

**FLASH REPORT [JAPANESE GAAP] (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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Scheduled date for the General Meeting of Shareholders: Undecided

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

Supplemental explanatory material prepared: Yes

Results briefing held: Yes

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

**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	%
2011	1,213,506	2.0	95,988	25.4	68,959	43.3	34,983	40.7
2010	1,190,135	(6.7)	76,530	(37.5)	48,106	(49.3)	24,858	(54.4)

(Note) Comprehensive Income: Year ended March 31, 2011: ¥33,849 million, 35.9%; Year ended March 31, 2010: ¥24,906 million, —%

	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	%	%	%
2011	18,066.01	—	5.2	2.6	7.9
2010	12,837.31	—	3.7	1.9	6.4

(Reference) Gain on investment by equity method: Year ended March 31, 2011: ¥2,421million, Year ended March 31, 2010: ¥807 million

**(2) Financial position**

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2011	2,672,423	721,251	25.8	355,712.84
2010	2,546,384	702,141	26.3	345,568.31

(Reference) Total shareholders' equity: March 31, 2011: ¥688,808 million, March 31, 2010: ¥669,164 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
2011	223,221	(246,293)	51,445	79,512
2010	161,309	(208,782)	54,621	51,084

## 2. Dividends

Year ended/ ending March 31

	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio (Consolidated) %	Dividends-to- -net assets ratio (Consolidated) %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2010	—	3,500.00	—	3,500.00	7,000.00	13,561	54.5	2.0
2011	—	4,000.00	—	4,000.00	8,000.00	15,498	44.3	2.3
2012 (Forecast)	—	4,000.00	—	4,000.00	8,000.00		62.0	

## 3. Forecasts for Fiscal Year ending March 31, 2012

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	605,000	1.6	31,000	(52.1)	16,000	(67.8)
Fiscal year	1,260,000	3.8	68,500	(28.6)	42,000	(39.1)

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	9,000	(68.7)	4,647.76
Fiscal year	25,000	(28.5)	12,910.45

## 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)

	Years ended March 31	
	2011	2010
1) Number of shares issued and outstanding (including treasury stock):	2,000,000	2,000,000
2) Number of treasury stock	63,584	63,584
3) Average number of shares outstanding for each period (cumulative term):	1,936,416	1,936,416

## (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	%
2011	828,651	1.5	75,821	29.6	48,523	62.8	28,530	38.7
2010	816,784	(6.7)	58,503	(42.7)	29,800	(59.4)	20,577	(53.6)

	Net income per share	Net income per share after dilution
	Yen	Yen
2011	14,726.76	—
2010	10,621.42	—

#### (2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2011	2,405,751	581,387	24.2	300,094.77
2010	2,286,949	568,102	24.8	293,237.50

(Reference) Total shareholders' equity: March 31, 2011: ¥581,387 million, March 31, 2010: ¥568,102 million

### 2. Forecasts for Fiscal Year ending March 31, 2012

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	401,000	(3.2)	31,000	(45.6)	16,000	(61.7)
Fiscal year	823,500	(0.6)	54,000	(28.8)	27,000	(44.4)

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	9,000	(63.5)	4,645.53
Fiscal year	16,000	(43.9)	8,258.72

\* Indication regarding the status of quarterly review procedures

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

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.

## **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 with regard to its three pillars of management, specifically “Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident,” “Measures to enhance safety,” and “Furthering of reform.” 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.

In response to the serious compliance issues uncovered in September 2009 that occurred during the investigation of the Fukuchiyama Line accident conducted by the Aircraft and Railway Accidents Investigation Commission, JR-West implemented measures to prevent a reoccurrence, and stepped up its efforts with regard to the three pillars of management adopted for corporate revitalization.

In October 2010, JR-West formulated and announced the “Revision of the JR-West Group’s Medium-Term Management Plan 2008-2012” in response to the unprecedented harsh situation the company faced, and the rapid deterioration in the business climate since fall 2008. The revisions shift the focus of management more toward medium to long-term sustainability, while clarifying the direction of medium to long-term management, along with specific measures.

During the subject fiscal year (April 1, 2010 to March 31, 2011), JR-West conducted memorial services and held explanatory briefings for the victims of the Fukuchiyama Line accident, and continued to make concerted efforts with regard to the families of the victims that they would be able to accept with sincerity. We also conducted measures to help foster a safe and secure society through the JR West Anshin Foundation, a public-interest association established in the wake of the Fukuchiyama Line accident.

Further, in accordance with the Corporate Philosophy and Safety Charter adopted in March 2006, and in order to establish “a corporate culture that places top priority on safety,” make further improvements in safety, regain customer trust, and realize the goal of the Basic Safety Plan to “Build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees,” JR-West implemented measures to establish a safety management system based on risk assessment. At the same time, in response to events that resulted in a loss of customer trust, we investigated the causes, as well as formulated and implemented improvement measures to address the issue.

As part of its reform effort, JR-West, in accordance with the recommendations submitted by the Advisory Panel for reform of corporate culture made up of experts from outside the Company, implemented a range of measures that include raising awareness and general operations, in the recognition that such measures are the necessary counterpart to improving safety.

In response to the serious compliance issues uncovered in September 2009, JR-West took steps toward preventing a reoccurrence and corporate revitalization, including convening regular meetings of the Corporate Ethics Committee that acts as a consultative body for the Board of Directors. We also implemented measures aimed at firmly establishing corporate ethics, including corporate ethics training for directors, and employee training utilizing case studies that call for difficult decisions in everyday operations. We also implemented various measures to reform the corporate culture, centered on the Corporate Revival Headquarters established in December 2009. In December 2010 JR-West made a report to the Minister of Land, Infrastructure and Transport on the progress of its improvement measures, and established a “Thinking and Acting Promotion Office” to continue and further the measures for reform and revitalization taken up to this point.

In December 2010 JR-West also established the Kansai Urban Area Regional Head Office, an organization that will work closely with railway offices and local communities to implement measures across the Kansai region, and coordinate railway operations.

The business climate for JR-West is becoming more challenging as a result of the considerable impact from the Great East Japan Earthquake and other factors. 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 enhance the value of our railway belts by developing a variety of measures that draw on the unique characteristics of each of our businesses, including other Group operations, and effectively utilizing their assets. We also have been developing various marketing strategies to stimulate travel demand.

The Great East Japan Earthquake that occurred in March had a considerable impact on operations, mainly in the railway business.

As a result, on a consolidated basis, operating revenues for the subject fiscal year (April 1, 2010 to March 31, 2011) rose 2.0% from the previous fiscal year to ¥1,213.5 billion. Operating income increased 25.4% from a year earlier to ¥95.9 billion, recurring profit 43.3% to ¥68.9 billion, and net income 40.7% to ¥34.9 billion.

## **(2) Results by Business Segment**

### **a. 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 enhance safety we continued to implement risk assessment measures aimed at “building 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. Specifically, these measures were enhanced through efforts that include sharing information on risks, and the horizontal development of recommended initiatives for effective countermeasures and risk assessment. 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 level crossings, and strengthening pillars supporting elevated tracks against earthquakes. In March we began using platform doors at Kitashinchi Station on the JR

Tozai Line. 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, timetables were revised in March 2011. On the Shinkansen lines, with the full opening of the Kyushu Shinkansen, JR-West began operating the *Mizuho* and *Sakura* trains providing direct service between the Sanyo and Kyushu Shinkansen lines. For conventional rail lines, JR-West increased the frequency of direct rapid service trains to Osaka Station from other areas, and started operating special 12-car rapid service trains on weekends in the urban network (the Kyoto-Osaka-Kobe metropolitan area). In addition to the *Hamakaze* limited express introduced in November 2010, and the trains serving the suburban areas of the Kyoto-Osaka-Kobe metropolitan area introduced in December 2010, we also worked to increase convenience through measures including the introduction of new model trains with exceptional safety and comfort providing a limited express service between the Osaka/Kyoto and northern Kinki region.

In marketing initiatives, JR-West worked 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 EX-IC service and the Express Reservation system. We also enhanced railway convenience by launching the ICOCA direct commuter pass service with Keihan Electric Railway Co., Ltd in May 2010. In March 2011 we began offering interoperability between our ICOCA and JR Kyushu's SUGOCA cards, and launched the new internet reservation service "e5489." Also in March 2011, in anticipation of the full launch of the Kyushu Shinkansen and the commencement of direct service operations between the Sanyo and Kyushu Shinkansen services, we held train ride events on direct service trains, and conducted tourism campaigns jointly with local governments. We also participated in "The Shinkansen," a joint campaign by the six JR passenger railway operators to promote Shinkansen services. In addition, JR-West worked in cooperation with local governments, travel agents and other JR companies to stimulate demand for tourism by offering various campaigns such as the Nara Destination Campaign, the Japanese Beauty Hokuriku Campaign, and the "*Kumamoto Surprisesans Campaign.*"

For customer service initiatives, JR-West expanded efforts including the use of video on station and in-car displays to provide guidance to help passengers use the railway in safety and comfort. We also conducted campaigns to raise awareness of efforts to prevent groping.

For the renovation of Osaka Station, in November 2010 we opened a portion of structure over the tracks for use in changing trains, with full completion of the facility planned for April.

In February 2011 we concluded a comprehensive partnership agreement with Shiga Prefecture to promote initiatives aimed at realizing "coexistence with local communities," such as fostering the development of urban areas around train stations.

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. We also continued with Group-wide measures incorporating customer participation, such as the "Eco Life Point" service.

In bus services, JR-West worked to enhance customer convenience with measures including timetable revisions and flexible pricing schemes.

In ferry services (the Miyajima Line), JR-West held special events to commemorate the first anniversary of our consolidated subsidiary's ferry operations, marketed the service to travel companies, and took other steps to secure revenue.

As a result, operating revenues for the Transportation Operations segment increased 1.1% from the previous fiscal year, to ¥806.4 billion, with operating income up 35.3%, to ¥61.1 billion.

#### **b. Sales of Goods and Food Services**

For the new department store JR Osaka Mitsukoshi Isetan in the new North Gate Building on the north side of Osaka Station, the facility's main business operator West Japan Railway Isetan Ltd. continued with preparations for the opening in May 2011.

We also continued efforts to make stations more attractive, including opening new retail outlets and restaurants in Osaka and Hakata stations following station renovations, as well as furthering the integrated development and opening of shops inside Nada Station, including the small-scale convenience store Daily-In, and the café and bakery THIRD.

Despite these efforts, operating revenues in the Sales of Goods and Food Services segment fell 0.3% from the previous fiscal year, to ¥201.3 billion, on revenue declines in wholesale operations. Operating income, however, rose 13.0% to ¥3.5 billion due to a reduction in personnel expenses and other cuts.

#### **c. Real Estate Business**

JR-West moved forward with the development of stations and surrounding areas, including opening the JR Oji Station NK Building centered on restaurants, the JR Tamatsukuri Station NK Building comprising health clinics. We also opened the VIERA Nara commercial facility underneath the elevated tracks at Nara Station, the PLiE restaurant and gift centers underneath the elevated tracks at Himeji Station, and the new Rinto fashion shopping zone at Kanazawa Station. For the Osaka Station Development Project, in preparation for the grand opening of Osaka Station City in May 2011, JR-West opened the South Gate Building in March 2011, and in the North Gate Building made various provisions for the opening of the LUCUA specialty shop zone.

We also worked in cooperation with local businesses around Osaka Station to promote activities in the area, and developed condominiums on former sites of company housing. In April 2010 we merged two consolidated subsidiaries in the Hiroshima area that operate shopping centers, with the aim of strengthening their competitiveness and overall capabilities.

As a result, operating revenues for the Real Estate segment rose 6.8% from the previous fiscal year, to ¥75.7 billion, though operating income declined 1.2% to ¥22.2 billion.

#### **d. Other Businesses**

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

In travel agency operations, JR-West worked to increase sales by developing and enhancing the convenience of travel packages sold through the internet sales system, and by expanding the lineup of products that utilize the railway.

For the JR-West Card, we began accepting applications for the Osaka Station City J-WEST Card, and took other steps to expand the number of cardholders. For the ICOCA e-money service, we

began offering interoperability with JR Kyushu's SUGOCA card, and worked to provide more opportunities to use the service around town, such as at major convenience stores, and for tickets to events and tourist attractions.

As a result, operating revenues in the Other Businesses segment rose 8.6% from the previous fiscal year, to ¥129.9 billion, with operating income up 43.8% to ¥9.6 billion.

### **(3) Forecasts for the Fiscal Year Ending March 2012**

The business environment for JR-West is expected to remain difficult due to the sluggish Japanese economy, stemming from such factors such as population decline and the Great East Japan Earthquake. In response to these circumstances, JR-West will make a concerted effort as a corporate group to derive the maximum benefit from the commencement of full service on the Kyushu Shinkansen and start of direct service operations in March, and the opening of Osaka Station City in May, and expand its earnings.

We will also steadily implement the strategies outlined in the "Revision of the JR-West Group's Medium-Term Management Plan 2008-2012" announced in October 2010, establish higher standards of safety in pursuit of greater peace of mind, and devote our full effort to realizing sustainable growth.

#### Consolidated Forecasts for the Year Ending March 31, 2012

Operating revenues:	¥1,260.0 billion	(up 3.8% YoY)
Operating income:	¥68.5 billion	(down 28.6% YoY)
Recurring profit:	¥42.0 billion	(down 39.1% YoY)
Net income:	¥25.0 billion	(down 28.5% YoY)

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

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

### **(1) Cash Flow from Operating Activities**

Cash provided by operating activities amounted to ¥232.2 billion, an increase of ¥61.9 billion from the previous fiscal year. This was due mainly to an increase in income before income taxes and minority interests, along with a decline in income taxes paid and other expenditures.

### **(2) Cash Flow from Investing Activities**

Cash used in investing activities amounted to ¥246.2 billion, an increase of ¥37.5 billion from the previous fiscal year. This was due mainly to increases in expenditures for acquisition of property, plant and equipment.

### **(3) Cash Flow from Financing Activities**

Cash provided by financing activities amounted to ¥51.4 billion, a decrease of ¥3.1 billion from the previous fiscal year. This was due mainly to a decline in proceeds from the issuance of bonds.

As a result, cash and cash equivalents at the end of the subject fiscal year totaled ¥79.5 billion, an increase of ¥28.4 billion from the end of the previous fiscal year (March 31, 2010).

### **(Reference) Cash Flow Indicators**

Years ended March 31

	2007	2008	2009	2010	2011
Equity ratio (%)	25.3	25.9	26.7	26.3	25.8
Equity ratio, based on market value (%)	45.3	35.2	24.5	24.5	23.3
Interest-bearing debt to cash flow ratio (Times)	5.1	4.2	5.2	6.3	4.9
Interest coverage ratio (Times)	3.6	3.9	3.6	2.2	2.9

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, and Dividends for the Subject and Next Fiscal Years**

JR-West considers it important to provide stable shareholder returns over the long term. On the premise that current project achieve results as planned, from the fiscal year ending March 2013, we plan to provide 3% of consolidated dividend on equity (DOE).

For the subject fiscal year, JR-West plans to pay a dividend of ¥8,000 per share, consisting of the ¥4,000 per share interim dividend already paid, and a year-end dividend of ¥4,000 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.

The Group's three pillars of management are "Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident," "Measures to enhance safety," and "Furthering of reform." While adhering to these principles without change, we will make a concerted effort realize the management vision outlined in the medium-term management plan.

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 to Long-Term Corporate Management Strategies**

The JR-West Group formulated and announced the "Revision of the JR-West Group's Medium-Term Management Plan 2008-2012" in October 2010. This plan establishes the mission of the JR-West Group as contributing to the vitalization of the western Japan region through its business activities. Also, while keeping unchanged the previous three management pillars, the plan specifies the management direction through three new strategies of "Coexistence with local communities," "Innovation by technology," and "Thinking and acting based on the field." Further, by achieving harmony with stakeholders from a long-term perspective we will create a reinforcing cycle for value, and by expanding value overall (plus sum value realization), share the rewards with shareholders and all stakeholders.

### **3. Management Issues**

The Great East Japan Earthquake that struck in March 2011 had a considerable impact not only on regions directly affected by the disaster, but all of Japan. JR-West, while making efforts to aid in disaster relief and restoration, has been forced to reduce the number of trains in operation or to

shorten train configurations due to shortages of certain parts necessary for train maintenance. We regret the confusion this has caused to the users of our service. Going forward, we will take steps avoid inconveniencing customers as much as possible. We will also reaffirm the current state of our risk managements, and pursue a broad range of measures to ensure safety in the event of massive earthquake and tsunami.

For measures to enhance safety, in pursuit of greater reassurance by establishing higher levels of safety, JR-West will steadily move forward with efforts to achieve its Basic Safety Plan, with the goal of “Build a corporate system to ensure no accidents to produce casualties 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, to achieve the goals of the Basic Safety Plan, we will confirm and share the current status of the level reached, expand risk assessment measures such as clarifying priority and residual risks, and implement new measures to prevent accidents. We will also continue to implement measures to ensure that we do not forget the Fukuchiyama Line accident, and will enhance the effectiveness of teaching the lessons learned from the accident through such measures as training sessions for all employees, including at Group companies, conducted at the Railway Safety Education Center. We will also establish a foundation for safety, including improving communication, strengthening ties, and securing and developing human resources. We will install ATS systems, implement measures to prevent accidents at crossings, and enhancing safety on platforms, as well as implement measures to reduce instances of routine transportation disruptions, and ensure a higher quality, safe and reliable transportation service. In addition, we will establish a system to deal with heavy snowfalls, including coordination of information and train operation control.

For the promotion of reform, JR-West will implement measures to establish the principle of “Thinking and acting based on the field,” centered on each and every employee in all work locations.

In the railway business, following the commencement of full service on the Kyushu Shinkansen in March 2011, JR-West will establish convenient timetables incorporating direct service operation on the Sanyo and Kyushu Shinkansen lines, the internet reservation service “e5489,” and take other steps to enhance the competitiveness of the Shinkansen service by providing a high-quality service and reliable notifications. We will also work to coordinate with local areas, promote regional exchange, generate demand for tourism including foreign visitors to Japan, and bolster our information network. For transportation IC cards (smart cards), JR-West will expand alliances with private railways, and negotiate issues to realize interoperability other services nationwide. We will also take other steps to enhance customer service, including strengthening measures that incorporate customer feedback in management strategies, fostering a customer service mentality among employees, enhancing the quality of customer services, and in conjunction with local governments and other organizations, making stations more accessible with “barrier free” facilities.

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. We will also work to ensure a safe and smooth opening of Osaka Station City in May 2011, maximize its effectiveness, and conduct area management for the

districts around Osaka Station. Further, JR-West will increase the number of J-WEST Card cardholders, expanding the number of stores where the ICOCA e-money service can be used, and take other steps to enhance convenience for customers in conjunction with their use of the railway service.

For the promotion of corporate social responsibility (CSR) and compliance, by reinforcing the thoughts and actions of all employees, JR-West will seek to realize the corporate principles pledged to the company, and in line with the deliberations and other recommendations of the Corporate Ethics Committee that acts as a consultative body for the Board of Directors, will further strengthen measures to establish a foundation for management and corporate ethics. In terms of global environmental issues, JR-West will continue its proactive efforts to reduce CO<sub>2</sub> emissions, as well as implement throughout the entire JR-West Group the “Think and Act Eco” initiative. In addition, through the JR West Anshin Foundation established in the wake of the Fukuchiyama Line accident, we will pursue measures beneficial to the establishment of a sustainable and stable society through initiatives including aid for activities and research related to mental and physical rehabilitation and establishing safety following accidents and disasters, and promoting awareness.

The business environment for JR-West is expected to remain extremely difficult due to the considerable impact from the Great East Japan Earthquake that struck in March 2011. In response to these circumstances, JR-West will focus on management for long-term sustainability, and will make a concerted effort as a corporate group to maximize the benefit from its two major projects, the commencement of full service on the Kyushu Shinkansen and start of direct service operations, and the opening of Osaka Station City.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Consolidated Balance Sheets

March 31

	Millions of yen	
	2010	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	51,314	79,742
Notes and accounts receivable-trade	14,282	16,734
Railway fares receivable	22,714	26,689
Accounts receivable	42,038	47,064
Income tax refundable	641	199
Inventories	29,534	28,043
Deferred income taxes	17,857	18,961
Other current assets	45,709	45,870
Less allowance for doubtful accounts	(840)	(872)
Total current assets	<b>223,254</b>	<b>262,432</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	989,472	1,001,337
Machinery and transport equipment	285,890	323,914
Land	658,809	655,872
Construction in progress	107,533	139,615
Other property, plant and equipment	30,570	29,877
Total property, plant and equipment	<b>2,072,276</b>	<b>2,150,617</b>
<b>Intangible fixed assets</b>	<b>24,933</b>	<b>25,798</b>
<b>Investments and other assets:</b>		
Investments in securities	59,327	60,407
Deferred tax assets	139,030	142,069
Other investments and assets	28,729	32,213
Less allowance for doubtful accounts	(1,188)	(1,126)
Total investments and other assets	<b>225,898</b>	<b>233,564</b>
Total fixed assets	<b>2,323,107</b>	<b>2,409,979</b>
<b>Deferred income taxes:</b>		
Development expenses	22	11
Total deferred income taxes	<b>22</b>	<b>11</b>
<b>Total assets</b>	<b>2,546,384</b>	<b>2,672,423</b>

March 31

	Millions of yen	
	2010	2011
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	47,999	51,207
Short-term loans	12,932	17,515
Current portion of long-term debt	33,428	44,764
Current portion of long-term payables for acquisition of railway properties	30,020	39,101
Current portion of long-term accounts payable	31	31
Accounts payable	102,385	134,824
Accrued consumption tax	1,901	3,324
Accrued income tax	13,793	15,450
Railway deposits received	2,117	1,779
Deposits received	50,033	53,687
Prepaid railway fares received	31,450	31,183
Advances received	35,060	24,790
Allowance for bonuses	33,032	34,173
Allowance for compensation of completion of construction	58	49
Allowance for point program	580	660
Other current liabilities	33,377	35,290
Total current liabilities	<b>428,201</b>	<b>487,837</b>
<b>Fixed liabilities:</b>		
Bonds	384,968	444,970
Long-term debt	260,820	283,155
Long-term payables for acquisition of railway properties	329,474	290,408
Long-term accounts payable	222	190
Deferred tax liabilities	213	241
Accrued retirement benefits	324,801	322,737
Allowance for environmental safety measures	9,039	7,033
Provision for unredeemed gift certificates	2,715	2,670
Other long-term liabilities	103,785	111,925
Total fixed liabilities	<b>1,416,040</b>	<b>1,463,334</b>
<b>Total liabilities</b>	<b>1,844,242</b>	<b>1,951,172</b>

(continued on page 15)

	Millions of yen	
	2010	2011
<b>NET ASSETS</b>		
<b>Total shareholders' equity:</b>		
Common stock	100,000	100,000
Capital surplus	55,000	55,000
Retained earnings	543,323	563,766
Treasury stock, at cost	(30,343)	(30,343)
Total shareholders' equity	<b>667,980</b>	<b>688,423</b>
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	1,292	546
Deferred gains or losses on hedges	(108)	(161)
Total Valuation and translation adjustments	<b>1,183</b>	<b>384</b>
<b>Minority interests</b>	<b>32,977</b>	<b>32,443</b>
<b>Total net assets</b>	<b>702,141</b>	<b>721,251</b>
<b>Total liabilities and net assets</b>	<b>2,546,384</b>	<b>2,672,423</b>

## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2010	2011
<b>Operating revenues</b>	<b>1,190,135</b>	<b>1,213,506</b>
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	915,865	950,419
Selling, general and administrative expenses	197,739	167,097
Total operating expenses	<b>1,113,605</b>	<b>1,117,517</b>
<b>Operating income</b>	<b>76,530</b>	<b>95,988</b>
<b>Non-operating revenues:</b>		
Interest income	212	176
Dividend income	420	301
Insurance bonus	2,111	2,366
Transfer from administrative fee of contracted construction	1,669	1,731
Equity in earnings of affiliates	807	2,421
Other	2,444	2,473
Total non-operating revenues	<b>7,666</b>	<b>9,471</b>
<b>Non-operating expenses:</b>		
Interest expense	34,309	33,786
Other	1,781	2,714
Total non-operating expenses	<b>36,090</b>	<b>36,500</b>
<b>Recurring profit</b>	<b>48,106</b>	<b>68,959</b>
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	35,961	39,737
Compensation for expropriation	6,281	4,899
Proceeds from sales of fixed assets	7,033	1,972
Other	5,157	4,526
Total extraordinary profits	<b>54,434</b>	<b>51,135</b>
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	35,200	38,530
Loss on reduction entry of compensation for expropriation	6,217	4,847
Other	17,428	15,694
Total extraordinary losses	<b>58,847</b>	<b>59,073</b>
<b>Income before income taxes</b>	<b>43,693</b>	<b>61,021</b>
<b>Income taxes- Current</b>	31,047	29,952
<b>Income taxes- Deferred</b>	(11,820)	(3,587)
<b>Total income taxes</b>	19,226	26,364
<b>Income before minority interests</b>	—	34,656
<b>Minority interests in loss</b>	(391)	(326)
<b>Net income</b>	<b>24,858</b>	<b>34,983</b>

## Consolidated of Comprehensive Income

Years ended March 31

	Millions of yen	
	2010	2011
Income before minority interests	—	<b>34,656</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(690)
Deferred gains or losses on hedges	—	(66)
Share of other comprehensive income of associates accounted for using equity method	—	(50)
Total of other comprehensive income	—	<b>(807)</b>
Comprehensive income	—	<b>33,849</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	—	34,184
Comprehensive income attributable to minority interests	—	(334)

### 3. Consolidated Statements of Changes in Net Assets

Years ended March 31

	Millions of yen	
	2010	2011
<b>Shareholders' equity:</b>		
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	531,236	543,323
Change in the fiscal year:		
Dividends from surplus	(13,561)	(14,530)
Net income	24,858	34,983
Change of scope of consolidation	452	(10)
Increase in merger and acquisition	337	—
Total	12,086	20,443
Balance at the current year-end	543,323	563,766
Treasury stock, at cost:		
Balance at the previous year-end	(30,343)	(30,343)
Change in the fiscal year		
Balance at the current year-end	(30,343)	(30,343)
Total shareholders' equity:		
Balance at the previous year-end	655,893	667,980
Change in the fiscal year:		
Dividends from surplus	(13,561)	(14,530)
Net income	24,858	34,983
Change of scope of consolidation	452	(10)
Increase in merger and acquisition	337	—
Total	12,086	20,443
Balance at the current year-end	667,980	688,423

(continued on page 19)

Years ended March 31

	Millions of yen	
	2010	2011
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities:		
Balance at the previous year-end	1,004	1,292
Change in the fiscal year:		
Net changes in items other than shareholders' equity	288	(746)
Total	288	(746)
Balance at the current year-end	1,292	546
Deferred gains or losses on hedges:		
Balance at the previous year-end	(233)	(108)
Change in the fiscal year:		
Net changes in items other than shareholders' equity	124	(52)
Total	124	(52)
Balance at the current year-end	(108)	(161)
Total valuation and translation adjustments:		
Balance at the previous year-end	770	1,183
Change in the fiscal year:		
Net changes in items other than shareholders' equity	412	(799)
Total	412	(799)
Balance at the current year-end	1,183	384
<b>Minority interests:</b>		
Balance at the previous year-end	32,938	32,977
Change in the fiscal year:		
Net changes in items other than shareholders' equity	39	(534)
Total	39	(534)
Balance at the current year-end	32,977	32,443
<b>Total net assets:</b>		
Balance at the previous year-end	689,602	702,141
Change in the fiscal year:		
Dividends from surplus	(13,561)	(14,530)
Net income	24,858	34,983
Change of scope of consolidation	452	(10)
Increase in merger and acquisition	337	—
Net changes in items other than shareholders' equity	451	(1,333)
Total	12,538	19,109
Balance at the current year-end	702,141	721,251

#### 4. Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2010	2011
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	43,693	61,021
Depreciation and amortization	141,903	150,886
Loss on Impairment of fixed assets	3,266	3,790
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	35,200	38,530
Loss on disposal of property, plant and equipment	8,873	8,878
Change in allowance for doubtful accounts	140	(29)
Change in allowance for retirement benefits	31,959	(2,063)
Change in allowance for accrued bonuses	(1,259)	1,141
Change in other reserves	(1,302)	(1,728)
Interest and dividend income	(632)	(477)
Interest expenses	34,309	33,786
Equity in earnings of affiliates	(807)	(2,421)
Gain on contributions received for construction	(35,961)	(39,737)
Change in notes and accounts receivable	4,623	(10,945)
Change in inventories	(5,339)	1,491
Change in notes and accounts payable	(15,242)	28,247
Change in accrued consumption tax	(4,466)	2,029
Other	400	12,007
Subtotal	<b>239,359</b>	<b>284,406</b>
Interest and dividends income received	619	473
Interest paid	(34,409)	(33,875)
Income taxes paid	(44,260)	(27,783)
<b>Net cash provided by operating activities</b>	<b>161,309</b>	<b>223,221</b>
<b>Cash flows from investing activities</b>		
Purchase of short-term investment securities	—	(30,000)
Proceeds from sales of short-term investment securities	—	30,000
Payments for time deposits with a maturity of more than three months	(35,230)	(230)
Proceeds for time deposits with a maturity of more than three months	35,230	230
Purchases of property, plant and equipment	(246,183)	(277,342)
Proceeds from sales of property, plant and equipment	1,791	659
Contributions received for constructions	37,855	34,370
Increase in investments in securities	(812)	(566)
Proceeds from sales of investments in securities	800	120
Payments on long-term loans receivable	(584)	(679)
Collections of long-term loans receivable	562	760
Other	(2,210)	(3,616)
<b>Net cash used in investing activities</b>	<b>(208,782)</b>	<b>(246,293)</b>

(continued on page 21)

	Millions of yen	
	2010	2011
<b>Cash flows from financing activities</b>		
Change in short-term loans	(16,493)	1,897
Proceeds from long-term loans	66,900	67,100
Repayment of long-term debt	(42,770)	(33,460)
Proceeds from issuance of bonds	115,000	60,000
Repayment of redemption of bonds	(20,000)	—
Repayment of long-term payables for acquisition of railway properties	(33,437)	(29,984)
Cash dividends paid to the Company's shareholders	(13,552)	(14,517)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(117)	(117)
Other	(907)	528
<b>Net cash used in financing activities</b>	<b>54,621</b>	<b>51,445</b>
<b>Change in cash and cash equivalents, net</b>	<b>7,148</b>	<b>28,373</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>41,184</b>	<b>51,084</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>2,690</b>	<b>54</b>
<b>Increase in cash and cash equivalents resulting from merger</b>	<b>61</b>	<b>—</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>51,084</b>	<b>79,512</b>

## 5. Change in Significant Items Fundamental to the Preparation of the Consolidated Financial Statements

### Changes in Accounting Method

#### **1. "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"**

From the subject fiscal year, JR-West has applied "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued March 10, 2008), and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008). There is no impact on the financial statements as a result of this change.

#### **2. Application of "Accounting Standard for Asset Retirement Obligations"**

From the first quarter of the subject fiscal year, Fuji Media Holdings has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 10, 2008). There is no impact on the financial statements as a result of this change.

#### **3. Application of "Accounting Standards for Business Combinations"**

From the first quarter of the subject fiscal year, Fuji Media Holdings has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008); "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008); "Partial Amendments to 'Accounting Standard for Research and Development Costs'" (ASBJ Statement No. 23, December 26, 2008); "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008); "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008); and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

### Changes in Presentation Method

#### **1. Presentation of "Income before minority interests"**

From the subject fiscal year, JR-West has applied the Cabinet Office Ordinance partially amending the regulations on consolidated financial statements (Cabinet Office Ordinance No. 5, March 24, 2009), based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008). As a result, the line item "Income before minority interests" is presented.

## 6. Notes to the Consolidated Financial Statements

### Additional Information

From the subject fiscal year, JR-West has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, amounts for "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in previous consolidated fiscal years are stated in the amounts for "Total valuation and translation adjustments."

## Segment Information

### **1. Overview of Reportable Segments**

The JR-West Group's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the Board of Directors to determine the allocation of management resources, and evaluate earnings performance.

The JR-West Group's principal business segments are "Transportation," "Sales of Goods and Food Services" and "Real Estate." Classification by category of the businesses that compose JR-West and its Group companies allows for management of business operations by JR-West or the respective Group company.

Accordingly, the JR-West Group comprises segments by business, and has the three reportable segments of "Transportation," "Sales of Goods and Food Services" and "Real Estate." The "Transportation" segment comprises the railway business, ferry business, and passenger vehicle transport operations. The "Sales of Goods and Food Services" segment comprises department store operations, retail goods and food service operations, and wholesale operations for various types of goods. The "Real Estate" segment comprises real estate sales and leasing operations, and shopping center management operations.

### **2. Operating Revenues and Earnings (or Loss) by Reportable Segment**

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
<b>Operating revenues and income:</b>							
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 operating revenues	813,538	248,578	84,749	286,925	1,433,792	(243,657)	1,190,135
Operating expenses	768,335	245,404	62,237	280,196	1,356,175	(242,569)	1,113,605
Operating income	45,202	3,174	22,511	6,729	77,617	(1,087)	76,530
<b>Assets, depreciation, and capital expenditures:</b>							
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

Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

	Millions of yen						
	Transportation	Sales of goods and food services	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
Operating revenues:							
Operating revenues from third parties	806,460	201,322	75,767	129,955	1,213,506	—	1,213,506
Intergroup operating revenues and transfers	17,402	48,680	14,170	174,015	254,269	(254,269)	—
Total operating revenues	823,863	250,003	89,937	303,971	1,467,775	(254,269)	1,213,506
Segment income	61,165	3,586	22,251	9,674	96,678	(689)	95,988
Segment assets	1,933,745	114,659	370,969	292,634	2,712,009	(39,585)	2,672,423
Other items							
Depreciation and amortization	129,513	4,905	11,829	4,638	150,886	—	150,886
Amortization of goodwill	—	(139)	226	(110)	(23)	—	(23)
Loss on impairment of fixed assets	—	3,062	640	87	3,790	—	3,790
Increase in property, plant and equipment and intangible assets	228,495	9,442	41,912	7,917	287,768	—	287,768

Notes: 1. The “Other Businesses” category is a business segment not including in reportable segments. It includes such operations as hotels, travel services, and construction business.

2. The segment income adjustment of ¥689 million and segment assets adjustment of ¥39,585 million mainly comprises unrealized gains on fixed assets that straddle segments.

3. Segment earnings (or loss) are adjusted to the operating income figure on the Consolidated Statements of Income.

### **Additional Information**

From the first quarter of the subject fiscal year, JR-West has applied “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009), and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

### **Per Share Information**

	Years ended March 31	
	2010	2011
Net assets (Yen)	345,568.31	355,712.84
Net income (Yen)	12,837.31	18,066.01

Notes: 1. “Net income per share, adjusted for latent shares” is not stated because there are no latent shares.

2. The basis for calculating “Net income per share” is as follows.

	Years ended March 31	
	2010	2011
Net income per share		
Net income (Millions of yen)	24,858	34,983
Net income applicable to common shares (Millions of yen)	24,858	34,983
Average number of shares outstanding for each period (Thousands of shares)	1,936	1,936

## Reference Materials

### 1. NON-CONSOLIDATED BALANCE SHEETS

March 31

	2010	2011	Change
	Billions of yen	Billions of yen	Billions of yen
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	157.5	206.2	48.7
<b>Fixed assets:</b>			
Fixed assets for railway operations	1,734.9	1,778.1	43.2
Construction in progress	65.5	74.9	9.3
Investments and other assets	329.0	346.3	17.3
Total fixed assets	2,129.4	2,199.4	70.0
<b>Total assets</b>	<b>2,286.9</b>	<b>2,405.7</b>	<b>118.8</b>

	2010	2011	Change
	Billions of yen	Billions of yen	Billions of yen
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Current portion of long-term debt	61.2	81.7	20.4
Accounts payable	368.0	412.6	44.6
Total current liabilities	429.3	494.4	65.1
<b>Fixed liabilities:</b>			
Bonds and long-term debt	960.8	1,006.2	45.3
Accrued retirement benefits	303.8	302.0	(1.8)
Other long-term liabilities	24.8	21.6	(3.1)
Total fixed liabilities	1,289.5	1,329.9	40.3
<b>Total liabilities</b>	<b>1,718.8</b>	<b>1,824.3</b>	<b>105.5</b>
<b>Total shareholders' equity:</b>			
Common stock	100.0	100.0	
Capital surplus	55.0	55.0	
Retained earnings	442.0	456.0	14.0
Treasury stock, at cost	(29.9)	(29.9)	
Total shareholders' equity	567.0	581.0	14.0
<b>Valuation and translation adjustments</b>	<b>1.0</b>	<b>0.3</b>	<b>(0.7)</b>
<b>Total net assets</b>	<b>568.1</b>	<b>581.3</b>	<b>13.2</b>
<b>Total liabilities and net assets</b>	<b>2,286.9</b>	<b>2,405.7</b>	<b>118.8</b>

## 2. NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31

	2010	2011	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
<b>Operating revenues:</b>				
Transportation	720.0	728.0	7.9	1.1
Transportation incidentals	20.1	19.5	(0.6)	(3.0)
Other operations	21.1	21.8	0.7	3.3
Miscellaneous	55.4	59.2	3.8	6.9
	<b>816.7</b>	<b>828.6</b>	<b>11.8</b>	<b>1.5</b>
<b>Operating expenses:</b>				
Personnel costs	265.2	235.3	(29.9)	(11.3)
Non personnel costs:				
Energy costs	33.5	33.7	0.1	
Maintenance costs	128.1	135.8	7.7	
Miscellaneous costs	156.9	163.8	6.9	
	318.6	333.4	14.7	4.6
Rental payments, etc	25.0	25.1	0.0	0.2
Taxes	29.3	29.8	0.4	1.6
Depreciation	119.9	129.1	9.1	7.6
	<b>758.2</b>	<b>752.8</b>	<b>(5.4)</b>	<b>(0.7)</b>
<b>Operating income</b>	<b>58.5</b>	<b>75.8</b>	<b>17.3</b>	<b>29.6</b>
<b>Non-operating revenues and expenses, net:</b>				
Non-operating revenues	6.0	7.0	0.9	
Non-operating expenses	34.7	34.3	(0.4)	
	<b>(28.7)</b>	<b>(27.2)</b>	<b>1.4</b>	<b>(4.9)</b>
<b>Recurring profit</b>	<b>29.8</b>	<b>48.5</b>	<b>18.7</b>	<b>62.8</b>
<b>Extraordinary profit and loss, net:</b>				
Extraordinary profit	52.8	48.9	(3.8)	
Extraordinary loss	48.3	49.4	1.0	
	<b>4.4</b>	<b>(0.4)</b>	<b>(4.9)</b>	
<b>Income before income taxes</b>	<b>34.2</b>	<b>48.0</b>	<b>13.7</b>	<b>40.2</b>
<b>Income taxes</b>	13.7	19.5	5.8	
<b>Net income</b>	<b>20.5</b>	<b>28.5</b>	<b>7.9</b>	<b>38.7</b>

## 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	
	2010	2011	Amount	%	2010	2011	Amount	%
Sanyo Shinkansen								
Commuter Passes	708	718	9	1.3	8.8	8.9	0.0	0.9
Non-Commuter Passes	14,109	14,828	718	5.1	303.5	314.9	11.3	3.8
Total	14,818	15,546	728	4.9	312.4	323.9	11.4	3.7
Conventional Lines								
Commuter Passes	22,718	22,692	(25)	(0.1)	140.8	140.3	(0.4)	(0.3)
Non-Commuter Passes	14,474	14,374	(99)	(0.7)	266.6	263.6	(3.0)	(1.1)
Total	37,192	37,067	(125)	(0.3)	407.5	404.0	(3.4)	(0.9)
Kyoto-Osaka-Kobe Area								
Commuter Passes	18,391	18,352	(39)	(0.2)	113.8	113.3	(0.5)	(0.4)
Non-Commuter Passes	9,722	9,694	(27)	(0.3)	172.3	171.0	(1.2)	(0.7)
Total	28,114	28,047	(67)	(0.2)	286.1	284.4	(1.7)	(0.6)
Other Lines								
Commuter Passes	4,326	4,340	14	0.3	27.0	27.0	0.0	0.1
Non-Commuter Passes	4,752	4,680	(72)	(1.5)	94.3	92.5	(1.7)	(1.9)
Total	9,078	9,020	(58)	(0.6)	121.4	119.6	(1.7)	(1.4)
Total								
Commuter Passes	23,427	23,411	(16)	(0.1)	149.7	149.3	(0.3)	(0.3)
Non-Commuter Passes	28,583	29,203	619	2.2	570.2	578.6	8.3	1.5
Total	52,011	52,614	603	1.2	720.0	728.0	7.9	1.1

### 3. CAPITAL EXPENDITURES

#### Consolidated Basis

Years ended March 31

	2010	2011	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	246.3	282.7	36.4	14.8
Capital expenditures, excluding contributions received for constructions	210.1	260.0	49.8	23.7
Contributions received for constructions	36.1	22.7	(13.4)	(37.1)

#### Non-Consolidated Basis

Years ended March 31

	2010	2011	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	201.6	231.2	29.6	14.7
Capital expenditures, excluding contributions received for constructions	165.5	208.5	43.0	26.0
[Safety-related capital expenditures]*	[95.6]	[125.1]	[29.5]	[30.9]
Contributions received for constructions	36.1	22.7	(13.4)	(37.1)

#### Major Capital Expenditures

Safety and accident-prevention measures, including installation of ATS; introduction of new rolling stock (225 Series), Osaka Station Development Project, etc.

#### 4. FORECASTS FOR FISCAL 2011, ENDING MARCH 31, 2012

##### Consolidated Statements of Income

	Year ended March 31, 2011	Forecast for year ending March 31, 2012		Change from the same period of the previous year	
	Billions of yen	Billions of yen		Billions of yen	%
Operating revenues:	<1.46>	<1.53>			
Transportation	806.4	801.4		(5.0)	(0.6)
Sales of goods and food services	201.3	250.3		48.9	24.3
Real estate	75.7	91.3		15.5	20.5
Other businesses	129.9	117.0		(12.9)	(10.0)
	1,213.5	[605.0]	1,260.0	46.4	3.8
Operating expenses	1,117.5	[574.0]	1,191.5	73.9	6.6
Operating income:					
Transportation	61.1	39.8		(21.3)	(34.9)
Sales of goods and food services	3.5	(0.5)		(4.0)	
Real estate	22.2	24.0		1.7	7.9
Other businesses	9.6	5.8		(3.8)	(40.1)
Elimination and corporation	(0.6)	(0.6)		0.0	
	95.9	[31.0]	68.5	(27.4)	(28.6)
Recurring profit	68.9	[16.0]	42.0	(26.9)	(39.1)
	<1.23>	<1.56>			
Net income	34.9	[9.0]	25.0	(9.9)	(28.5)

- Note: 1. Figures in bracket [ ] are for the six months ending September 30, 2011.  
2. Figures in bracket < > are the consolidated-to-parent ratio.  
3. Revenues by each segment are from third parties.

##### Fiscal year ending March 31, 2012

Capital expenditures (own fund):

¥205.0 billion

Balance of long-term debt and payables:

¥1,097.0 billion

##### Non-Consolidated Statements of Income

	Year ended March 31, 2011	Forecast for year ending March 31, 2012		Change from the same period of the previous year	
	Billions of yen	Billions of yen		Billions of yen	%
Operating revenues	828.6	[401.0]	823.5	(5.1)	(0.6)
Transportation	728.0	[352.0]	723.0	(5.0)	(0.7)
Operating expenses	752.8	[370.0]	769.5	16.6	2.2
Operating income	75.8	[31.0]	54.0	(21.8)	(28.8)
Recurring profit	48.5	[16.0]	27.0	(21.5)	(44.4)
Net income	28.5	[9.0]	16.0	(12.5)	(43.9)

Note: Figures in bracket [ ] are for the six months ending September 30, 2011

##### Fiscal year ending March 31, 2012

Capital expenditures (own fund):

¥155.0 billion

[Safety-related capital expenditure]

[¥96.0 billion]

Balance of long-term debt and payables:

¥1,085.0 billion