West Japan Railway Company

Non-Consolidated Balance Sheet

As of March 31, 2013

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
Assets			
Current assets:			
Cash	¥ 33,480	¥ 38,875	$ 356
Accounts receivable	60,186	58,813	640
Less allowance for doubtful accounts	(591)	(602)	(6)
Inventories	12,295	12,274	130
Deferred income taxes *(Note 7)*	13,914	12,993	148
Prepaid expenses and other current assets *(Note 3)*	48,868	60,366	519
Total current assets	168,153	182,722	1,788
Investments and advances:			
Subsidiaries and affiliates *(Note 3)*	202,939	222,379	2,158
Other securities	12,457	8,633	132
Total investments	215,396	231,012	2,291
Property, plant and equipment, at cost *(Notes 4 and 5)*:			
Railway	4,306,469	4,267,194	45,813
Other operations	229,452	228,438	2,440
Construction in progress	47,334	38,536	503
	4,583,255	4,534,169	48,758
Less accumulated depreciation	(2,778,127)	(2,710,037)	(29,554)
Property, plant and equipment, net	1,805,127	1,824,131	19,203
Deferred income taxes *(Note 7)*	102,006	105,500	1,085
Other assets	42,616	38,407	453
Total assets	¥2,333,300	¥2,381,774	$ 24,822

	Millions of yen 2013	Millions of yen 2012	Millions of U.S. dollars (Note 1) 2013
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Notes 3 and 5)*	¥ 151,834	¥ 158,765	$ 1,615
Short-term bonds	25,000	–	265
Current portion of long-term debt *(Note 5)*	36,512	99,796	388
Current portion of long-term payables *(Notes 3 and 6)*	39,957	41,111	425
Accounts payable *(Note 3)*	112,344	114,198	1,195
Prepaid railway fares received	32,676	32,193	347
Deposits and advances received	43,684	50,140	464
Accrued expenses	45,398	45,487	482
Accrued income taxes *(Note 7)*	21,847	13,014	232
Allowance for customer point programs	474	430	5
Other current liabilities	7,749	6,044	82
Total current liabilities	517,477	561,180	5,505
Long-term debt *(Note 5)*	685,963	665,273	7,297
Long-term payables *(Notes 3 and 6)*	210,152	250,156	2,235
Accrued retirement benefits	284,333	297,519	3,024
Allowance for environmental safety measures	10,592	6,274	112
Other long-term liabilities	13,171	12,975	140
Total long-term liabilities	1,204,212	1,232,198	12,810
Contingent liabilities *(Note 9)*			
Net assets:			
Shareholders' equity *(Note 10)*:			
Common stock:			
Authorized – 800,000,000 shares at March 31, 2013 and 2012			
Issued and outstanding – 198,256,600 shares at March 31, 2013 and 200,000,000 shares at March 31, 2012	100,000	100,000	1,063
Capital surplus	55,000	55,000	585
Retained earnings *(Note 14)*	475,909	462,684	5,062
Less treasury stock, at cost – 4,522,000 shares at March 31, 2013 and 6,265,399 shares at March 31, 2012	(21,651)	(29,999)	(230)
Total shareholders' equity	609,257	587,684	6,481
Valuation and translation adjustments:			
Net unrealized holding gain on securities	2,352	709	25
Total valuation and translation adjustments	2,352	709	25
Total net assets	611,609	588,394	6,506
Total liabilities and net assets	¥ 2,333,300	¥ 2,381,774	$ 24,822

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Income

Year ended March 31, 2013

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2013	2012	2013
Operating revenues:			
Transportation	¥769,144	¥758,753	$ 8,182
Transportation incidentals	19,147	19,551	203
Other operations	23,676	23,294	251
Miscellaneous	56,545	60,581	601
	868,514	862,180	9,239
Operating expenses *(Note 11)*:			
Personnel	233,399	237,951	2,482
Energy	37,142	36,236	395
Maintenance	136,544	133,398	1,452
Depreciation	134,744	140,794	1,433
Rent	23,496	23,617	249
Miscellaneous taxes	31,745	30,961	337
Other	169,105	169,937	1,798
	766,178	772,898	8,150
Operating income	102,335	89,282	1,088
Other income (expenses):			
Interest and dividend income	1,325	1,405	14
Interest expense	(30,304)	(32,652)	(322)
Gain on sales of property, plant and equipment	2,924	3,292	31
Provision of allowance for environmental safety measures	(4,709)	–	(50)
Gain on reversal of accrued retirement benefits *(Note 12)*	18,418	–	195
Loss on valuation of investments in a subsidiary	(9,999)	–	(106)
Provision of allowance for doubtful accounts for a subsidiary	(5,986)	–	(63)
Other, net	3,726	(181)	39
	(24,603)	(28,135)	(261)
Income before income taxes	77,732	61,146	826
Income taxes *(Note 7)*:			
Current	34,152	23,523	363
Deferred	1,664	15,464	17
	35,817	38,988	381
Net income	¥ 41,915	¥ 22,158	$ 445

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2013

	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 April 1, 2011	¥ 100,000	¥ 55,000	¥ 456,024	¥ (29,999)	¥ 581,025	¥ 361	¥ 361	¥ 581,387
Net income for the year	–	–	22,158	–	22,158	–	–	22,158
Cash dividends	–	–	(15,498)	–	(15,498)	–	–	(15,498)
Purchases of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	347	347	347
Balance at April 1, 2012	¥ 100,000	¥ 55,000	¥ 462,684	¥ (29,999)	¥ 587,684	¥ 709	¥ 709	¥ 588,394
Net income for the year	–	–	41,915	–	41,915	–	–	41,915
Cash dividends	–	–	(20,342)	–	(20,342)	–	–	(20,342)
Purchases of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Cancellation of treasury stock	–	–	(8,347)	8,347	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	1,642	1,642	1,642
Balance at March 31, 2013	¥ 100,000	¥ 55,000	¥ 475,909	¥ (21,651)	¥ 609,257	¥ 2,352	¥ 2,352	¥ 611,609

	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 April 1, 2012	$ 1,063	$ 585	$ 4,922	$ (319)	$ 6,251	$ 7	$ 7	$ 6,259
Net income for the year	–	–	445	–	445	–	–	445
Cash dividends	–	–	(216)	–	(216)	–	–	(216)
Purchases of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Cancellation of treasury stock	–	–	(88)	88	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	17	17	17
Balance at March 31, 2013	$ 1,063	$ 585	$ 5,062	$ (230)	$ 6,481	$ 25	$ 25	$ 6,506

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2013

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 ¥94 = U.S. $1.00, the exchange rate prevailing on March 31, 2013. 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, a period of five years.

(6) Leases

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, at a reasonably estimated amount, 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.

(10) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation, as adjusted for the 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.

(12)Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as currency swap contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Currency swap contracts which meet certain conditions are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding currency swap contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally been applied to the underlying debt ("Special treatment").

The relationship between the hedging instruments and the underlying hedged items is evaluated at each balance sheet date to confirm the effectiveness of hedging activities. However, an evaluation of effectiveness is omitted for currency swaps which meet certain conditions for applying the allocation method and interest-rate swaps which meet certain conditions for applying the special treatment.

2. Changes in Accounting Policies

(1) Changes in depreciation method

Effective the year ended March 31, 2013, the Company changed its depreciation method for property, plant and equipment (except for buildings), acquired on or after April 1, 2012 and depreciated by the declining-balance method, in accordance with the amended Corporation Tax Law of Japan. The previously applied 250% declining-balance method was changed to the 200% declining-balance method.

As a result, operating income and income before income taxes increased by ¥1,568 million ($16 million), respectively, for the year ended March 31, 2013 compared with the amounts that would have been recorded under the previous method.

3. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Investments in:			
Subsidiaries	¥ 111,342	¥ 120,946	$ 1,184
Affiliates	26,450	26,213	281
Advances to subsidiaries	65,146	75,219	693
	¥ 202,939	¥ 222,379	$ 2,158

At March 31, 2013 and 2012, 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*
	2013	2012	2013
Investment securities:			
Subsidiaries	¥ 111,342	¥ 120,946	$ 1,184
Affiliates	26,450	26,213	281
	¥ 137,792	¥ 147,159	$ 1,465

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, 2013 and 2012 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Due from subsidiaries and affiliates:			
Short-term loans receivable included in prepaid expenses and other current assets	¥ 22,656	¥ 29,684	$ 241
Due to subsidiaries and affiliates:			
Short-term loans	¥ 151,053	¥ 157,947	$ 1,606
Current portion of long-term payables	288	288	3
Accounts payable	90,812	93,354	966
Long-term payables	248	536	2
	¥ 242,401	¥ 252,126	$ 2,578

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Land	¥ 640,130	¥ 640,148	$ 6,809
Buildings	427,047	415,157	4,543
Railway fixtures	2,177,547	2,148,369	23,165
Rolling stock and other vehicles	922,791	931,480	9,816
Ships	4	4	0
Machinery and equipment	297,397	292,504	3,163
Furniture and fixtures	69,562	66,662	740
Leases	1,439	1,305	15
Construction in progress	47,334	38,536	503
	4,583,255	4,534,169	48,758
Less accumulated depreciation	(2,778,127)	(2,710,037)	(29,554)
Property, plant and equipment, net	¥ 1,805,127	¥ 1,824,131	$ 19,203

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, 2013 and 2012 totaled ¥12,166 million ($129 million) and ¥15,162 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2013 and 2012 were ¥660,449 million ($7,026 million) and ¥650,682 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, 2013 and 2012 totaled ¥3,277 million ($34 million) and ¥2,960 million, respectively.

5. 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, 2013 and 2012 ranged from 0.24% to 0.66% and from 0.24% to 0.67%, respectively.

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2017 through 2019	¥ 110,000	¥ 110,000	$ 1,170
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.593% to 2.49%, due from 2015 through 2041	339,973	344,972	3,616
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.37% to 4.90%, due in installments from 2014 through 2020	42,977	49,269	457
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.395% to 2.36%, due in installments from 2014 through 2032	214,700	245,100	2,284
Other	14,824	15,728	157
	722,475	765,069	7,685
Less current portion	(36,512)	(99,796)	(388)
	¥ 685,963	¥ 665,273	$ 7,297

5. 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, 2013 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2014	¥ 36,512	$ 388
2015	43,403	461
2016	46,124	490
2017	62,300	662
2018	72,380	770
2019 and thereafter	461,756	4,912
	¥ 722,475	$ 7,685

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, 2013 and 2012 was as follows:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Lines of credit	¥ 130,000	¥ 130,000	$ 1,382
Credit utilized	–	–	–
Available credit	¥ 130,000	¥ 130,000	$ 1,382

6. Long-Term Payables

Long-term payables at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:			
Variable interest portion, due in installments from 2014 through 2017	¥ 81,098	¥ 108,897	$ 862
Fixed interest portion at 6.35% and 6.55%, due in installments from 2014 through 2052	163,142	175,610	1,735
Other	5,868	6,759	62
	250,110	291,268	2,660
Less current portion	(39,957)	(41,111)	(425)
	¥ 210,152	¥ 250,156	$ 2,235

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 average variable interest rates for the years ended March 31, 2013 and 2012 were 4.11% and 4.08%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2014	¥ 39,957	$ 425
2015	38,320	407
2016	33,614	357
2017	30,647	326
2018	1,510	16
2019 and thereafter	106,059	1,128
	¥ 250,110	$ 2,660

7. Income Taxes

The aggregate statutory tax rates applicable to the Company were 38.01% and 40.69% for the years ended March 31, 2013 and 2012, respectively.

A reconciliation of the statutory tax rates and effective tax rates for the years ended March 31, 2013 and 2012 as a percentage of income before income taxes was as follows:

	2013	2012
Statutory tax rates	38.01 %	40.69 %
Increase (decrease) in income taxes resulting from:		
Decrease in deferred tax assets due to tax rate changes	–	23.38
Per capita portion of inhabitants' taxes	0.40	0.52
Special deduction for R&D costs	(0.61)	(0.76)
Valuation allowances	7.82	–
Other	0.46	(0.07)
Effective tax rates	46.08 %	63.76 %

7. Income Taxes (continued)

The significant components of the Company's deferred tax assets and liabilities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses included in accrued expenses	¥ 9,974	¥ 9,802	$ 106
Accrued social insurance premiums included in accrued expenses	2,013	1,285	21
Accrued enterprise taxes included in accrued income taxes	1,375	1,250	14
Accrued retirement benefits	102,068	107,326	1,085
Allowance for environmental safety measures	3,787	2,252	40
Other	21,236	14,259	225
Gross deferred tax assets	140,455	136,177	1,494
Valuation allowance	(10,975)	(5,274)	(116)
Total deferred tax assets	129,479	130,903	1,377
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,302)	(393)	(13)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,256)	(12,015)	(130)
Total deferred tax liabilities	(13,558)	(12,408)	(144)
Deferred tax assets, net	¥ 115,921	¥ 118,494	$ 1,233

8. 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, 2013 and 2012, 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					
	2013			2012		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:						
Railway operations	¥ 35	¥ 31	¥ 4	¥ 299	¥ 254	¥ 45
Other operations	–	–	–	6	5	0
	¥ 35	¥ 31	¥ 4	¥ 306	¥ 259	¥ 46

	Millions of U.S. dollars		
	2013		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets for:			
Railway operations	$ 0	$ 0	$ 0
Other operations	–	–	–
	$ 0	$ 0	$ 0

8. Leases (continued)

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2013 and 2012 totaled ¥41 million ($0 million) and ¥80 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, 2013 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2014	¥ 3	$ 0
2015 and thereafter	1	0
	¥ 4	$ 0

Future minimum lease payments subsequent to March 31, 2013 for noncancelable operating leases were as follows:

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2014	¥ 90	$ 0
2015 and thereafter	90	0
	¥ 180	$ 1

9. Contingent Liabilities

At March 31, 2013, 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 ¥16,540 million ($175 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.

10. 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 ($120 million) at March 31, 2013 and 2012.

Treasury stock

Movements in treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

	Number of shares			
	April 1, 2012	Increase	Decrease	March 31, 2013
Treasury stock	6,265,399	1	1,743,400	4,522,000

	Number of shares			
	April 1, 2011	Increase	Decrease	March 31, 2012
Treasury stock	62,653	6,202,746	–	6,265,399

The increases in treasury stock during the year ended March 31, 2013 were due to the purchases of shares of less than one trading unit. The decreases in treasury stock during the year ended March 31, 2013 were due to cancellation of treasury stock.

The increases in treasury stock during the year ended March 31, 2012 were due to the stock split and purchases of shares of less than one trading unit. On July 1, 2011, the Company made a 1-for-100 stock split of common stock owned by shareholders registered or recorded on the shareholders list as of June 30, 2011, and the Company also adopted a lot trading system, whereby one trading lot was set at 100 shares.

11. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥7,862 million ($83 million) and ¥7,107 million for the years ended March 31, 2013 and 2012, respectively.

12. Gain on Reversal of Accrued Retirement Benefits

During the year ended March 31, 2013, the Company established a new reemployment plan for managements in addition to the existing reemployment plan for employees in order to foster a smooth transition between generations and to ensure that technological expertise is transferred successfully. As a result of the establishment of this reemployment plan, the Company recognized a gain on reversal of accrued retirement benefits in the amount of ¥18,418 million ($195 million), which was credited to income for the year ended March 31, 2013, because the retirement benefit obligation related to the early retirement plan decreased in line with the opportunity for managements and employees to participate in the reemployment plan.

13. Amounts per Share

Amounts per share at March 31, 2013 and 2012 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2013	2012	2013
Net assets	¥ 3,156.95	¥ 3,037.12	$ 33
Net income	216.35	114.37	2
Cash dividends	110.00	90.00	1

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, 2013 and 2012 since the Company had no potentially dilutive stock at March 31, 2013 and 2012.

As described in Note 10, on July 1, 2011, the Company made a 1-for-100 share split. The above per share information at March 31, 2012 and for the years then ended, was calculated on the assumption that the stock split had been made on April 1, 2011.

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 Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2013, was to be approved at a meeting of the shareholders of the Company to be held on June 21, 2013:

	Millions of yen	*Millions of U.S. dollars*
Cash dividends (¥55 = U.S.$0.58 per share)	¥ 10,655	$ 113