accept the sincerity of our response.

For measures to improve safety, JR-West will steadily move forward with its Basic Safety Plan to achieve the goal of "Build a corporate system to ensure no accidents to produce causalities among our customers and no serious labor accidents to our employees." We will also further enhance our safety management structure in line with the Railway Safety Management Manual.

Specifically, along with sharing information on risks and implementing effective countermeasures, we will work to establish safety management based on risk assessments through lateral dissemination of recommended measures for risk assessments, and will implement various measures necessary to establish a foundation for safety, including improving communication, strengthening ties among Group and associated companies, and securing and developing human resources. We will also make regular investments to maintain and renovate facilities, as well as implement measures aimed at installing ATS systems, preventing accidents at crossings, enhancing safety on platforms, and preventing accidents during maintenance work. Further, we will continue to implement measures to ensure that we do not forget the Fukuchiyama Line accident, and enhance the effectiveness of teaching the lessons learned from the accident during training session conducted at the Railway Safety Education Center.

For the reform of the corporate culture, JR-West will work to change the corporate atmosphere and revitalize the company, redoubling its efforts toward individual proactive thinking and action in order to ensure that each employee fully understands how his or her job is linked to the world at large, and to realize our corporate philosophy.

In the railway business, amid a competitive environment marked by such factors as a tight economy, deep discounts on expressway tolls, elimination of fees on some expressways, and expanded number of landing slots at Haneda Airport, in anticipate of the full opening of the Kyushu Shinkansen in spring 2011 JR-West will provide highly convenient timetables, product structures and sales channels, particularly including direct through-service operation on the Sanyo and Kyushu Shinkansen. We will also step up advertising campaigns to highlight the convenience and cost advantages of the Express Reservation system and Express IC (EX-IC) Service, as well as develop the J-WEST Premiere Program and EX-Reservation Corporate Service systems in order to increase use of the Sanyo Shinkansen and other lines. JR-West will create demand for tourism by utilizing destination campaigns, the DISCOVER WEST Campaign and other promotions, and work in cooperation with local governments and travel agents to generate tourism ideas, as well as design and promote travel packages. We will also provide interoperability between ICOCA and JR Kyushu's SUGOCA service, and expand IC card (smart card) alliances with private railways in the Kyoto-Osaka-Kobe area in order to provide highly convenient service. Further, JR-West will proactively implement measures to make stations and trains more user-friendly and enhance customer satisfaction, including bolstering the overall level of service, from ticket windows and other station and train services, and making stations more accessible through such measures as installation of “barrier free” facilities in conjunction with local governments and other organizations.

In the areas of sales of goods and food services and real estate, JR-West will implement measures to enhance the value of our railway belts, with the railway division working in cooperation with local governments and communities to maximize asset efficiency. Further, from the standpoint of enhancing the potential of stations and surrounding areas, and stimulating growth in areas in between, we will seek to create districts with full offerings in stations and surrounding areas that provide ample convenience, and are attractive places to live. For the area encompassing Kyoto, Osaka and Kobe in particular, we will pursue specific measures based on market trends and other aspects of each rail belt. We will also move steadily forward with the Osaka Station Development Project, anticipating completion in the spring of 2011. We will work to increase the number of J-WEST Card cardholders, and work to enhance convenience for use in conjunction with the railway service, including allowing interoperability between the ICOCA e-money service and JR Kyushu's SUGOCA, and expanding the number of stores where the service can be used.

With regard to the pursuit of corporate social responsibility (CSR), JR-West will continue to move forward with efforts centered on its CSR Promotion Committee. We will also further strengthen internal control functions, including working to establish corporate ethics in line with the deliberations and other recommendations of the Corporate Ethics Committee that acts as a consultative body for the Board of Directors, and will take steps for appropriate management of risks under the guidance of the Crisis Management Committee. For global environmental issues, JR-West will introduce energy efficient rolling stock and high-efficiency equipment and promote the “Eco Life Point” service as part of a proactive effort to reduce CO_2 emission, as well as implement throughout the entire JR-West Group the “Think and Act Eco” initiative to encourage all employees to think about and act to protect the global environment. We will also work through the activities of the JR West Anshin Foundation established in the wake of the Fukuchiyama Line accident to pursue measures beneficial to the establishment of a sustainable, stable society.

The business environment for JR-West is expected to remain extremely difficult due to the sluggish Japanese economy, along with other factors such as the deep discounts on expressway tolls. In response to these circumstances, JR-West will implement sales measures responsive to changes in the business environment in an effort to secure earnings, and under the direction of the Corporate Revival Headquarters established in March 2009, work to improve management in terms of both income and expenditure with measure to strengthen the management structure through revision to the entire operational framework, while maintaining and enhancing safety. We will also make a concerted effort to derive the maximum benefit from direct through-service operations on the Sanyo and Kyushu Shinkansen to commence in spring 2011, and the opening of the Osaka Station development project. Further, in accordance with the JR-West Group Medium-Term Management Plan, we will work to establish a brand of trust and reliability, and to steadily implement business strategies to achieve sustainable development, including establishing the superiority of the Sanyo Shinkansen, and enhancing the value of our railway belts through the coordinated effort of the railway and business creation divisions, in an effort to enhance medium- to long-term corporate value.

3. CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

March 31

	Millions of yen	
	2009	**2010**
ASSETS		
Current assets:		
Cash	41,414	51,314
Notes and accounts receivable-trade	15,726	14,282
Railway fares receivable	21,438	22,714
Accounts receivable	44,619	42,038
Income tax refundable	340	641
Inventories	24,143	29,534
Deferred income taxes	19,743	17,857
Other current assets	41,715	45,709
Less allowance for doubtful accounts	(597)	(840)
Total current assets	**208,544**	**223,254**
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	979,197	989,472
Machinery and transport equipment	278,663	285,890
Land	657,643	658,809
Construction in progress	75,811	107,533
Other property, plant and equipment	30,194	30,570
Total property, plant and equipment	**2,021,511**	**2,072,276**
Intangible fixed assets	**20,839**	**24,933**
Investments and other assets:		
Investments in securities	60,494	59,327
Deferred tax assets	125,527	139,030
Other investments and assets	26,214	28,729
Less allowance for doubtful accounts	(1,286)	(1,188)
Total investments and other assets	**210,950**	**225,898**
Total fixed assets	**2,253,301**	**2,323,107**
Deferred income taxes:		
Development expenses	42	22
Total deferred income taxes	**42**	**22**
Total assets	**2,461,889**	**2,546,384**

March 31

	Millions of yen	
	2009	**2010**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	46,164	47,999
Short-term loans	28,807	12,932
Current portion of redemption of corporate bonds	20,000	—
Current portion of long-term debt	42,739	33,428
Current portion of long-term payables for acquisition of railway properties	33,472	30,020
Current portion of long-term accounts payable	31	31
Accounts payable	103,271	102,385
Accrued consumption tax	5,759	1,901
Accrued income tax	26,857	13,793
Railway deposits received	1,250	2,117
Deposits received	54,640	50,033
Prepaid railway fares received	31,510	31,450
Advances received	45,258	35,060
Allowance for bonuses	34,253	33,032
Allowance for compensation of completion of construction	58	58
Allowance for point program	563	580
Other current liabilities	34,726	33,377
Total current liabilities	**509,365**	**428,201**
Fixed liabilities:		
Bonds	269,966	384,968
Long-term debt	227,349	260,820
Long-term payables for acquisition of railway properties	359,459	329,474
Long-term accounts payable	253	222
Deferred tax liabilities	176	213
Accrued retirement benefits	292,774	324,801
Allowance for environmental safety measures	10,193	9,039
Provision for unredeemed gift certificates	2,808	2,715
Other long-term liabilities	99,937	103,785
Total fixed liabilities	**1,262,920**	**1,416,040**
Total liabilities	**1,772,286**	**1,844,242**

(continued on page 17)

	Millions of yen	
	2009	**2010**
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	55,000	55,000
Retained earnings	531,236	543,323
Treasury stock, at cost	(30,343)	(30,343)
Total shareholders' equity	**655,893**	**667,980**
Valuation and translation adjustments:		
Net unrealized holding gain on securities	1,004	1,292
Deferred gains or losses on hedges	(233)	(108)
Total Valuation and translation adjustments	**770**	**1,183**
Minority interests	**32,938**	**32,977**
Total net assets	**689,602**	**702,141**
Total liabilities and net assets	**2,461,889**	**2,546,384**

2. Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2009	**2010**
Operating revenues	**1,275,308**	**1,190,135**
Operating expenses:		
Transportation, other services and cost of sales	944,505	915,865
Selling, general and administrative expenses	208,283	197,739
Total operating expenses	**1,152,789**	**1,113,605**
Operating income	**122,519**	**76,530**
Non-operating revenues:		
Interest income	173	212
Dividend income	414	420
Insurance bonus	2,026	2,111
Transfer from administrative fee of contracted construction	1,700	1,669
Equity in earnings of affiliates	986	807
Other	2,910	2,444
Total non-operating revenues	**8,212**	**7,666**
Non-operating expenses:		
Interest expense	34,592	34,309
Other	1,288	1,781
Total non-operating expenses	**35,881**	**36,090**
Recurring profit	**94,850**	**48,106**
Extraordinary profits:		
Gain on contributions received for construction	54,935	35,961
Compensation for expropriation	10,968	6,281
Proceeds from sales of fixed assets	4,802	7,033
Other	1,915	5,157
Total extraordinary profits	**72,622**	**54,434**
Extraordinary losses:		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	53,338	35,200
Loss on reduction entry of compensation for expropriation	10,540	6,217
Other	8,942	17,428
Total extraordinary losses	**72,821**	**58,847**
Income before income taxes and minority interests	**94,651**	**43,693**
Income taxes- Current	52,432	31,047
Income taxes- Deferred	(13,621)	(11,820)
Total income taxes	38,810	19,226
Minority interests in income (loss)	1,311	(391)
Net income	**54,529**	**24,858**

3. Consolidated Statements of Changes in Net Assets

Years ended March 31

	Millions of yen	
	2009	**2010**
Shareholders' equity:		
Common stock:		
Balance at the previous year-end	100,000	100,000
Balance at the current year-end	100,000	100,000
Capital surplus:		
Balance at the previous year-end	55,000	55,000
Balance at the current year-end	55,000	55,000
Retained earnings:		
Balance at the previous year-end	489,366	531,236
Change in the fiscal year:		
Dividends from surplus	(12,816)	(13,561)
Net income	54,529	24,858
Change of scope of consolidation	—	452
Change of scope of equity method	(193)	—
Increase in merger and acquisition	351	337
Total	41,870	12,086
Balance at the current year-end	531,236	543,323
Treasury stock, at cost:		
Balance at the previous year-end	(10,343)	(30,343)
Change in the fiscal year:		
Acquisition of treasury stock	(19,999)	—
Total	(19,999)	—
Balance at the current year-end	(30,343)	(30,343)
Total shareholders' equity:		
Balance at the previous year-end	634,022	655,893
Change in the fiscal year:		
Dividends from surplus	(12,816)	(13,561)
Net income	54,529	24,858
Change of scope of consolidation	—	452
Change of scope of equity method	(193)	—
Increase in merger and acquisition	351	337
Acquisition of treasury stock	(19,999)	—
Total	21,870	12,086
Balance at the current year-end	655,893	667,980

(continued on page 20)

Years ended March 31

	Millions of yen	
	2009	**2010**
Valuation and translation adjustments:		
Net unrealized holding gain on securities:		
Balance at the previous year-end	4,552	1,004
Change in the fiscal year:		
Net changes in items other than shareholders' equity	(3,548)	288
Total	(3,548)	288
Balance at the current year-end	1,004	1,292
Deferred gains or losses on hedges:		
Balance at the previous year-end	95	(233)
Change in the fiscal year:		
Net changes in items other than shareholders' equity	(328)	124
Total	(328)	124
Balance at the current year-end	(233)	(108)
Total valuation and translation adjustments:		
Balance at the previous year-end	4,647	770
Change in the fiscal year:		
Net changes in items other than shareholders' equity	(3,876)	412
Total	(3,876)	412
Balance at the current year-end	770	1,183
Minority interests:		
Balance at the previous year-end	32,167	32,938
Change in the fiscal year:		
Net changes in items other than shareholders' equity	770	39
Total	770	39
Balance at the current year-end	32,938	32,977
Total net assets:		
Balance at the previous year-end	670,838	689,602
Change in the fiscal year:		
Dividends from surplus	(12,816)	(13,561)
Net income	54,529	24,858
Change of scope of consolidation	—	452
Change of scope of equity method	(193)	—
Increase in merger and acquisition	351	337
Acquisition of treasury stock	(19,999)	—
Net changes in items other than shareholders' equity	(3,106)	451
Total	18,764	12,538
Balance at the current year-end	689,602	702,141

4. Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2009	**2010**
Cash flows from operating activities		
Income before income taxes and minority interests	94,651	43,693
Depreciation and amortization	137,009	141,903
Loss on Impairment of fixed assets	51	3,266
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	53,338	35,200
Loss on disposal of property, plant and equipment	7,394	8,873
Change in allowance for doubtful accounts	520	140
Change in allowance for retirement benefits	35,729	31,959
Change in allowance for accrued bonuses	(595)	(1,259)
Change in other reserves	(3,419)	(1,302)
Interest and dividend income	(588)	(632)
Interest expenses	34,592	34,309
Equity in earnings of affiliates	(986)	(807)
Gain on contributions received for construction	(54,935)	(35,961)
Change in notes and accounts receivable	8,095	4,623
Change in inventories	(1,826)	(5,339)
Change in notes and accounts payable	(33,736)	(15,242)
Change in accrued consumption tax	2,611	(4,466)
Other	(1,568)	400
Subtotal	**276,338**	**239,359**
Interest and dividends income received	648	619
Interest paid	(34,827)	(34,409)
Income taxes paid	(63,318)	(44,260)
Net cash provided by operating activities	**178,840**	**161,309**
Cash flows from investing activities		
Payments for time deposits with a maturity of more than three months	(230)	(35,230)
Proceeds for time deposits with a maturity of more than three months	230	35,230
Purchases of property, plant and equipment	(201,716)	(246,183)
Proceeds from sales of property, plant and equipment	2,481	1,791
Contributions received for constructions	40,928	37,855
Increase in investments in securities	(12,023)	(812)
Proceeds from sales of investments in securities	18	800
Payments on long-term loans receivable	(828)	(584)
Collections of long-term loans receivable	681	562
Other	(2,192)	(2,210)
Net cash used in investing activities	**(172,651)**	**(208,782)**

(continued on page 22)

	Millions of yen	
	2009	**2010**
Cash flows from financing activities		
Change in short-term loans	14,447	(16,493)
Proceeds from long-term loans	63,606	66,900
Repayment of long-term debt	(43,060)	(42,770)
Proceeds from issuance of bonds	55,000	115,000
Repayment of redemption of bonds	(45,000)	(20,000)
Repayment of long-term payables for acquisition of railway properties	(34,539)	(33,437)
Payment of acquisition of treasury stock	(19,999)	—
Cash dividends paid to the Company's shareholders	(12,825)	(13,552)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(126)	(117)
Other	12,311	(907)
Net cash used in financing activities	**(10,185)**	**54,621**
Change in cash and cash equivalents, net	**(3,996)**	**7,148**
Cash and cash equivalents at the beginning of the period	**44,606**	**41,184**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	**2,690**
Increase in cash and cash equivalents resulting from merger	**574**	**61**
Cash and cash equivalents at the end of the period	**41,184**	**51,084**

4. SIGNIFICANT CHANGES FUNDAMENTAL TO THE PREPARATION OF FINANCIAL STATEMENTS

1. Change in Standard for Recognizing Revenues and Costs of Completed Construction Projects

In its accounting standard for recognizing revenues and costs of construction contracts, from the subject fiscal year, JR-West has applied Accounting Standards Board of Japan (ASBJ) Statement No. 15 (December 27, 2007), "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 (December 27, 2007), "Guidance on Accounting Standard for Construction Contracts." As a result, in its calculation of the percentage of completion at the end of the subject fiscal year for construction contracts that began from April 1, 2009, JR-West has used the percentage-of-completion method for construction projects for which the percentage of completion can be reliably estimated (estimates of the percentage of completion are made mainly by calculating the percentage of the cost incurred to the estimated total cost), and the completed-contract method for other construction projects.

The impact on the consolidated financial statements as a result of this change is minimal.

2. Change in Valuation Standard for Marketable Securities

From the subject fiscal year, JR-West has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised March 30, 2008). Since it is possible to estimate the future cash flow of available-for-sale securities without a market price, the value used for these securities is the present value of the future cash flow discounted at an appropriate rate plus the yield spread on government bonds.

The impact on consolidated financial statements as a result of this change is minimal.

3. Change in Calculation Method for Retirement Benefits

From the subject fiscal year, JR-West has applied "Partial Amendments to 'Accounting Standard for Retirement Benefits' (Part3)" (ASBJ Statement No. 19, July 31, 2008).

There was no variance in calculation as a result of this change, and no impact on consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS OF CHANGES IN NET ASSETS

1. Kind and number of shares outstanding

Kind of shares	Number of shares at March 31, 2009	Year ended March 31, 2010		Number of shares at March 31, 2010
		Increase	Decrease	
Common stock	2,000,000	—	—	2,000,000

2. Kind and number of treasury stock

Kind of shares	Number of shares at March 31, 2009.	Year ended March 31, 2010		Number of shares at March 31, 2010
		Increase	Decrease	
Common stock	63,584	—	—	63,584

3. Dividends

(1) Dividends paid

Resolution	Kind of shares	Total amount of dividends paid	Dividends per share	Date of record	Effective date
		Millions of yen	Yen		
June 23, 2009 General Meeting of the Shareholders	Common stock	6,780	3,500	March 31, 2009	June 24, 2009
October 28, 2009 Board of Directors Meeting	Common stock	6,780	3,500	September 30, 2009	November 27, 2009

(2) Dividend payments for which the record date is the subject year have an effective date in the succeeding consolidated fiscal year.

Resolution (Plan)	Kind of shares	Total amount of dividends paid	Dividend resource	Dividends per share	Date of record	Effective date
		Millions of yen		Yen		
June 2010 General Meeting of the Shareholders	Common stock	6,780	Retained earnings	3,500	March 31, 2010	Undecided

5. RETIREMENT BENEFITS FOR EMPLOYEES

1. Overview of the Retirement Benefits System Adopted by the Company

The Company and its consolidated subsidiaries have established defined benefit plans, consisting of a qualified pension plan and a retirement lump-sum payment plan. Certain consolidated subsidiaries have a funded defined contribution pension plan administered by a government agency. In addition, premium severance pay may be available for retiring employees.

2. Retirement Benefit Obligation (March 31, 2010)

	Millions of yen
(1) Retirement benefit obligation	(365,596)
(2) Plan assets at fair value	9,313
(3) Unfunded retirement benefit obligation [(1) + (2)]	(356,282)
(4) Unrecognized net retirement benefit obligation at transition	4,906
(5) Unrecognized actuarial loss	28,635
(6) Unrecognized prior service cost	(1,541)
(7) Net retirement benefit obligation [(3) + (4) + (5) + (6)]	(324,281)
(8) Prepaid pension cost	519
(9) Accrued retirement benefits [(7) – (8)] (Note)	(324,801)

Note: Some subsidiaries adopt the simplified method in calculating retirement benefit obligations.

3. Retirement Benefit Expenses (Year ended March 31, 2010)

	Millions of yen
(1) Service cost	15,189
(2) Interest cost	7,391
(3) Expected return on plan assets	(174)
(4) Amortization of net retirement benefit obligation at transition	31,462
(5) Amortization of actuarial loss	7,530
(6) Amortization of prior service cost	82
(7) Amortization of transition from the simplified method to the principle method	740
(8) Total [(1) + (2) + (3) + (4) + (5) + (6)+(7)]	62,220

Note: Retirement benefit expenses of consolidated subsidiaries which adopt the simplified method are stated in (1) Service cost.

4. Items related to Basis for Calculation of Retirement Benefit Obligation

(1) Method allocating projected retirement benefits over period	Straight-line standards
(2) Discount rates	Mainly 2.0%
(3) Expected rate of return on plan assets	Mainly 2.5%
(4) Amortization period of net obligation at transition	Mainly 10 years
(5) Amortization period of actuarial gain or loss	Mainly 10 years
(6) Amortization period of prior service	Mainly amortized in the year occurred

6. TAX-EFFECT ACCOUNTING

1. Breakdown and Principal Sources of Deferred Tax Assets and Liabilities

	Millions of yen
	March 31, 2010
Deferred tax assets:	
Allowance for Accrued bonuses	13,490
Accrued enterprise tax included in accrued income taxes	1,396
Allowance for retirement benefits	131,952
Unrealized gain on property, plant and equipment	7,674
Tax loss carryforwards	1,570
Others	26,100
Subtotal	182,186
Valuation allowance	(7,282)
Total	174,903
Deferred tax liabilities:	
Unrealized holding gain on securities	(751)
Contributions for construction deducted from acquisition costs of property, plant and equipment	(14,780)
Gain on valuation of assets of consolidated subsidiaries	(1,443)
Others	(1,253)
Total	(18,229)
Deferred tax assets, net	156,674

（Note） Deferred tax assets and deferred tax liabilities, net are included in the following items on the consolidated balance sheet.

	Millions of yen
Current assets --- Deferred tax assets	17,857
Fixed assets --- Deferred tax assets	139,030
Fixed liabilities --- Deferred tax liabilities	213

2. Difference in the Burden of Corporate and Other Taxes between the Statutory Tax Rate and after Application of Tax-Effect Accounting

Item	Year ended March 31, 2010
Normal effective Statutory Tax Rate	40.69%
Reconciliation:	
Changes in valuation allowance	2.04%
Per capita portion	1.64%
Expenses not permanently deductible for income tax purposes	0.81%
Other-net	(1.18) %
Actual effective tax rate	44.00%

7. SEGMENT INFORMATION

Information by Business Segment

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

	Millions of yen						
	Transportation	Sales of goods and food services	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
Operating revenues and income:							
Operating revenues from third parties	856,184	215,371	71,140	132,612	1,275,308	—	1,275,308
Intergroup operating revenues and transfers	16,439	44,974	13,073	168,335	242,823	(242,823)	—
Total sales	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
Assets, depreciation, and capital expenditures:							
Total assets	1,831,341	99,729	306,405	255,672	2,493,150	(31,261)	2,461,889
Depreciation	115,792	3,317	11,334	6,564	137,009	—	137,009
Capital expenditures	160,407	2,522	26,544	8,320	197,793	—	197,793

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

	Millions of yen						
	Transportation	Sales of goods and food services	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
Operating revenues and income:							
Operating revenues from third parties	797,490	201,995	70,953	119,695	1,190,135	—	1,190,135
Intergroup operating revenues and transfers	16,047	46,582	13,796	167,230	243,657	(243,657)	—
Total sales	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
Assets, depreciation, and capital expenditures:							
Total assets	1,874,303	111,147	324,904	260,732	2,571,087	(24,703)	2,546,384
Depreciation	120,107	5,169	11,640	4,986	141,903	—	141,903
Capital expenditures	198,386	4,255	37,524	6,140	246,308	—	246,308

Notes: 1. Fractional sums less than ¥1 million have been omitted.

2. Method of defining business segments: With the standard breakdown of Japanese manufacturers as a base, business segments have been determined in a way that shows as precisely and accurately as possible the actual diversity of present business conditions.

3. Main activities of business segments

Transportation: railways, ferries, buses

Sales of goods and food services: department store, sales of goods, food and beverages, wholesale of various goods, etc.

Real estate business: brokerage and leasing of real estate, operation of shopping center

Other: hotels, travel services, rental of goods, construction, etc.

4. The company-wide assets included in “Eliminations and Intergroup” consist mainly of the Company’s surplus funds (cash and cash equivalents), and deferred tax assets.

Year ended March 31, 2009: ¥161,333 million

Year ended March 31, 2010: ¥181,318 million

8. NOTES REGARDING FINANCIAL INSTRUMENTS

Items related to the market value of financial instruments

The following chart shows amounts for items recorded in the consolidated balance sheets at March 31, 2010 (the consolidated settlement date for the subject fiscal year), along with their market value and the variance. Items for which determining the market value is recognized as being extremely difficult are not included in the chart. (See Note 2)

Millions of yen

	Amount recorded on balance sheets	Market value	Variance
(1) Cash	51,314	51,314	—
(2) Notes and accounts receivable-trade	14,282	14,282	—
(3) Railway fares receivable	22,714	22,714	—
(4) Accounts receivable	42,038	42,038	
(5) Investments in securities			
Available-for-sale securities	8,543	8,543	—
(6) Notes and accounts payable-trade	[47,999]	[47,999]	—
(7) Short-term loans	[12,932]	[12,932]	—
(8) Accounts payable	[102,385]	[102,385]	—
(9) Railway deposits received	[2,117]	[2,117]	—
(10) Deposits received	[50,033]	[50,033]	—
(11) Bonds included in current portion of bonds	[384,968]	[404,502]	[19,534]
(12) Long-term debt included in current portion of long-term debt	[294,249]	[299,927]	[5,678]
(13) Long-term payables for acquisition of railway properties included in current portion of payables for acquisition of railway properties	[359,494]	[491,197]	[131,702]
(14) Long-term accounts payable included in current portion of long-term accounts payable	[253]	[271]	[18]
(15) Derivatives	[231]	[231]	—

* Figures in bracket [ ] are stated in liabilities.

Note 1: Items concerning the calculation method of the market value of financial instruments, as well as marketable securities and derivatives.

(1) Cash; (2) Notes and accounts receivable-trade; (3) Railway fares receivable; (4) Accounts receivable

The book value is used for these items, because the market value is nearly equal to the book value as a result of their short settlement periods.

(5) Investments in securities

The market value of investment securities is determined by the price of the stock traded on an exchange. For bonds, the value is calculated from the present value of the future cash flow discounted at an appropriate rate plus the yield spread on government bonds.

(6) Notes and accounts payable-trade; (7) Short-term loans; (8) Accounts payable; (9) Railway deposits received; (10) Deposits received

The book value is used for these items, because the market value is nearly equal to the book value as a result of their short settlement periods.

(11) Bonds included in current portion of bonds

The market value of bonds issued by the Company is calculated based on the market price.

(12) Long-term debt included in current portion of long-term debt; (14) Long-term accounts payable included in current portion of long-term accounts payable

The market value of these items is calculated from the present value of the total principal and interest discounted at a rate supposing newly conducted similar borrowing.

(13) Long-term payables for acquisition of railway properties included in current portion of payables for acquisition of railway properties

The market value of long-term payables for acquisition of railway properties, due to the difficulty of refinancing with methods similar to the debt acquired based on relevant laws, is calculated based on the present value of the total principal and interest discounted at a rate supposing newly issued similar bonds.

(15) Derivatives

The market value of derivatives is based on the market price and other information shown by financial institutions.

Note 2: Financial instruments for which determining the market value is recognized as being extremely difficult

Millions of yen

	Amount recorded on consolidated balance sheets
Investment securities	
Available-for-sale securities	
Equity securities	2,276
Other	44

These items have no market value, and it is impossible to estimate their future cash flow. Because determining the market value is recognized as being extremely difficult, they are not included in "(5) Investments in securities – Available-for-sale securities."

9. NOTES REGARDING LEASED AND OTHER REAL ESTATE PROPERTIES

1. Items concerning the status of leased and other real estate properties

   JR-West and certain subsidiaries hold real estate properties for lease, including office buildings, commercial facilities with land and residential buildings, in Osaka and other regions.

2. Items concerning the market value of leased and other real estate properties

Millions of yen

Amount recorded in consolidated balance sheet	Market value
111,110	203,145

Note 1: The amount recorded on the consolidated balance sheet is the acquisition amount less accumulated depreciation and impairment.

Note 2: The market value of major properties at the end of the subject fiscal year is calculated based on real-estate appraisal standards. The market value of other properties, because a certain portion of the assessed value can be considered to be properly reflected in the market price, is recorded as the relevant assessed value or amount recorded on the balance sheet.

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

March 31

	2009	**2010**	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	**140.0**	**157.5**	**17.5**
Fixed assets:			
Fixed assets for railway operations	1,713.8	1,734.9	21.0
Construction in progress	55.9	65.5	9.6
Investments and other assets	305.3	329.0	23.6
Total fixed assets	**2,075.1**	**2,129.4**	**54.3**
Total assets	**2,215.1**	**2,286.9**	**71.8**

	2009	**2010**	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	93.9	61.2	(32.6)
Accounts payable	420.1	368.0	(52.1)
Total current liabilities	**514.1**	**429.3**	**(84.8)**
Fixed liabilities:			
Bonds and long-term debt	840.3	960.8	120.4
Accrued retirement benefits	273.3	303.8	30.5
Other long-term liabilities	26.4	24.8	(1.6)
Total fixed liabilities	**1,140.1**	**1,289.5**	**149.3**
Total liabilities	**1,654.3**	**1,718.8**	**64.5**
Total shareholders' equity:			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	435.0	442.0	7.0
Treasury stock, at cost	(29.9)	(29.9)	—
Total shareholders' equity	**560.0**	**567.0**	**7.0**
Valuation and translation adjustments	**0.7**	**1.0**	**0.2**
Total net assets	**560.7**	**568.1**	**7.3**
Total liabilities and net assets	**2,215.1**	**2,286.9**	**71.8**

2. NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31

	2009	**2010**	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Operating revenues:				
Transportation	773.7	720.0	(53.7)	(6.9)
Transportation incidentals	21.8	20.1	(1.7)	(7.8)
Other operations	20.9	21.1	0.2	1.0
Miscellaneous	58.4	55.4	(3.0)	(5.2)
	875.0	**816.7**	**(58.2)**	**(6.7)**
Operating expenses:				
Personnel costs	268.6	265.2	(3.3)	(1.3)
Non personnel costs:				
Energy costs	38.2	33.5	(4.6)	
Maintenance costs	135.8	128.1	(7.7)	
Miscellaneous costs	159.8	156.9	(2.9)	
	333.9	318.6	(15.3)	(4.6)
Rental payments, etc	25.3	25.0	(0.2)	(1.0)
Taxes	29.1	29.3	0.2	0.8
Depreciation	115.9	119.9	4.0	3.5
	772.9	**758.2**	**(14.6)**	**(1.9)**
Operating income	**102.0**	**58.5**	**(43.5)**	**(42.7)**
Non-operating revenues and expenses, net:				
Non-operating revenues	6.7	6.0	(0.6)	
Non-operating expenses	35.4	34.7	(0.6)	
	(28.6)	**(28.7)**	**(0.0)**	**0.1**
Recurring profit	**73.4**	**29.8**	**(43.6)**	**(59.4)**
Extraordinary profit and loss, net:				
Extraordinary profit	70.3	52.8	(17.5)	
Extraordinary loss	69.2	48.3	(20.9)	
	1.1	**4.4**	**3.3**	
Income before income taxes	**74.5**	**34.2**	**(40.2)**	**(54.0)**
Income taxes	30.1	13.7	(16.4)	
Net income	**44.3**	**20.5**	**(23.8)**	**(53.6)**

Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Years ended March 31		Change		Years ended March 31		Change	
	2009	**2010**	Amount	%	2009	**2010**	Amount	%
Sanyo Shinkansen								
Commuter Passes	697	708	11	1.6	8.7	8.8	0.1	1.6
Non-Commuter Passes	15,189	14,109	(1,080)	(7.1)	330.3	303.5	(26.8)	(8.1)
Total	15,887	14,818	(1,068)	(6.7)	339.1	312.4	(26.6)	(7.9)
Conventional Lines								
Commuter Passes	23,044	22,718	(326)	(1.4)	143.5	140.8	(2.6)	(1.9)
Non-Commuter Passes	15,510	14,474	(1,035)	(6.7)	290.6	266.6	(23.9)	(8.2)
Total	38,555	37,192	(1,362)	(3.5)	434.1	407.5	(26.5)	(6.1)
Kyoto-Osaka-Kobe Area								
Commuter Passes	18,648	18,391	(256)	(1.4)	115.9	113.8	(2.1)	(1.8)
Non-Commuter Passes	10,285	9,722	(562)	(5.5)	185.6	172.3	(13.2)	(7.2)
Total	28,933	28,114	(819)	(2.8)	301.5	286.1	(15.4)	(5.1)
Other Lines								
Commuter Passes	4,396	4,326	(69)	(1.6)	27.5	27.0	(0.5)	(2.0)
Non-Commuter Passes	5,225	4,752	(473)	(9.1)	104.9	94.3	(10.6)	(10.1)
Total	9,621	9,078	(543)	(5.6)	132.5	121.4	(11.1)	(8.4)
Total								
Commuter Passes	23,742	23,427	(315)	(1.3)	152.2	149.7	(2.5)	(1.7)
Non-Commuter Passes	30,700	28,583	(2,116)	(6.9)	621.0	570.2	(50.7)	(8.2)
Total	54,442	52,011	(2,431)	(4.5)	773.2	720.0	(53.2)	(6.9)

3. CAPITAL EXPENDITURES

Consolidated Basis

Years ended March 31

	2009	**2010**	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	197.7	246.3	48.5	24.5
Capital expenditures, excluding contributions received for constructions	163.9	210.1	46.2	28.2
Contributions received for constructions	33.8	36.1	2.2	6.7

Non-Consolidated Basis

Years ended March 31

	2009	**2010**	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	162.2	201.6	39.3	24.3
Capital expenditures, excluding contributions received for constructions	128.4	165.5	37.0	28.9
[Safety-related capital expenditures]*	[77.2]	[95.6]	[18.3]	[23.8]
Contributions received for constructions	33.8	36.1	2.2	6.7

*Safety-related capital expenditures will be made as per the initial plan (¥95.0 billion).

<u>Major Capital Expenditures</u>

Safety and accident-prevention measures, including installation of ATS; introduction of new rolling stock (N700 Series Shinkansen and New Thunderbird Trains), Osaka Station Renovation and the New North Building; Others

4. FORECASTS FOR FISCAL 2010, ENDING MARCH 31, 2011

Consolidated Statements of Income

	Year ended March 31, 2010	Forecast for year ending March 31, 2011	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
	<1.46>	<1.46>		
Operating revenues:				
Transportation	797.4	796.4	(1.0)	(0.1)
Sales of goods and food services	201.9	198.1	(3.8)	(1.9)
Real estate	70.9	73.6	2.6	3.7
Other businesses	119.6	124.9	5.2	4.3
	1,190.1	[587.0] 1,193.0	2.8	0.2
Operating expenses	1,113.6	[538.0] 1,115.0	1.3	0.1
Operating income:				
Transportation	45.2	48.9	3.6	8.2
Sales of goods and food services	3.1	2.1	(1.0)	(33.8)
Real estate	22.5	21.0	(1.5)	(6.7)
Other businesses	6.7	7.0	0.2	4.0
Elimination and corporation	(1.0)	(1.0)	0.0	
	76.5	[49.0] 78.0	1.4	1.9
Recurring profit	48.1	[33.0] 49.0	0.8	1.9
	<1.21>	<1.33>		
Net income	24.8	[19.0] 28.0	3.1	12.6

Note: 1. Figures in bracket [ ] are for the six months ending September 30, 2010.
2. Figures in bracket < > are the consolidated-to-parent ratio.
3. Revenues by each segment are from third parties.

Fiscal year ending March 31, 2011

Consolidated return on assets (ROA) (operating income basis):	3.0%
Consolidated return on equity (ROE) (net income basis):	4.1%
Capital expenditures (own fund):	¥285.0 billion
Balance of long-term debt and payables:	¥1,113.0 billion

Non-Consolidated Statements of Income

	Year ended March 31, 2010	Forecast for year ending March 31, 2011	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Operating revenues	816.7	[409.0] 818.0	1.2	0.1
Transportation	720.0	[360.7] 717.0	(3.0)	(0.4)
Operating expenses	758.2	[366.0] 755.0	(3.2)	(0.4)
Operating income	58.5	[43.0] 63.0	4.4	7.7
Recurring profit	29.8	[27.0] 35.0	5.1	17.4
Net income	20.5	[16.0] 21.0	0.4	2.1

Note: Figures in bracket [ ] are for the six months ending September 30, 2010.

Fiscal year ending March 31, 2011

Capital expenditures (own fund):	¥215.0 billion
[Safety-related capital expenditure]	[¥120.0 billion]
Balance of long-term debt and payables:	¥1,098.0 billion