

# West Japan Railway Company

## Flash Report (Consolidated Basis)

### Results for the second quarter ended September 30, 2009

#### 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 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 release are made as of October 28, 2009 based on information available to JR-West as of the date October 28, 2009 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

Quarterly report filing date (Planned): November 11, 2009

Start of dividend payments (Planned): November 27, 2009

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

### 1. Results for the second quarter of fiscal 2009 (from April 1, 2009 to September 30, 2009)

#### (1) Operating results

Six months ended September 30

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	%
2009	591,033	(6.9)	43,886	(39.8)	27,577	(51.6)	17,125	(48.7)
2008	634,952	—	72,859	—	57,013	—	33,386	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	8,844.12	—
2008	16,853.70	—

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2009	2,520,015	699,837	26.5	344,638.46
March 31, 2009	2,461,889	689,602	26.7	339,113.24

(Reference) Total shareholders' equity: September 30, 2009: ¥667,363 million, March 31, 2009: ¥656,664 million

## 2. Dividends

Years ended/ending March 31

Record date	Dividends per share				
	June 30	September 30	December 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2009	—	3,500.00	—	3,500.00	7,000.00
2010	—	3,500.00			
2010 (Forecast)			—	3,500.00	7,000.00

(Note) Revision of dividends forecast for this period: None

### 3. Forecasts for fiscal year ending March 31, 2010

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	1,215,000	(4.7)	65,000	(46.9)	37,000	(61.0)

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	20,000	(63.3)	10,328.36

(Note) Revision of earnings forecast for this period: None

### 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
2. Adoption of simplified accounting practices and special accounting policy for quarterly financial reporting: None
3. Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:
  - 1) Changes based on revision of accounting standards: Yes
  - 2) Changes other than 1) above: None
4. Number of shares issued and outstanding (common share)
  - 1) Number of shares issued and outstanding (including treasury stock):  
September 30, 2009: 2,000,000 shares      March 31, 2009: 2,000,000 shares
  - 2) Number of treasury stock  
September 30, 2009: 63,584 shares      March 31, 2009: 63,584 shares
  - 3) Average number of shares outstanding for each period (cumulative term):  
Six months ended September 30    2009: 1,936,416 shares      2008: 1,980,982 shares

### (Reference)

#### Results for the second quarter of fiscal 2009 (from July 1, 2009 to September 30, 2009)

Three months ended September 30

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	%
2009	308,607	(5.6)	28,240	(25.0)	19,853	(33.2)	12,975	(24.7)
2008	326,861	—	37,636	—	29,740	—	17,233	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	6,700.91	—
2008	8,702.21	—

## QUALITATIVE INFORMATION RELATED TO BUSINESS PERFORMANCE AND FINANCIAL STATEMENTS

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 first half period (April 1 to September 30, 2009), 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 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.

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 casualties 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, and in August 2009 implemented a new management structure. We further put 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, on October 2 JR-West established a Special Committee on Compliance made up of experts from outside the Company to investigate the facts of the case, and make a concerted effort to prevent a reoccurrence.

The business environment for JR-West was very challenging, with the sharp downturn in the Japanese economy compounded by deep discounts for expressway tolls, the spread of the new

influenza virus, 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 first half (April 1, 2009 to September 30, 2009) declined from the same period of the previous fiscal year, down 6.9% to ¥591.0 billion. Operating income was down 39.8% from a year earlier to ¥43.8 billion, recurring profit fell 51.6% to ¥27.5 billion, and net income was down 48.7% to ¥17.1 billion.

## **1. Qualitative Information on Consolidated Business Results**

### Consolidated Results for the First Half of Fiscal 2010 (April – September 2009)

Operating revenues:	¥591.0 billion
Operating income:	¥43.8 billion
Recurring profit:	¥27.5 billion
Net income:	¥17.1 billion

## **Results by Business Segment**

### **(1) 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 casualties 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 enhanced the safety of crossings, and strengthened pillars supporting elevated tracks against earthquakes. Further, taking to heart the seriousness of accidents now and in the future, 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 through such measures as increasing the number of *Nozomi* trains on the Sanyo Shinkansen in operation during the peak summer months and fall holiday (September 18 – 27). For conventional lines we introduced in

June new rolling stock for the limited express train *Thunderbird*, and increased the number of *Hakutaka* limited express trains operating between Kanazawa and Echigoyuzawa stations.

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. 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. Regarding the order from the Fair Trade Commission to remove advertisements due to the content, we take the matter seriously, and took steps to prevent a reoccurrence. In addition, in July 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 continued to implement the “Think and Act Eco” initiative to encourage every employee to reconsider their lifestyles and work from an environmental perspective. We also highlighted the low environmental impact of railways, and continued to implement the “carbon offset awards” launched in April 2008.

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 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 and other factors, operating revenues for the Transportation Operations segment decreased 7.5% from the same period of the previous fiscal year, to ¥400.8 billion, with operating income down 45.6%, to ¥31.8 billion.

## **(2) 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 restaurants in the Himeji Station building, a establishing a “gift

market” in Hakata Station following the building’s renovation, and renovating restaurants in Kyoto Station.

However, as a result of the sharp decline in the Japanese economy, the spread of the new influenza virus and other factors, operating revenues in the Sales of Goods and Food Services segment declined 6.7% from the same period of the previous fiscal year, to ¥100.6 billion, with operating income down 51.0% to ¥1.4 billion.

### **(3) Real Estate Business**

JR-West worked to develop station premises and surrounding areas, including renovation of the EST shopping center underneath Osaka Station, and opening the JR Takatsuki Station NK Building, JR Sumakaihinkoen Station West NK Building, and JR Amagasaki North NK Building. 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 continued to actively develop 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 rose 7.4% from the same period of the previous fiscal year, to ¥36.5 billion, with operating income up 0.5%, to ¥11.7 billion.

### **(4) 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 ICOCA e-money service, JR-West expanded the network of stores around town where the service can be used, such as major convenience store chains and restaurants. We also took steps to allow for the purchase of tickets for sporting events.

However, as a result of the sharp decline in the Japanese economy, the spread of the new influenza virus and other factors, operating revenues in the Other Businesses segment declined 11.4% from the same period of the previous fiscal year to ¥53.0 billion, with the segment posting an operating loss for the period of ¥1.4 billion.

## **2. Qualitative Information on the Consolidated Financial Position**

### **(1) Cash Flows From Operating Activities**

Cash provided by operating activities amounted to ¥71.4 billion, a decline of ¥4.6 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 accounts payable and the decline in income taxes paid.

## **(2) Cash Flows From Investing Activities**

Cash used in investing activities amounted to ¥122.1 billion, an increase of ¥47.2 billion from the same period of the previous fiscal year. This was due mainly to increases in expenditures for time deposits and acquisition of property, plant and equipment.

## **(3) Cash Flows From Financing Activities**

Cash provided by financing activities amounted to ¥56.8 billion, an increase of ¥52.1 billion from the same period of the previous fiscal year. This was due mainly to increases in proceeds from the issuance of bonds, and long-term loans.

As a result, cash and cash equivalents at the end of the subject first half period totaled ¥49.5 billion, an increase of ¥8.3 billion from the end of the previous fiscal year (March 31, 2009).

## **3. Qualitative Information on Consolidated Forecasts**

The operating environment for the JR-West Group continues to be extremely challenging, marked by the slowdown in the Japanese economy, deep discounts in highway tolls and other factors, though transportation revenue has been generally in line with forecasts, boosted by heavy use of the railway during the autumn five-day holiday. Earnings at consolidated subsidiaries in such businesses as retail, travel and hotels were impacted by the downturn in the domestic economy, the spread of the new influenza virus and other factors, but were also generally in line with forecasts.

While the economic outlook remains unclear, JR-West is developing a variety of marketing measures to respond to the changes in the economic environment, such as launching the EX-IC Service on the Sanyo Shinkansen, and extending the sales period for the West Japan Pass for unlimited travel. We will also work to secure earnings, and under the Management Improvement Headquarters established in March 2009, take steps to strengthen our management foundations through revision of the entire business operating structure.

As a result, JR-West is making no change to its forecasts for the fiscal year ending March 2010 announced on July 29, 2009.

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

## **4. Other Information**

### **Changes in Accounting Principles, Procedures or Presentation of Results Relevant to Preparation of the Quarterly Financial Statement**

#### **(1) Changes due to changes in accounting standards**

##### *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 first half for construction contracts that began during the subject first quarter, 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.

## 5. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

	Millions of yen	
	September 30, 2009	March 31, 2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	84,843	41,414
Notes and accounts receivable-trade	10,522	15,726
Railway fares receivable	22,150	21,438
Accounts receivable	29,330	44,619
Inventories	37,062	24,143
Deferred income assets	20,150	19,743
Other current assets	45,952	42,055
Less allowance for doubtful accounts	(711)	(597)
Total current assets	<b>249,301</b>	<b>208,544</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	966,069	979,197
Machinery and transport equipment	264,657	278,663
Land	657,055	657,643
Construction in progress	112,613	75,811
Other property, plant and equipment	30,575	30,194
Total property, plant and equipment	<b>2,030,970</b>	<b>2,021,511</b>
<b>Intangible fixed assets</b>	<b>21,493</b>	<b>20,839</b>
<b>Investments and other assets:</b>		
Investments in securities	58,980	60,494
Deferred tax assets	132,264	125,527
Other investments and assets	28,297	26,214
Less allowance for doubtful accounts	(1,325)	(1,286)
Total Investments and other assets	<b>218,217</b>	<b>210,950</b>
Total fixed assets	<b>2,270,681</b>	<b>2,253,301</b>
<b>Deferred assets</b>	<b>32</b>	<b>42</b>
<b>Total assets</b>	<b>2,520,015</b>	<b>2,461,889</b>

	Millions of yen	
	September 30, 2009	March 31, 2009
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	34,121	46,164
Short-term loans	14,116	28,807
Current portion of redemption of corporate bonds	20,000	20,000
Current portion of long-term debt	12,240	42,739
Current portion of long-term payables for acquisition of railway properties	33,205	33,472
Current portion of long-term accounts payable	31	31
Accounts payable	50,089	103,271
Accrued consumption tax	4,042	5,759
Accrued income tax	20,401	26,857
Prepaid railway fares received	35,694	31,510
Advances received	77,442	45,258
Allowance for bonuses	34,345	34,253
Allowance for point program	734	563
Other current liabilities	90,070	90,676
Total current liabilities	<b>426,537</b>	<b>509,365</b>
<b>Fixed liabilities:</b>		
Bonds	334,967	269,966
Long-term debt	281,800	227,349
Long-term payables for acquisition of railway properties	348,690	359,459
Long-term accounts payable	238	253
Deferred tax liabilities	192	176
Accrued retirement benefits	309,367	292,774
Allowance for environmental safety measures	9,398	10,193
Allowance for unredeemed gift tickets	2,599	2,808
Other long-term liabilities	106,385	99,937
Total fixed liabilities	<b>1,393,640</b>	<b>1,262,920</b>
<b>Total liabilities</b>	<b>1,820,177</b>	<b>1,772,286</b>

	Millions of yen	
	September 30, 2009	March 31, 2009
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	100,000	100,000
Capital surplus	55,000	55,000
Retained earnings	541,578	531,236
Treasury stock, at cost	(30,343)	(30,343)
Total shareholders' equity	<b>662,235</b>	<b>655,893</b>
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	991	1,004
Deferred gains or losses on hedges	136	(233)
Total valuation and translation adjustments	<b>1,127</b>	<b>770</b>
<b>Minority interests</b>	<b>32,473</b>	<b>32,938</b>
<b>Total net assets</b>	<b>699,837</b>	<b>689,602</b>
<b>Total liabilities and net assets</b>	<b>2,520,015</b>	<b>2,461,889</b>

## 2. Consolidated Statements of Income

Six months ended September 30

	Millions of yen	
	2008	2009
<b>Operating revenues</b>	<b>634,952</b>	<b>591,033</b>
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	458,805	448,651
Selling, general and administrative expenses	103,287	98,495
	<b>562,092</b>	<b>547,146</b>
<b>Operating income</b>	<b>72,859</b>	<b>43,886</b>
<b>Non-operating revenues:</b>		
Interest received	46	82
Dividend income received	296	178
Reversal of administrative fee for entrusted construction	85	78
Equity in earnings of affiliates	224	402
Other	1,218	949
	<b>1,871</b>	<b>1,691</b>
<b>Non-operating expenses:</b>		
Interest expense	17,285	17,178
Other	433	822
	<b>17,718</b>	<b>18,001</b>
<b>Recurring profit</b>	<b>57,013</b>	<b>27,577</b>
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	19,201	8,422
Other	1,722	3,414
	<b>20,923</b>	<b>11,837</b>
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	18,974	8,073
Other	2,158	3,262
	<b>21,132</b>	<b>11,335</b>
<b>Income before income taxes and minority interests</b>	<b>56,804</b>	<b>28,079</b>
<b>Income taxes:</b>		
Current	31,454	18,820
Deferred	(8,494)	(7,426)
	<b>22,960</b>	<b>11,394</b>
Minority interests (loss)	<b>456</b>	<b>(440)</b>
<b>Net income</b>	<b>33,386</b>	<b>17,125</b>

## Consolidated Statements of Income

Three months ended September 30

	Millions of yen	
	2008	2009
<b>Operating revenues</b>	<b>326,861</b>	<b>308,607</b>
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	237,623	231,764
Selling, general and administrative expenses	51,601	48,602
	<b>289,224</b>	<b>280,366</b>
<b>Operating income</b>	<b>37,636</b>	<b>28,240</b>
<b>Non-operating revenues:</b>		
Interest received	28	53
Dividend income received	79	79
Reversal of administrative fee for entrusted construction	57	69
Equity in earnings of affiliates	99	—
Other	841	561
	<b>1,105</b>	<b>764</b>
<b>Non-operating expenses:</b>		
Interest expense	8,771	8,738
Other	230	413
	<b>9,002</b>	<b>9,151</b>
<b>Recurring profit</b>	<b>29,740</b>	<b>19,853</b>
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	5,637	5,402
Other	1,029	2,390
	<b>6,666</b>	<b>7,793</b>
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	5,572	5,223
Other	1,419	1,016
	<b>6,991</b>	<b>6,240</b>
<b>Income before income taxes and minority interests</b>	<b>29,415</b>	<b>21,406</b>
<b>Income taxes:</b>		
Current	24,463	17,606
Deferred	(12,584)	(9,074)
	<b>11,878</b>	<b>8,531</b>
Minority interests (loss)	<b>303</b>	<b>(100)</b>
<b>Net income</b>	<b>17,233</b>	<b>12,975</b>

### 3. Consolidated Statements of Cash Flows

Six months ended September 30

	Millions of yen	
	2008	2009
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	56,804	28,079
Depreciation and amortization	66,596	67,985
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	18,974	8,073
Loss on disposal of property, plant and equipment	2,060	2,439
Change in allowance for doubtful accounts	292	152
Change in allowance for retirement benefits	18,057	16,592
Change in allowance for accrued bonuses	302	91
Interest and dividend income	(343)	(260)
Interest expenses	17,285	17,178
Equity in earnings of affiliates	(224)	(402)
Gain on contributions received for construction	(19,201)	(8,422)
Change in notes and accounts receivable	17,476	22,273
Change in inventories	(12,664)	(12,914)
Change in notes and accounts payable	(20,401)	(13,106)
Change in accrued consumption tax	2,722	(1,717)
Other	(19,622)	(13,760)
Subtotal	<b>128,115</b>	<b>112,284</b>
Interest and dividends income received	189	228
Interest paid	(17,263)	(17,112)
Income taxes paid	(34,915)	(23,948)
<b>Net cash provided by operating activities</b>	<b>76,126</b>	<b>71,452</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	(35,050)
Purchases of property, plant and equipment	(97,027)	(108,634)
Proceeds from sales of property, plant and equipment	677	1,539
Contributions received for constructions	25,272	20,982
Increase in investments in securities	(3,275)	(812)
Payments on long-term loans receivable	(571)	(390)
Collections of long-term loans receivable	211	327
Other	(143)	(88)
<b>Net cash used in investing activities</b>	<b>(74,855)</b>	<b>(122,127)</b>

(continued on page 16)

Six months ended September 30

	Millions of yen	
	2008	2009
<b>Cash flows from financing activities</b>		
Change in short-term loans, net	(544)	(16,031)
Proceeds from long-term loans	30,200	61,900
Repayment of long-term loans	(38,007)	(37,962)
Proceeds from issuance of bonds	25,000	65,000
Repayment of long-term payables for acquisition of railway properties	(11,176)	(11,036)
Purchases of treasury stock	(9,999)	—
Cash dividends paid to the Company's shareholders	(5,952)	(6,761)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(126)	(117)
Other	15,324	1,862
<b>Net cash used in financing activities</b>	<b>4,716</b>	<b>56,853</b>
<b>Change in cash and cash equivalents, net</b>	<b>5,987</b>	<b>6,178</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>44,606</b>	<b>41,184</b>
<b>Increase in cash and cash equivalents accompanying consolidation of additional subsidiaries</b>	<b>—</b>	<b>2,201</b>
<b>Increase in cash and cash equivalent due to the merger of consolidated and nonconsolidated subsidiaries</b>	<b>574</b>	<b>—</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>51,168</b>	<b>49,563</b>



## 4. Segment Information

### Information by business segment

Six months ended September 30, 2008

	Millions of yen						
	Transportation	Sales of goods and food services	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
<b>Operating revenues and income:</b>							
Operating revenues from third parties	433,221	107,877	34,007	59,844	634,952	—	634,952
Intergroup operating revenues and transfers	8,483	22,153	6,436	66,121	103,195	(103,195)	—
Total sales	441,704	130,031	40,444	125,966	738,147	(103,195)	634,952
Operating income (loss)	58,604	3,051	11,673	(1,003)	72,325	533	72,859

Six months ended September 30, 2009

	Millions of yen						
	Transportation	Sales of goods and food services	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
<b>Operating revenues and income:</b>							
Operating revenues from third parties	400,809	100,673	36,528	53,021	591,033	—	591,033
Intergroup operating revenues and transfers	8,119	23,850	6,555	68,605	107,131	(107,131)	—
Total sales	408,929	124,523	43,084	121,626	698,164	(107,131)	591,033
Operating income (loss)	31,872	1,493	11,726	(1,490)	43,602	284	43,886

Notes: 1. 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.

2. 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:	Selling and leasing of real estate, operation of shopping center
Other businesses:	Hotels, travel services, rental of goods, construction, etc.

## Reference Materials

### Non-Consolidated Balance Sheets

	Billions of yen		
	March 31, 2009	September 30, 2009	Change
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	140.0	181.0	41.0
<b>Fixed assets:</b>			
Fixed assets for railway operations	1,713.8	1,685.4	(28.3)
Construction in progress	55.9	73.0	17.1
Investments and other assets	305.3	325.1	19.8
Total fixed assets	2,075.1	2,083.7	8.6
<b>Total assets</b>	<b>2,215.1</b>	<b>2,264.8</b>	<b>49.6</b>

	Billions of yen		
	March 31, 2009	September 30, 2009	Change
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Current portion of long-term debt	93.9	63.2	(30.7)
Accounts payable	420.1	369.1	(51.0)
Total current liabilities	514.1	432.4	(81.7)
<b>Fixed liabilities:</b>			
Bonds and long-term debt	840.3	949.9	109.5
Accrued retirement benefits	273.3	288.8	15.5
Other fixed liabilities	26.4	24.8	(1.6)
Total fixed liabilities	1,140.1	1,263.6	123.4
<b>Total liabilities</b>	<b>1,654.3</b>	<b>1,696.0</b>	<b>41.7</b>
<b>Shareholders' equity:</b>			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	435.0	442.8	7.8
Treasury stock, at cost	(29.9)	(29.9)	—
Total shareholders' equity	560.0	567.8	7.8
Valuation and translation adjustments	0.7	0.8	0.0
<b>Total net assets</b>	<b>560.7</b>	<b>568.7</b>	<b>7.9</b>
<b>Total liabilities and net assets</b>	<b>2,215.1</b>	<b>2,264.8</b>	<b>49.6</b>

## Non-Consolidated Statements of Income

Six months ended September 30

	Billions of yen			%
	2008	2009	Change from the same period of the previous year	
<b>Operating revenues:</b>				
Transportation	394.4	362.6	(31.8)	(8.1)
Transportation incidentals	11.0	10.1	(0.8)	(7.8)
Other operations	10.4	10.5	0.1	1.1
Miscellaneous	26.8	27.2	0.4	1.5
	<b>442.7</b>	<b>410.5</b>	<b>(32.1)</b>	<b>(7.3)</b>
<b>Operating expenses:</b>				
Personnel costs	135.0	134.2	(0.8)	(0.6)
Non personnel costs:				
Energy costs	18.4	17.1	(1.3)	
Maintenance costs	58.1	56.8	(1.3)	
Miscellaneous costs	77.5	75.6	(1.9)	
	<b>154.2</b>	<b>149.6</b>	<b>(4.6)</b>	<b>(3.0)</b>
Rental payments	12.7	12.6	(0.1)	(0.8)
Taxes	19.0	18.2	(0.8)	(4.2)
Depreciation and amortization	56.3	57.2	0.8	1.5
	<b>377.4</b>	<b>371.9</b>	<b>(5.5)</b>	<b>(1.5)</b>
<b>Operating income</b>	<b>65.2</b>	<b>38.5</b>	<b>(26.6)</b>	<b>(40.9)</b>
<b>Non-operating revenues and expenses, net:</b>				
Non-operating revenues	1.7	1.1	(0.5)	
Non-operating expenses	17.6	17.5	(0.1)	
	<b>(15.9)</b>	<b>(16.3)</b>	<b>(0.4)</b>	<b>2.6</b>
<b>Recurring profit</b>	<b>49.3</b>	<b>22.2</b>	<b>(27.0)</b>	<b>(54.9)</b>
<b>Extraordinary profit and loss, net:</b>				
Extraordinary profit	19.6	11.3	(8.3)	
Extraordinary loss	20.0	9.1	(10.8)	
	<b>(0.4)</b>	<b>2.1</b>	<b>2.5</b>	
<b>Income before income taxes</b>	<b>48.9</b>	<b>24.3</b>	<b>(24.5)</b>	<b>(50.1)</b>
Income taxes	19.6	9.7	(9.9)	
<b>Net income</b>	<b>29.2</b>	<b>14.6</b>	<b>(14.5)</b>	<b>(49.9)</b>

## Passenger-Kilometers and Transportation Revenues

	Millions of passenger-kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Six months ended September 30		Change		Six months ended September 30		Change	
	2008	2009	Amount	%	2008	2009	Amount	%
Sanyo Shinkansen								
Commuter Passes	357	363	6	1.7	4.4	4.5	0.0	1.9
Non-Commuter Passes	7,732	7,054	(678)	(8.8)	169.1	152.7	(16.4)	(9.7)
Total	8,090	7,418	(671)	(8.3)	173.5	157.2	(16.3)	(9.4)
Conventional Lines								
Commuter Passes	11,965	11,791	(174)	(1.5)	73.1	71.9	(1.1)	(1.6)
Non-Commuter Passes	7,802	7,219	(582)	(7.5)	147.4	133.4	(14.0)	(9.5)
Total	19,768	19,011	(756)	(3.8)	220.6	205.3	(15.2)	(6.9)
Kyoto-Osaka-Kobe Area								
Commuter Passes	9,649	9,510	(139)	(1.4)	59.0	58.0	(0.9)	(1.6)
Non-Commuter Passes	5,186	4,847	(339)	(6.5)	94.2	86.1	(8.1)	(8.6)
Total	14,835	14,357	(478)	(3.2)	153.2	144.2	(9.0)	(5.9)
Other Lines								
Commuter Passes	2,316	2,281	(35)	(1.5)	14.1	13.9	(0.2)	(1.7)
Non-Commuter Passes	2,615	2,372	(243)	(9.3)	53.1	47.2	(5.9)	(11.1)
Total	4,932	4,653	(278)	(5.6)	67.3	61.1	(6.1)	(9.1)
Total								
Commuter Passes	12,323	12,154	(168)	(1.4)	77.5	76.4	(1.1)	(1.4)
Non-Commuter Passes	15,535	14,274	(1,260)	(8.1)	316.6	286.1	(30.4)	(9.6)
Total	27,858	26,429	(1,428)	(5.1)	394.1	362.5	(31.5)	(8.0)

## Capital Expenditures

### Consolidated Basis

	Six months ended September 30		Change from the same period of the previous year		Plan for year ending March 31, 2010
	2008	2009	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	68.2	84.1	15.9	23.4	
Capital expenditures, excluding contributions received for constructions	56.4	75.5	19.0	33.8	230.0
Contributions received for constructions	11.7	8.6	(3.1)	(26.6)	

### Non-Consolidated Basis

	Six months ended September 30		Change from the same period of the previous year		Plan for year ending March 31, 2010
	2008	2009	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	47.3	56.6	9.2	19.6	
Capital expenditures, excluding contributions received for constructions	35.6	48.0	12.4	34.8	180.0
[Safety-related capital expenditures]	[20.5]	[25.7]	[5.2]	[25.4]	[95.0]
Contributions received for constructions	11.7	8.6	(3.1)	(26.6)	

### Major Capital Expenditures

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 Development, etc.