Report of Independent Auditors

The Board of Directors
West Japan Railway Company

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

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

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

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

June 22, 2011

Ernst & Young ShinNihon LLC

West Japan Railway Company

Non-Consolidated Balance Sheets

As of March 31, 2011, 2010 and 2009

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
Assets				
Current assets:				
Cash	¥ 69,829	¥ 41,781	¥ 30,649	$ 841
Accounts receivable	57,713	53,497	48,559	695
Less allowance for doubtful accounts	(483)	(447)	(242)	(5)
Inventories	10,188	10,411	9,014	122
Deferred income taxes *(Note 8)*	13,159	12,686	14,644	158
Prepaid expenses and other current assets *(Note 3)*	55,860	39,571	37,374	673
Total current assets	206,267	157,501	140,000	2,485
Investments and advances:				
Subsidiaries and affiliates *(Note 3)*	204,986	187,839	175,323	2,469
Other securities	8,316	9,944	9,888	100
Total investments	213,303	197,784	185,212	2,569
Property, plant and equipment, at cost *(Notes 4, 5, 6 and 7)*:				
Railway *(Note 7)*	4,203,686	4,078,167	3,978,376	50,646
Ferry	–	–	1,270	–
Other operations	209,956	209,199	217,007	2,529
Construction in progress	74,923	65,526	55,912	902
	4,488,565	4,352,894	4,252,567	54,079
Less accumulated depreciation	(2,657,674)	(2,573,134)	(2,498,963)	(32,020)
Property, plant and equipment, net	1,830,890	1,779,760	1,753,603	22,058
Deferred income taxes *(Note 8)*	120,944	119,965	109,667	1,457
Other assets	34,344	31,938	26,623	413
Total assets	¥ 2,405,751	¥ 2,286,949	¥ 2,215,108	$ 28,984

	Millions of yen			Millions of U.S. dollars (Note 1)
	2011	2010	2009	2011
Liabilities and net assets				
Current liabilities:				
Short-term loans *(Notes 3 and 6)*	¥ 130,555	¥ 109,910	¥ 135,717	$ 1,572
Current portion of long-term debt *(Note 6)*	42,360	30,962	60,170	510
Current portion of long-term payables *(Notes 3 and 7)*	39,389	30,308	33,791	474
Accounts payable *(Note 3)*	156,709	131,918	126,640	1,888
Prepaid railway fares received	31,059	31,303	31,379	374
Deposits and advances received	39,666	44,701	55,703	477
Accrued expenses	44,447	42,600	46,076	535
Accrued income taxes *(Note 8)*	7,809	6,868	20,110	94
Allowance for customer point programs	345	302	319	4
Other current liabilities	807	437	4,241	9
Total current liabilities	494,432	429,312	514,149	5,957
Long-term debt *(Note 6)*	714,967	630,225	479,285	8,614
Long-term payables *(Notes 3 and 7)*	291,232	330,586	361,113	3,508
Accrued retirement benefits	302,044	303,883	273,315	3,639
Allowance for environmental safety measures	7,033	9,039	10,193	84
Other long-term liabilities	14,653	15,799	16,260	176
Total long-term liabilities	1,329,930	1,289,534	1,140,169	16,023
Contingent liabilities *(Note 10)*				
Net assets:				
Shareholders' equity *(Note 11)*:				
Common stock *(Note 14(1))*:				
Authorized – 8,000,000 shares				
Issued and outstanding – 2,000,000 shares	100,000	100,000	100,000	1,204
Capital surplus	55,000	55,000	55,000	662
Retained earnings *(Note 14(2))*	456,024	442,024	435,008	5,494
Less treasury stock, at cost	(29,999)	(29,999)	(29,999)	(361)
Total shareholders' equity	581,025	567,024	560,009	7,000
Valuation and translation adjustments:				
Net unrealized holding gain on securities	361	1,077	780	4
Total valuation and translation adjustments	361	1,077	780	4
Total net assets	581,387	568,102	560,789	7,004
Total liabilities and net assets	¥2,405,751	¥2,286,949	¥2,215,108	$ 28,984

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Income

Years ended March 31, 2011, 2010 and 2009

	Millions of yen			*Millions of U.S. dollars (Note 1)*
	2011	2010	2009	2011
Operating revenues:				
Transportation	¥728,013	¥720,042	¥773,757	$ 8,771
Transportation incidentals	19,550	20,160	21,874	235
Other operations	21,816	21,116	20,902	262
Miscellaneous	59,270	55,465	58,494	714
	828,651	816,784	875,030	9,983
Operating expenses *(Note 12)*:				
Personnel	235,343	265,248	268,618	2,835
Energy	33,722	33,590	38,237	406
Maintenance	135,829	128,107	135,845	1,636
Depreciation	129,118	119,969	115,932	1,555
Rent	25,131	25,091	25,336	302
Miscellaneous taxes	29,826	29,359	29,124	359
Other	163,857	156,913	159,841	1,974
	752,830	758,280	772,935	9,070
Operating income	75,821	58,503	102,094	913
Other income (expenses):				
Interest and dividend income	1,353	1,232	1,333	16
Interest expense	(33,499)	(34,152)	(34,910)	(403)
Gain on sales of property, plant and equipment	2,356	7,157	4,556	28
Loss on disposal of property, plant and equipment	–	–	(345)	–
Loss on impairment of fixed assets *(Note 5)*	–	–	(51)	–
Other, net	2,018	1,538	1,865	24
	(27,770)	(24,224)	(27,551)	(334)
Income before income taxes	48,050	34,279	74,543	578
Income taxes *(Note 8)*:				
Current	20,480	22,246	42,755	246
Deferred	(961)	(8,544)	(12,592)	(11)
	19,519	13,702	30,162	235
Net income	¥ 28,530	¥ 20,577	¥ 44,380	$ 343

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Changes in Net Assets

Years ended March 31, 2011, 2010 and 2009

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2008	¥ 100,000	¥ 55,000	¥ 403,444	¥ (9,999)	¥ 548,444	¥ 4,000	¥ 4,000	¥ 552,445
Net income for the year	–	–	44,380	–	44,380	–	–	44,380
Cash dividends	–	–	(12,816)	–	(12,816)	–	–	(12,816)
Purchases of treasury stock	–	–	–	(19,999)	(19,999)	–	–	(19,999)
Net changes in items other than shareholders' equity	–	–	–	–	–	(3,220)	(3,220)	(3,220)
Balance at March 31, 2009	¥ 100,000	¥ 55,000	¥ 435,008	¥ (29,999)	¥ 560,009	¥ 780	¥ 780	¥ 560,789
Net income for the year	–	–	20,577	–	20,577	–	–	20,577
Cash dividends	–	–	(13,561)	–	(13,561)	–	–	(13,561)
Net changes in items other than shareholders' equity	–	–	–	–	–	297	297	297
Balance at March 31, 2010	¥ 100,000	¥ 55,000	¥ 442,024	¥ (29,999)	¥ 567,024	¥ 1,077	¥ 1,077	¥ 568,102
Net income for the year	–	–	28,530	–	28,530	–	–	28,530
Cash dividends	–	–	(14,530)	–	(14,530)	–	–	(14,530)
Net changes in items other than shareholders' equity	–	–	–	–	–	(715)	(715)	(715)
Balance at March 31, 2011	¥ 100,000	¥ 55,000	¥ 456,024	¥ (29,999)	¥ 581,025	¥ 361	¥ 361	¥ 581,387

	Millions of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2010	$ 1,204	$ 662	$ 5,325	$ (361)	$ 6,831	$ 12	$ 12	$ 6,844
Net income for the year	–	–	343	–	343	–	–	343
Cash dividends	–	–	(175)	–	(175)	–	–	(175)
Net changes in items other than shareholders' equity	–	–	–	–	–	(8)	(8)	(8)
Balance at March 31, 2011	$ 1,204	$ 662	$ 5,494	$ (361)	$ 7,000	$ 4	$ 4	$ 7,004

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2011

1. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

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

The accompanying non-consolidated financial statements relate to the Company only, with investments in subsidiaries and affiliates being stated at cost.

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

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

Summary of Significant Accounting Policies

(1) Investments in securities

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

1. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

(2) Inventories

The Company's inventories consist of rails, materials and supplies and they are stated at lower of cost or net selling value, cost being determined by the moving average method.

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

Property, plant and equipment are stated at cost (see Note 4). Depreciation is determined by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(4) Intangible assets

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

(5) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(6) Leases

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

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

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

1. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

(7) Income taxes

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

(8) Allowance for doubtful accounts

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

(9) Allowance for customer point program

Allowance for customer point program is provided for expected expenditures corresponding to the points granted to J-West card members, which are expected to be utilized by the cared members in the following periods, at a reasonably estimated amount.

(10) Accrued retirement benefits

The Company has a lump-sum severance and retirement benefit plan covering all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination of employment occur.

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

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

Prior service cost is charged to income when incurred.

1. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

(11) Allowance for environmental safety measures

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

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

2. Adoption of New Accounting Standards

(1) Asset retirement obligations

Effective the year ended March 31, 2011, the Company adopted “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008).

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

(2) Change in method for valuing securities

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

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

2. Adoption of New Accounting Standards (continued)

(3) Disclosure of financial instruments

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

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

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

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

(5) Leases

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

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

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

3. Balances with Subsidiaries and Affiliates

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

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Investments in:				
Subsidiaries	¥120,851	¥113,704	¥113,143	$ 1,456
Affiliates	26,048	25,866	25,619	313
Advances to subsidiaries	58,087	48,269	36,561	699
	¥204,986	¥187,839	¥175,323	$ 2,469

At March 31, 2011 and 2010, there are no investments in subsidiaries and affiliates with readily determinable fair value. Investments in subsidiaries and affiliates for which it is extremely difficult to determine the fair value are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2011	2010	2011
Investment securities:			
Subsidiaries	¥ 120,851	¥ 113,704	$ 1,456
Affiliates	26,048	25,866	313
	¥ 146,899	¥ 139,570	$ 1,769

Because no quoted market prices are available for the above securities, it is extremely difficult to determine the fair value.

Amounts due from and due to subsidiaries and affiliates at March 31, 2011, 2010 and 2009 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Due from subsidiaries and affiliates:				
Short-term loans receivable included in prepaid expenses and other current assets	¥ 29,298	¥ 14,975	¥ 17,143	$ 352
Due to subsidiaries and affiliates:				
Short-term loans	¥ 129,681	¥ 109,003	¥ 119,799	$ 1,562
Current portion of long-term payables	288	288	288	3
Accounts payable	108,936	99,946	99,962	1,312
Long-term payables	824	1,112	1,400	9
	¥ 239,730	¥ 210,349	¥ 221,449	$ 2,888

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Land	¥ 640,585	¥ 640,813	¥ 640,307	$ 7,717
Buildings	372,894	365,729	361,940	4,492
Railway fixtures	2,119,624	2,083,823	2,043,877	25,537
Rolling stock and other vehicles	934,737	867,958	832,626	11,261
Ships	4	4	997	0
Machinery and equipment	281,837	268,993	259,922	3,395
Furniture and fixtures	62,744	59,647	56,784	755
Leases	1,213	398	199	14
Construction in progress	74,923	65,526	55,912	902
	4,488,565	4,352,894	4,252,567	54,079
Less accumulated depreciation	(2,657,674)	(2,573,134)	(2,498,963)	(32,020)
Property, plant and equipment, net	¥ 1,830,890	¥ 1,779,760	¥ 1,753,603	$ 22,058

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

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

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

5. Loss on Impairment of Fixed Assets

The Company groups its fixed assets relating to railways, vessels, sales of goods and food services and other businesses at each business which manages the receipts and payments separately. It also groups its fixed assets in the real estate business, fixed assets which it has determined to dispose of and idle assets at each asset. Consequently, for the year ended March 31, 2009, the Company wrote down the following fixed assets to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥51 million in the accompanying non-consolidated statement of income for the year then ended.

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

6. Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2011, 2010 and 2009 ranged from 0.23% to 0.66%, from 0.25% to 0.98%, and from 0.26% to 1.17%, respectively.

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

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Secured West Japan Railway bonds, payable in yen, at rates ranging from2.41% to 3.45%, due from 2017 through 2019	¥ 110,000	¥ 110,000	¥ 130,000	$ 1,325
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.387% to 2.49%, due from 2013 through 2041	334,970	274,968	159,966	4,035
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.37% to 6.0%, due in installments from 2012 through 2020	55,625	48,983	40,347	670
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.4675% to 2.36%, due in installments from 2012 through 2031	240,100	209,700	190,700	2,892
Other	16,632	17,536	18,442	200
	757,327	661,187	539,455	9,124
Less current portion	(42,360)	(30,962)	(60,170)	(510)
	¥ 714,967	¥ 630,225	¥ 479,285	$ 8,614

6. Short-Term Loans and Long-Term Debt (continued)

All the secured bonds issued by the Company are secured by statutory preferential rights over the entire property of the Company.

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2012	¥ 42,360	$ 510
2013	99,796	1,202
2014	35,412	426
2015	43,403	522
2016	35,824	431
2017 and thereafter	500,532	6,030
	¥757,327	$9,124

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

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

7. Long-Term Payables

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

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2012 through 2017	¥ 135,658	¥ 164,521	¥ 196,877	$ 1,634
Fixed interest portion at 6.35% and 6.55%, due in installments from 2012 through 2052	187,321	187,860	188,365	2,256
Other	7,641	8,512	9,662	92
	330,622	360,894	394,905	3,983
Less current portion	(39,389)	(30,308)	(33,791)	(474)
	¥ 291,232	¥ 330,586	¥ 361,113	$ 3,508

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from Shinkansen Holding Corporation ("SHC") for a total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRTT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRTT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year. The variable interest rates for the years ended March 31, 2011, 2010 and 2009 were 4.08%, 4.15% and 4.21%, respectively.

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2012	¥ 39,389	$ 474
2013	41,097	495
2014	39,973	481
2015	38,347	462
2016	33,655	405
2017 and thereafter	138,159	1,664
	¥ 330,622	$ 3,983

8. Income Taxes

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

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2011, 2010 and 2009 has been omitted because the differences between these tax rates were less than five percent of the statutory tax rate.

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

	Millions of yen			*Millions of U.S. dollars*
	2011	2010	2009	2011
Deferred tax assets:				
Accrued bonuses included in accrued expenses	¥ 10,432	¥ 10,019	¥ 10,552	$ 125
Accrued social insurance premiums included in accrued expenses	1,330	1,262	1,304	16
Accrued enterprise taxes included in accrued income taxes	940	889	1,894	11
Accrued retirement benefits	122,901	123,649	111,211	1,480
Allowance for environmental safety measures	2,928	3,729	4,174	35
Other	15,611	13,946	13,988	188
Gross deferred tax assets	154,144	153,497	143,127	1,857
Valuation allowance	(6,021)	(5,981)	(5,860)	(72)
Total deferred tax assets	148,122	147,515	137,266	1,784
Deferred tax liabilities:				
Unrealized holding gain on securities	(248)	(739)	(535)	(2)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(13,770)	(14,124)	(12,419)	(165)
Total deferred tax liabilities	(14,018)	(14,863)	(12,954)	(168)
Deferred tax assets, net	¥134,104	¥132,651	¥124,311	$1,615

9. Leases

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

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2011, 2010 and 2009, which would have been reflected in the accompanying non-consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2011			2010		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:						
Railway operations	¥ 502	¥ 372	¥ 129	¥ 705	¥ 450	¥ 254
Other operations	10	8	2	39	31	7
	¥ 512	¥ 381	¥ 131	¥ 744	¥ 481	¥ 262

	Millions of yen		
	2009		
	Acquisition costs	Acquisition costs	Acquisition costs
Leased assets for:			
Railway operations	¥ 861	¥ 435	¥ 426
Other operations	39	19	19
	¥ 900	¥ 454	¥ 445

	Millions of U.S. dollars		
	2011		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:			
Railway operations	$ 6	$ 4	$ 1
Other operations	0	0	0
	$ 6	$ 4	$ 1

9. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2011, 2010 and 2009 totaled ¥126 million ($1 million), ¥170 million and ¥191 million, respectively. These amounts are equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value.

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2012	¥ 83	$ 1
2013 and thereafter	48	0
	¥ 131	$ 1

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2012	¥ 122	$ 1
2013 and thereafter	192	2
	¥ 315	$ 3

10. Contingent Liabilities

At March 31, 2011, the Company was contingently liable for guarantees of loans to subsidiaries and an affiliate and prepaid hotel vouchers issued by certain consolidated subsidiaries, which are recorded as a component of deposits and advances received, in the aggregate amount of ¥18,903 million ($227 million).

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

11. Shareholders' Equity

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

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

Treasury stock

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

	Number of shares			
	March 31, 2010	Increase	Decrease	March 31, 2011
Treasury stock	62,653	–	–	62,653

	Number of shares			
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	62,653	–	–	62,653

	Number of shares			
	March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock	17,434	45,219	–	62,653

12. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,263 million ($75 million), ¥6,262 million and ¥7,153 million for the years ended March 31, 2011, 2010 and 2009, respectively.

13. Amounts per Share

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

	Yen			*U.S. dollars*
	2011	2010	2009	2011
Net assets	¥ 300,094.77	¥ 293,237.50	¥ 289,462.54	$ 3,615
Net income	14,726.76	10,621.42	22,557.62	177
Cash dividends	8,000.00	7,000.00	7,000.00	96

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

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

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

14. Subsequent Events

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

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

	Yen		*U.S. dollars*
	2011	2010	2011
Net assets	¥ 3,000.95	¥ 2,932.38	$ 36
Net income	147.27	106.21	1

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

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

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