

# West Japan Railway Company

## Flash Report (Consolidated Basis)

### Results for the third quarter ended December 31, 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;
- 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 January 29, 2010 based on information available to JR-West as of the date January 29, 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>

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Quarterly report filing date (Planned): February 10, 2010

Start of dividend payments (Planned): —

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

### 1. Results for the third quarter of fiscal 2009 (from April 1, 2009 to December 31, 2009)

#### (1) Operating results

Nine months ended December 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	%
2009	890,612	(7.4)	72,107	(36.4)	47,293	(47.3)	25,721	(51.2)
2008	961,787	—	113,346	—	89,751	—	52,655	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	13,283.02	—
2008	26,667.50	—

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2009	2,536,146	701,592	26.4	345,501.33
March 31, 2009	2,461,889	689,602	26.7	339,113.24

(Reference) Total shareholders' equity: December 31, 2009: ¥669,034 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	1,187,000	(6.9)	65,000	(46.9)	36,000	(62.0)

	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: Yes

### 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):  
December 31, 2009: 2,000,000 shares      March 31, 2009: 2,000,000 shares
  - 2) Number of treasury stock  
December 31, 2009: 63,584 shares      March 31, 2009: 63,584 shares
  - 3) Average number of shares outstanding for each period (cumulative term):  
Nine months ended December 31 2009: 1,936,416 shares      2008: 1,974,508 shares

### (Reference)

#### Results for the third quarter of fiscal 2009 (from October 1, 2009 to December 31, 2009)

Three months ended December 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	%
2009	299,579	(8.3)	28,221	(30.3)	19,716	(39.8)	8,595	(55.4)
2008	326,835	—	40,487	—	32,738	—	19,268	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	4,438.90	—
2008	9,822.60	—

## 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 nine-month period (April 1 to December 31, 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 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.

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, 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. We also made preparations for the establishment of a Corporate Ethics Committee, which will act as a consultative body for the Board of Directors. We took steps to put in place corporate ethics based on a strong sense of ethics and responsibility among directors, and continued deliberations for the formulation of a “Code of Conduct for Directors.” Further, for everyone affected by the Fukuchiyama Line accident, JR-West held explanatory meetings in October 2009 and December as part of our effort to express our regret and explain our future initiatives in regard to this sequence of circumstances.

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 nine-month period (April 1, 2009 to December 31, 2009) declined from the same period of the previous fiscal year, down 7.4% to ¥890.6 billion. Operating income was down 36.4% from a year earlier to ¥72.1 billion, recurring profit fell 47.3% to ¥47.2 billion, and net income was down 51.2% to ¥25.7 billion.

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

### Consolidated Results for the nine months of Fiscal 2010 (April – December 2009)

Operating revenues:	¥890.6 billion
Operating income:	¥72.1 billion
Recurring profit:	¥47.2 billion
Net income:	¥25.7 billion

#### **(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, 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 through such measures as increasing the number of *Nozomi* trains on the Sanyo Shinkansen during peak periods. For conventional lines, in June 2009 we introduced 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 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. 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 recurrence. 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 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 7.6% from the same period of the previous fiscal year, to ¥601.8 billion, with operating income down 41.9%, to ¥52.0 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 a "gift market" along with other shops and restaurants as part of Hakata Station's renovation, and refurbishing 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 7.1% from the same period of the previous fiscal year, to ¥152.3 billion, with operating income down 45.9% to ¥2.4 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 the "Station Plaza Tennoji" in Tennoji Station, as well as 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 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 rose 1.7% from the same period of the previous fiscal year, to ¥53.8 billion, though operating income declined 2.5%, to ¥17.5 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 11.8% from the same period of the previous fiscal year to ¥82.6 billion, with the segment posting an operating loss for the period of ¥30 million.

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

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

Cash provided by operating activities amounted to ¥102.8 billion, a decline of ¥8.2 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 ¥149.6 billion, an increase of ¥44.3 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 ¥61.1 billion, an increase of ¥50.7 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 period totaled ¥58.1 billion, an increase of ¥17.0 billion from the end of the previous fiscal year (March 31, 2009).

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

The business environment for the JR-West Group is extremely difficult, due to such factors as the slowdown in the domestic economy, and deep discounts on highway tolls. Transportation revenues remain low despite a range of marketing initiatives to respond to the change in the economic climate, such as the launch of the EX-IC Service for the Sanyo Shinkansen. The Group's consolidated subsidiaries, such as those providing retail and travel services, also continue to be affected by the slowdown in the Japanese economy.



In terms of expenses, JR-West is working to strengthen its management under the direction of its Management Improvement Headquarters established in March 2009. We are taking steps to reduce costs for overall business operations, while maintaining and improving safety, through revisions to work structures and railway operations.

As a result, JR-West is revising downward its consolidated earnings forecasts for operating revenues and recurring profit for the fiscal year ending March 2010, from those announced on October 28, 2009. Forecasts for operating income and net income remain unchanged.

#### Consolidated forecasts for the Year Ending March 31, 2010

Operating revenues:	¥1,187.0 billion	(down 6.9% YoY)
Operating income:	¥65.0 billion	(down 46.9% YoY)
Recurring profit:	¥36.0 billion	(down 62.0% YoY)
Net income:	¥20.0 billion	(down 63.3% YoY)

Note: 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 third quarter 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	
	December 31, 2009	March 31, 2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	73,477	41,414
Notes and accounts receivable-trade	13,466	15,726
Railway fares receivable	20,262	21,438
Accounts receivable	34,448	44,619
Inventories	42,887	24,143
Deferred income assets	10,727	19,743
Other current assets	66,410	42,055
Less allowance for doubtful accounts	(745)	(597)
Total current assets	<b>260,935</b>	<b>208,544</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	966,994	979,197
Machinery and transport equipment	273,317	278,663
Land	657,258	657,643
Construction in progress	104,464	75,811
Other property, plant and equipment	29,098	30,194
Total property, plant and equipment	<b>2,031,132</b>	<b>2,021,511</b>
<b>Intangible fixed assets</b>	<b>22,719</b>	<b>20,839</b>
<b>Investments and other assets:</b>		
Investments in securities	57,636	60,494
Deferred tax assets	136,977	125,527
Other investments and assets	28,019	26,214
Less allowance for doubtful accounts	(1,303)	(1,286)
Total Investments and other assets	<b>221,330</b>	<b>210,950</b>
Total fixed assets	<b>2,275,183</b>	<b>2,253,301</b>
<b>Deferred assets</b>	<b>27</b>	<b>42</b>
<b>Total assets</b>	<b>2,536,146</b>	<b>2,461,889</b>

	Millions of yen	
	December 31, 2009	March 31, 2009
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	34,568	46,164
Short-term loans	13,472	28,807
Current portion of redemption of corporate bonds	20,000	20,000
Current portion of long-term debt	12,239	42,739
Current portion of long-term payables for acquisition of railway properties	33,195	33,472
Current portion of long-term accounts payable	31	31
Accounts payable	58,047	103,271
Accrued consumption tax	5,534	5,759
Accrued income tax	5,254	26,857
Prepaid railway fares received	33,591	31,510
Advances received	76,237	45,258
Allowance for bonuses	17,173	34,253
Allowance for point program	820	563
Other current liabilities	111,109	90,676
Total current liabilities	<b>421,276</b>	<b>509,365</b>
<b>Fixed liabilities:</b>		
Bonds	349,967	269,966
Long-term debt	279,842	227,349
Long-term payables for acquisition of railway properties	348,700	359,459
Long-term accounts payable	230	253
Deferred tax liabilities	201	176
Accrued retirement benefits	317,947	292,774
Allowance for environmental safety measures	9,207	10,193
Allowance for unredeemed gift tickets	2,454	2,808
Other long-term liabilities	104,723	99,937
Total fixed liabilities	<b>1,413,276</b>	<b>1,262,920</b>
<b>Total liabilities</b>	<b>1,834,553</b>	<b>1,772,286</b>

	Millions of yen	
	December 31, 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	543,791	531,236
Treasury stock, at cost	(30,343)	(30,343)
Total shareholders' equity	<b>668,448</b>	<b>655,893</b>
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	667	1,004
Deferred gains or losses on hedges	(82)	(233)
Total valuation and translation adjustments	<b>585</b>	<b>770</b>
<b>Minority interests</b>	<b>32,558</b>	<b>32,938</b>
<b>Total net assets</b>	<b>701,592</b>	<b>689,602</b>
<b>Total liabilities and net assets</b>	<b>2,536,146</b>	<b>2,461,889</b>

## 2. Consolidated Statements of Income

Nine months ended December 31

	Millions of yen	
	2008	2009
<b>Operating revenues</b>	<b>961,787</b>	<b>890,612</b>
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	692,804	670,569
Selling, general and administrative expenses	155,635	147,935
	<b>848,440</b>	<b>818,504</b>
<b>Operating income</b>	<b>113,346</b>	<b>72,107</b>
<b>Non-operating revenues:</b>		
Interest received	102	138
Dividend income received	409	245
Reversal of administrative fee for entrusted construction	189	177
Equity in earnings of affiliates	386	117
Other	1,951	1,503
	<b>3,039</b>	<b>2,181</b>
<b>Non-operating expenses:</b>		
Interest expense	25,972	25,881
Other	661	1,115
	<b>26,634</b>	<b>26,996</b>
<b>Recurring profit</b>	<b>89,751</b>	<b>47,293</b>
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	35,196	15,773
Other	3,316	4,665
	<b>38,512</b>	<b>20,438</b>
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	34,068	15,319
Other	3,962	7,302
	<b>38,031</b>	<b>22,622</b>
<b>Income before income taxes and minority interests</b>	<b>90,233</b>	<b>45,109</b>
<b>Income taxes:</b>		
Current	40,742	22,339
Deferred	(4,067)	(2,284)
	<b>36,675</b>	<b>20,054</b>
Minority interests (loss)	902	(665)
<b>Net income</b>	<b>52,655</b>	<b>25,721</b>

## Consolidated Statements of Income

Three months ended December 31

	Millions of yen	
	2008	2009
<b>Operating revenues</b>	<b>326,835</b>	<b>299,579</b>
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	233,999	221,918
Selling, general and administrative expenses	52,348	49,440
	<b>286,347</b>	<b>271,358</b>
<b>Operating income</b>	<b>40,487</b>	<b>28,221</b>
<b>Non-operating revenues:</b>		
Interest received	55	56
Dividend income received	112	67
Reversal of administrative fee for entrusted construction	104	98
Equity in earnings of affiliates	162	—
Other	732	553
	<b>1,167</b>	<b>775</b>
<b>Non-operating expenses:</b>		
Interest expense	8,686	8,702
Other	228	578
	<b>8,915</b>	<b>9,280</b>
<b>Recurring profit</b>	<b>32,738</b>	<b>19,716</b>
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	15,995	7,350
Other	1,593	1,250
	<b>17,588</b>	<b>8,600</b>
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	15,094	7,246
Other	1,803	4,040
	<b>16,898</b>	<b>11,286</b>
<b>Income before income taxes and minority interests</b>	<b>33,429</b>	<b>17,030</b>
<b>Income taxes:</b>		
Current	9,288	3,518
Deferred	4,426	5,141
	<b>13,715</b>	<b>8,659</b>
Minority interests (loss)	445	(225)
<b>Net income</b>	<b>19,268</b>	<b>8,595</b>

### 3. Consolidated Statements of Cash Flows

Nine months ended December 31

	Millions of yen	
	2008	2009
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	90,233	45,109
Depreciation and amortization	101,196	103,826
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	34,068	15,319
Loss on disposal of property, plant and equipment	3,362	4,306
Change in allowance for doubtful accounts	331	162
Change in allowance for retirement benefits	28,880	25,130
Change in allowance for accrued bonuses	(17,263)	(17,115)
Interest and dividend income	(511)	(383)
Interest expenses	25,972	25,881
Equity in earnings of affiliates	(386)	(117)
Gain on contributions received for construction	(35,196)	(15,773)
Change in notes and accounts receivable	15,024	16,379
Change in inventories	(18,224)	(18,699)
Change in notes and accounts payable	(8,989)	3,144
Change in accrued consumption tax	5,347	(225)
Other	(31,061)	(21,553)
Subtotal	<b>192,784</b>	<b>165,392</b>
Interest and dividends income received	260	332
Interest paid	(18,818)	(18,751)
Income taxes paid	(63,180)	(44,157)
<b>Net cash provided by operating activities</b>	<b>111,045</b>	<b>102,816</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(150)	(35,050)
Proceeds from withdrawal of time deposits	150	10,000
Purchases of property, plant and equipment	(132,589)	(154,459)
Proceeds from sales of property, plant and equipment	1,691	1,559
Contributions received for constructions	32,311	29,225
Increase in investments in securities	(6,127)	(812)
Payments of loans receivable	(684)	(511)
Collections of long-term loans receivable	349	514
Other	(298)	(139)
<b>Net cash used in investing activities</b>	<b>(105,347)</b>	<b>(149,674)</b>

(continued on page 16)

Nine months ended December 31

	Millions of yen	
	2008	2009
<b>Cash flows from financing activities</b>		
Change in short-term loans, net	106	(15,325)
Proceeds from long-term loans	45,200	61,900
Repayment of long-term loans	(40,062)	(39,929)
Proceeds from issuance of bonds	55,000	80,000
Redemption of bonds	(20,000)	—
Repayment of long-term payables for acquisition of railway properties	(11,176)	(11,036)
Purchases of treasury stock	(13,367)	—
Cash dividends paid to the Company's shareholders	(12,842)	(13,573)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(126)	(117)
Other	7,697	(736)
<b>Net cash used in financing activities</b>	<b>10,428</b>	<b>61,180</b>
<b>Change in cash and cash equivalents, net</b>	<b>16,126</b>	<b>14,322</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>2,690</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>61,307</b>	<b>58,197</b>



## 4. Segment Information

### Information by business segment

Nine months ended December 31, 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	651,316	163,856	52,988	93,624	961,787	—	961,787
Intergroup operating revenues and transfers	12,600	33,755	9,754	103,684	159,794	(159,794)	—
Total sales	663,916	197,612	62,743	197,309	1,121,581	(159,794)	961,787
Operating income (loss)	89,486	4,584	17,957	672	112,699	647	113,346

Nine months ended December 31, 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	601,807	152,303	53,883	82,618	890,612	—	890,612
Intergroup operating revenues and transfers	12,117	35,374	10,178	104,562	162,232	(162,232)	—
Total sales	613,924	187,678	64,061	187,180	1,052,845	(162,232)	890,612
Operating income (loss)	52,012	2,480	17,510	(34)	71,968	139	72,107

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	December 31, 2009	Change
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	140.0	178.1	38.1
<b>Fixed assets:</b>			
Fixed assets for railway operations	1,713.8	1,696.3	(17.5)
Construction in progress	55.9	64.4	8.5
Investments and other assets	305.3	331.6	26.3
Total fixed assets	2,075.1	2,092.4	17.3
<b>Total assets</b>	<b>2,215.1</b>	<b>2,270.5</b>	<b>55.4</b>

	Billions of yen		
	March 31, 2009	December 31, 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	351.7	(68.4)
Total current liabilities	514.1	415.0	(99.1)
<b>Fixed liabilities:</b>			
Bonds and long-term debt	840.3	963.2	122.8
Accrued retirement benefits	273.3	296.8	23.5
Other fixed liabilities	26.4	24.8	(1.6)
Total fixed liabilities	1,140.1	1,284.9	144.8
<b>Total liabilities</b>	<b>1,654.3</b>	<b>1,699.9</b>	<b>45.6</b>
<b>Shareholders' equity:</b>			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	435.0	445.1	10.0
Treasury stock, at cost	(29.9)	(29.9)	—
Total shareholders' equity	560.0	570.1	10.0
Valuation and translation adjustments	0.7	0.4	(0.3)
<b>Total net assets</b>	<b>560.7</b>	<b>570.5</b>	<b>9.7</b>
<b>Total liabilities and net assets</b>	<b>2,215.1</b>	<b>2,270.5</b>	<b>55.4</b>

## Non-Consolidated Statements of Income

Nine months ended December 31

	Billions of yen			%
	2008	2009	Change from the same period of the previous year	
<b>Operating revenues:</b>				
Transportation	592.6	544.1	(48.4)	(8.2)
Transportation incidentals	16.3	15.1	(1.2)	(7.8)
Other operations	15.7	15.8	0.1	0.9
Miscellaneous	40.5	41.0	0.4	1.1
	<b>665.3</b>	<b>616.2</b>	<b>(49.1)</b>	<b>(7.4)</b>
<b>Operating expenses:</b>				
Personnel costs	202.1	200.0	(2.1)	(1.0)
Non personnel costs:				
Energy costs	27.6	25.3	(2.2)	
Maintenance costs	89.5	85.4	(4.1)	
Miscellaneous costs	117.1	112.4	(4.6)	
	234.2	223.1	(11.0)	(4.7)
Rental payments	19.0	18.9	(0.1)	(0.7)
Taxes	24.8	24.3	(0.4)	(1.8)
Depreciation and amortization	85.6	87.6	1.9	2.3
	<b>566.0</b>	<b>554.1</b>	<b>(11.8)</b>	<b>(2.1)</b>
<b>Operating income</b>	<b>99.3</b>	<b>62.0</b>	<b>(37.2)</b>	<b>(37.5)</b>
<b>Non-operating revenues and expenses, net:</b>				
Non-operating revenues	2.6	1.7	(0.8)	
Non-operating expenses	26.6	26.2	(0.4)	
	<b>(24.0)</b>	<b>(24.4)</b>	<b>(0.4)</b>	<b>1.8</b>
<b>Recurring profit</b>	<b>75.2</b>	<b>37.5</b>	<b>(37.7)</b>	<b>(50.1)</b>
<b>Extraordinary profit and loss, net:</b>				
Extraordinary profit	37.1	19.2	(17.8)	
Extraordinary loss	36.6	17.3	(19.3)	
	<b>0.4</b>	<b>1.9</b>	<b>1.4</b>	
<b>Income before income taxes</b>	<b>75.7</b>	<b>39.4</b>	<b>(36.2)</b>	<b>(47.9)</b>
Income taxes	30.5	15.8	(14.7)	
<b>Net income</b>	<b>45.1</b>	<b>23.6</b>	<b>(21.4)</b>	<b>(47.6)</b>

## Passenger-Kilometers and Transportation Revenues

	Millions of passenger-kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Nine months ended December 31		Change		Nine months ended December 31		Change	
	2008	2009	Amount	%	2008	2009	Amount	%
<b>Sanyo Shinkansen</b>								
Commuter Passes	526	536	9	1.8	6.6	6.7	0.1	1.8
Non-Commuter Passes	11,763	10,707	(1,055)	(9.0)	255.3	230.2	(25.0)	(9.8)
Total	12,290	11,243	(1,046)	(8.5)	261.9	237.0	(24.9)	(9.5)
<b>Conventional Lines</b>								
Commuter Passes	17,703	17,439	(263)	(1.5)	109.3	107.3	(2.0)	(1.9)
Non-Commuter Passes	11,778	10,857	(921)	(7.8)	220.9	199.8	(21.0)	(9.5)
Total	29,482	28,296	(1,185)	(4.0)	330.2	307.1	(23.1)	(7.0)
<b>Kyoto-Osaka-Kobe Area</b>								
Commuter Passes	14,289	14,082	(207)	(1.4)	88.1	86.5	(1.6)	(1.8)
Non-Commuter Passes	7,819	7,305	(513)	(6.6)	141.1	129.2	(11.8)	(8.4)
Total	22,108	21,387	(720)	(3.3)	229.3	215.8	(13.4)	(5.9)
<b>Other Lines</b>								
Commuter Passes	3,414	3,357	(56)	(1.7)	21.1	20.7	(0.4)	(2.0)
Non-Commuter Passes	3,959	3,551	(408)	(10.3)	79.8	70.5	(9.2)	(11.6)
Total	7,373	6,908	(465)	(6.3)	100.9	91.2	(9.6)	(9.6)
<b>Total</b>								
Commuter Passes	18,230	17,975	(254)	(1.4)	115.9	114.0	(1.9)	(1.7)
Non-Commuter Passes	23,542	21,564	(1,977)	(8.4)	476.2	430.1	(46.1)	(9.7)
Total	41,772	39,540	(2,231)	(5.3)	592.2	544.1	(48.0)	(8.1)

## Capital Expenditures

### Consolidated Basis

	Nine months ended December 31		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	104.6	130.7	26.1	24.9	
Capital expenditures, excluding contributions received for constructions	86.1	114.2	28.0	32.6	230.0
Contributions received for constructions	18.5	16.5	(1.9)	(10.6)	

### Non-Consolidated Basis

	Nine months ended December 31		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	76.9	97.6	20.6	26.8	
Capital expenditures, excluding contributions received for constructions	58.4	81.1	22.6	38.7	180.0
[Safety-related capital expenditures]	[34.4]	[43.0]	[8.6]	[25.1]	[95.0]
Contributions received for constructions	18.5	16.5	(1.9)	(10.6)	

### 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.

#### 4. FORECASTS FOR FISCAL 2009, ENDING MARCH 31, 2010

##### Consolidated Statements of Income

	Year ended March 31, 2009	Forecast for year ending March 31, 2010		Change from the same period of the previous year	
	Billions of yen	Billions of yen		Billions of yen	%
Operating revenues:	<1.46>	<1.45>			
Transportation	856.1	795.8		(60.3)	(7.1)
Sales of goods and food services	215.3	201.4		(13.9)	(6.5)
Real estate	71.1	70.4		(0.7)	(1.0)
Others	132.6	119.4		(13.2)	(10.0)
	1,275.3	[1,215.0]	1,187.0	(88.3)	(6.9)
Operating expenses	1,152.7	1,122.0		(30.7)	(2.7)
Operating income:					
Transportation	89.1	38.3		(50.8)	(57.0)
Sales of goods and food services	4.7	2.3		(2.4)	(51.8)
Real estate	22.6	21.3		(1.3)	(5.8)
Others	6.7	3.8		(2.9)	(43.5)
Elimination and corporation	(0.7)	(0.7)		0.0	
	122.5	[65.0]	65.0	(57.5)	(46.9)
Recurring profit	94.8	[37.0]	36.0	(58.8)	(62.0)
	<1.23>	<1.25>			
Net income	54.5	[20.0]	20.0	(34.5)	(63.3)

- Note: 1. Figures in bracket [ ] are current as of October 28, 2009, and were announced previously on July 29, 2009.  
2. Figures in bracket < > are the consolidated-to-parent ratio.  
3. Revenues by each segment are from third parties.

##### Fiscal year ending March 31, 2010

Consolidated return on assets (ROA) (operating income basis):	2.6%
Consolidated return on equity (ROE) (net income basis):	3.0%

##### Non-Consolidated Statements of Income

	Year ended March 31, 2009	Forecast for year ending March 31, 2010		Change from the same period of the previous year	
	Billions of yen	Billions of yen		Billions of yen	%
Operating revenues	875.0	[831.5]	816.0	(59.0)	(6.7)
	773.7	[731.0]	719.0	(54.7)	(7.1)
Operating expenses	772.9	[780.0]	764.5	(8.4)	(1.1)
Operating income	102.0	[51.5]	51.5	(50.5)	(49.6)
Recurring profit	73.4	[23.5]	22.5	(50.9)	(69.4)
Net income	44.3	[15.5]	15.5	(28.8)	(65.1)

Note: Figures in bracket [ ] are current as of October 28, 2009, and were announced previously on July 29, 2009.