Non-Consolidated Financial Statements

West Japan Railway Company

Year ended March 31, 2016
with Independent Auditor's Report

West Japan Railway Company

Non-Consolidated Financial Statements

Year ended March 31, 2016

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Non-Consolidated Financial Statements

Independent Auditor's Report

The Board of Directors
West Japan Railway Company

We have audited the accompanying non-consolidated financial statements of West Japan Railway Company, which comprise the non-consolidated balance sheet as at March 31, 2016, and the non-consolidated statements of income and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of West Japan Railway Company as at March 31, 2016, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 10, "Supplemental Information," to the non-consolidated financial statements, which describes that the Company received approval for its plan to undertake large-scale renovation of the Shinkansen infrastructure under Article 16, Paragraph 1 of the "Nationwide Shinkansen Railway Development Act," and it will start to recognize a corresponding provision from the year ending March 31, 2017. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note 1.

June 21, 2016
Osaka, Japan

West Japan Railway Company

Non-Consolidated Balance Sheet

As of March 31, 2016

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits	¥ 30,609	¥ 27,313	$ 273
Short-term investments	35,000	32,000	312
Accounts receivable	70,159	94,026	626
Allowance for doubtful accounts	(520)	(494)	(4)
Inventories	16,233	15,566	144
Deferred income taxes *(Note 5)*	11,865	12,126	105
Prepaid expenses and other current assets	88,597	54,748	791
Total current assets	251,945	235,287	2,249
Investments and advances:			
Subsidiaries and affiliates *(Note 3)*	192,478	211,762	1,718
Other securities	12,464	14,716	111
Total investments	204,942	226,478	1,829
Property, plant and equipment, at cost *(Note 4)*:			
Railway	4,543,313	4,418,879	40,565
Other operations	226,439	217,943	2,021
Construction in progress	73,116	58,652	652
	4,842,869	4,695,475	43,239
Less accumulated depreciation	(2,948,046)	(2,867,401)	(26,321)
Property, plant and equipment, net	1,894,822	1,828,074	16,918
Deferred income taxes *(Note 5)*	110,599	113,644	987
Other assets	37,553	40,966	335
Total assets	¥ 2,499,863	¥ 2,444,451	$22,320

	Millions of yen		Millions of U.S. dollars (Note 1)
	2016	2015	2016
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Note 3)*	¥ 170,297	¥ 170,263	$ 1,520
Current portion of long-term debt	62,300	46,124	556
Current portion of long-term payables	30,647	33,613	273
Accounts payable	145,767	140,518	1,301
Prepaid railway fares received	38,391	38,218	342
Deposits and advances received	36,372	32,497	324
Accrued expenses	21,191	21,095	189
Income taxes payable *(Note 5)*	21,350	11,718	190
Provision for employees' bonuses	27,102	26,765	241
Provision for customer point programs	637	551	5
Other current liabilities	6,352	10,318	56
Total current liabilities	560,411	531,684	5,003
Long-term liabilities:			
Long-term debt	795,241	779,839	7,100
Long-term payables	107,472	138,140	959
Accrued retirement benefits	341,413	349,894	3,048
Provision for environmental safety measures	21,099	9,462	188
Other long-term liabilities	8,159	3,845	72
Total long-term liabilities	1,273,386	1,281,182	11,369
Contingent liabilities *(Note 6)*			
Net assets:			
Shareholders' equity *(Note 7)*:			
Common stock:			
Authorized – 800,000,000 shares at March 31, 2016 and 2015			
Issued and outstanding – 193,735,000 shares at March 31, 2016 and 2015	100,000	100,000	892
Capital surplus	55,000	55,000	491
Retained earnings *(Note 9)*	508,373	472,435	4,539
Less treasury stock, at cost – 673 and 606 shares at March 31, 2016 and 2015	(3)	(2)	(0)
Total shareholders' equity	663,369	627,432	5,922
Valuation and translation adjustments:			
Net unrealized holding gain on securities	2,696	4,152	24
Total valuation and translation adjustments	2,696	4,152	24
Total net assets	666,066	631,584	5,947
Total liabilities and net assets	¥2,499,863	¥2,444,451	$ 22,320

West Japan Railway Company

Non-Consolidated Statement of Income

Year ended March 31, 2016

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2016	2015	2016
Operating revenues:			
Transportation	¥ 850,051	¥ 797,013	$ 7,589
Transportation incidentals	18,317	18,472	163
Other operations	26,043	23,658	232
Miscellaneous	59,814	51,795	534
	954,227	890,940	8,519
Operating expenses:			
Personnel	233,332	233,047	2,083
Energy	44,117	45,334	393
Maintenance	152,866	146,776	1,364
Depreciation	132,309	126,020	1,181
Rent	26,941	18,781	240
Miscellaneous taxes	31,970	32,011	285
Other	195,477	176,940	1,745
	817,014	778,914	7,294
Operating income	137,213	112,026	1,225
Other income (expenses):			
Interest and dividend income	1,519	1,454	13
Interest expense	(24,187)	(25,791)	(215)
Gain on contributions received for construction *(Note 4)*	14,487	52,395	129
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment *(Note 4)*	(14,160)	(51,975)	(126)
Gain on sales of property, plant and equipment	1,845	2,314	16
Loss on sales of property, plant and equipment	(41)	(5,131)	(0)
Provision for environmental safety measures	(12,939)	–	(115)
Insurance income	2,000	–	17
Other, net *(Note 4)*	(4,550)	2,292	(40)
	(36,027)	(24,441)	(321)
Income before income taxes	101,185	87,584	903
Income taxes *(Note 5)*:			
Current	35,968	28,995	321
Deferred	4,093	11,206	36
	40,062	40,202	357
Net income	¥ 61,123	¥ 47,382	$ 545

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2016

	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, 2014	¥ 100,000	¥ 55,000	¥ 481,629	¥ (2)	¥ 636,626	¥ 2,863	¥ 2,863	¥ 639,490
Cumulative effect of change in accounting principle	–	–	(33,328)	–	(33,328)	–	–	(33,328)
Balance at April 1, 2014, as adjusted	100,000	55,000	448,301	(2)	603,298	2,863	2,863	606,161
Net income for the year	–	–	47,382	–	47,382	–	–	47,382
Cash dividends	–	–	(23,248)	–	(23,248)	–	–	(23,248)
Net changes in items other than shareholders' equity	–	–	–	–	–	1,289	1,289	1,289
Balance at April 1, 2015	100,000	55,000	472,435	(2)	627,432	4,152	4,152	631,584
Net income for the year	–	–	61,123	–	61,123	–	–	61,123
Cash dividends	–	–	(25,185)	–	(25,185)	–	–	(25,185)
Purchase of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	(1,455)	(1,455)	(1,455)
Balance at March 31, 2016	¥100,000	¥ 55,000	¥ 508,373	¥(3)	¥ 663,369	¥ 2,696	¥ 2,696	¥ 666,066

	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, 2015	$ 892	$ 491	$ 4,218	$ (0)	$ 5,602	$ 37	$ 37	$5,639
Net income for the year	–	–	545	–	545	–	–	545
Cash dividends	–	–	(224)	–	(224)	–	–	(224)
Purchase of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	(12)	(12)	(12)
Balance at March 31, 2016	$ 892	$ 491	$ 4,539	$ (0)	$ 5,922	$ 24	$ 24	$ 5,947

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2016

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 based on the moving average method.

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 ¥112 = U.S. $1.00, the exchange rate prevailing on March 31, 2016. 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) Short-term investments and investments in securities

Investments in subsidiaries and affiliates are stated at cost based on the moving average method. 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 included in other assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

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.

(5) Research and development costs

Research and development costs are charged to income as incurred.

(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.

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) Provision for employees' bonuses

Provision for employees' bonuses is provided at an expected payment amount of the bonuses to employees.

(10) Provision for customer point programs

Provision for customer point programs 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 card members in the following periods.

(11) 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 expected retirement benefit is attributed to each period by the benefit formula method.

Prior service cost is charged to income when incurred.

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.

The accounting policies on unrecognized actuarial gain or loss is different with those applied in preparing consolidated financial statements of the Company and its consolidated subsidiaries.

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

(12) Provision for environmental safety measures

Provision for environmental safety measures is provided, at a reasonably estimated amount, for expected expenditures corresponding to the disposal to polychlorinated biphenyl and other wastes held by the Company.

(13) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(14) 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. The Company enters into currency swap contracts to reduce the foreign currency exchange risk arising from monetary liabilities denominated in foreign currencies. The Company also enters into interest-rate swap contracts to reduce the risk arising from interest rates on financial liabilities. 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 (the “allocation method”). 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 (the “special treatment”).

The Company hedges foreign currency exchange rate risk and interest rate risk on hedged items within certain ranges based on its internal rules for derivative transactions.

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. Change in Accounting Estimates

The Company has recorded a provision for environmental safety measures to meet expenditures for the disposal of polychlorinated biphenyl and other wastes ("PCB"). Effective from April 1, 2015, because it has also become possible to reasonably estimate the expense of disposition of low-concentration PCB, the Company has started to include the estimated expenses for the disposition of low-concentration PCB and other related costs in "Provision for environmental safety measures" under other expenses in the non-consolidated statement of income from the year ended March 31, 2016.

As a result, income before income taxes for the year ended March 31, 2016 decreased by ¥12,939 million ($115 million).

3. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2016	2015	2016
Investments in:			
Subsidiaries	¥ 123,488	¥ 123,856	$ 1,102
Affiliates	35,342	26,439	315
Advances to subsidiaries	33,647	61,466	300
	¥ 192,478	¥ 211,762	$ 1,718

Investments in an affiliate whose fair value is determinable at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen					
	2016			2015		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Investments in an affiliate	¥1,593	¥2,760	¥1,167	¥1,593	¥2,141	¥548

	Millions of U.S. dollars		
	2016		
	Carrying value	Estimated fair value	Difference
Investments in an affiliate	$ 14	$ 24	$10

3. Balances with Subsidiaries and Affiliates (continued)

At March 31, 2016 and 2015, 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*
	2016	2015	2016
Investments in:			
Subsidiaries	¥ 123,488	¥ 123,856	$ 1,102
Affiliates	33,749	24,846	301
	¥ 157,238	¥ 148,702	$ 1,403

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

Amounts due to subsidiaries and affiliates at March 31, 2016 and 2015 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen		*Millions of U.S. dollars*
	2016	2015	2016
Due to subsidiaries and affiliates:			
Short-term loans	¥169,738	¥169,640	$ 1,515

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2016	2015	2016
Land	¥ 640,338	¥ 640,211	$ 5,717
Buildings	454,899	431,951	4,061
Railway fixtures and structures	2,224,683	2,177,415	19,863
Rolling stock and other vehicles	1,039,526	992,086	9,281
Ships	4	4	0
Machinery and equipment	333,623	319,795	2,978
Furniture and fixtures	75,662	73,739	675
Leases	1,015	1,618	9
Construction in progress	73,116	58,652	652
	4,842,869	4,695,475	43,239
Less accumulated depreciation	(2,948,046)	(2,867,401)	(26,321)
Property, plant and equipment, net	¥ 1,894,822	¥ 1,828,074	$ 16,918

4. Property, Plant and Equipment (continued)

Contributions for the construction of railway facilities granted by national and municipal governments and others are recognized as gain on contributions received for construction upon receipt. These contribution amounts are deducted directly from the acquisition costs of the related fixed assets upon completion 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 recognized as other income upon receipt. These compensation amounts are deducted directly from the acquisition costs of the properties acquired to replace the properties expropriated.

The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2016 and 2015 were ¥684,654 million ($6,112 million) and ¥673,410 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, 2016 and 2015 totaled ¥727 million ($6 million) and ¥1,662 million, respectively.

5. Income Taxes

The aggregate statutory tax rates applicable to the Company were 33.06% and 35.64% for the years ended March 31, 2016 and 2015, respectively.

A reconciliation of the statutory tax rates and effective tax rates for the years ended March 31, 2016 and 2015 as a percentage of income before income taxes was as follows:

	2016	2015
Statutory tax rates	33.06 %	35.64 %
Effect of:		
Decrease in deferred tax assets resulting from changes in statutory tax rates	6.26	14.64
Per capita portion of inhabitants' taxes	0.30	0.36
Special deduction for R&D costs	(0.53)	(0.66)
Change in valuation allowance	0.17	(3.89)
Other	0.33	(0.18)
Effective tax rates	39.59 %	45.90 %

5. Income Taxes (continued)

The significant components of the Company's deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses for employees	¥ 8,363	¥ 8,848	$ 74
Accrued social insurance premiums included in accrued expenses	1,257	1,327	11
Accrued enterprise taxes included in income taxes payable	1,752	1,120	15
Accrued retirement benefits	104,704	113,063	934
Provision for environmental safety measures	6,480	3,054	57
Other	18,923	19,079	168
Gross deferred tax assets	141,482	146,493	1,263
Valuation allowance	(6,667)	(6,855)	(59)
Total deferred tax assets	134,814	139,638	1,203
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,189)	(1,977)	(10)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(11,152)	(11,881)	(99)
Other	(7)	(7)	(0)
Total deferred tax liabilities	(12,349)	(13,867)	(110)
Deferred tax assets, net	¥ 122,465	¥ 125,771	$ 1,093

The "Act to Partially Revise the Income Tax Act and Others" and the "Act to Partially Revise the Local Tax Act and Others" were enacted on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.26% to 30.86% and 30.62% for the temporary differences expected to be realized or settled in the years beginning between April 1, 2016 and March 31, 2018 and for the temporary differences expected to be realized or settled from April 1, 2018, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥6,270 million ($55 million) and increase income tax-deferred by ¥6,334 million ($56 million) as of and for the year ended March 31, 2016.

6. Contingent Liabilities

At March 31, 2016, the Company was contingently liable for guarantees of loans, accounts payable-trade and other obligations of the Company's subsidiaries, affiliates and a third party in the aggregate amount of ¥12,208 million ($109 million).

At March 31, 2016, the Company was contingently liable for guarantees for debt assumption agreement on its corporate bonds originally issued by the Company in the amount of ¥20,000 million ($178 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.

7. Shareholders' Equity

The Company Act 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 included in retained earnings at March 31, 2016 and 2015 amounted to ¥11,327 million ($101 million).

8. Amounts per Share

Amounts per share at March 31, 2016 and 2015 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2016	2015	2016
Net assets	¥ 3,438.04	¥ 3,260.05	$ 30
Net income	315.50	244.57	2
Cash dividends	135.00	125.00	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, 2016 and 2015 since the Company had no potentially dilutive stock at March 31, 2016 and 2015.

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.

9. Subsequent Event

Issuance of bonds

On April 14, 2016, the Company decided to issue corporate bonds, based on a resolution approved at a meeting of the Board of Directors held on March 16, 2016. Details of the bond issuance are as follows:

Description	The 43rd Series of West Japan Railway Bonds
Issuance date	April 21, 2016
Maturity date	April 20, 2046
Total issuance amount	¥10,000 million ($89 million)
Issue price	¥100 ($0.89) with a face value of ¥100 ($0.89)
Annual interest rate	0.714%
Type	Unsecured
Usage of funds	Repayment of long-term payables for purchase of railway facilities

10. Supplemental Information

Approval of the plan for provision for large-scale renovation of Shinkansen infrastructure

With respect to the Sanyo Shinkansen Line (between Shin-Osaka and Hakata), the need for large-scale renovation to ensure reliable transportation going forward was recognized and the Company's plan was approved by the Minister of Land, Infrastructure, Transport and Tourism of Japan for large-scale renovation of the Shinkansen infrastructure under Article 16, Paragraph 1 of the "Nationwide Shinkansen Railway Development Act" on March 29, 2016.

As a result, compared with the situation if a provision for large-scale renovation would not be recorded, operating expenses are expected to increase by ¥4,166 million ($37 million) in each fiscal year between April 1, 2016 and March 31, 2028 due to recognizing the provision. Subsequently, compared with the situation if a provision for large-scale renovation would not be recorded, operating expenses are expected to decrease by ¥5,000 million ($44 million) in each fiscal year between April 1, 2028 and March 31, 2038 due to recognizing a reversal of the provision.