

**Non-Consolidated Financial Statements**

**West Japan Railway Company**

*Year ended March 31, 2018  
with Independent Auditor's Report*

West Japan Railway Company  
Non-Consolidated Financial Statements

Year ended March 31, 2018

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**Non-Consolidated Financial Statements**

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## 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, 2018, and the non-consolidated statements of profit or loss 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, 2018, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

### *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 20, 2018  
Osaka, Japan

# West Japan Railway Company

## Non-Consolidated Balance Sheet

As of March 31, 2018

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2018	2017	2018
<b>Assets</b>			
Current assets:			
Cash and deposits	¥ 60,961	¥ 31,932	\$ 575
Short-term investments	18,700	—	176
Accounts receivable	84,487	72,577	797
Allowance for doubtful accounts	(412)	(470)	(3)
Inventories	19,805	17,941	186
Deferred income taxes (Note 5)	12,018	11,148	113
Prepaid expenses and other current assets	55,450	52,386	523
Total current assets	251,011	185,517	2,368
Investments and advances:			
Subsidiaries and affiliates (Note 2)	345,415	330,856	3,258
Other securities	20,740	20,470	195
Total investments	366,155	351,326	3,454
Property, plant and equipment, at cost (Notes 3 and 4):			
Railway	4,724,445	4,670,286	44,570
Other operations	211,965	213,813	1,999
Construction in progress	63,218	47,480	596
	4,999,629	4,931,580	47,166
Less accumulated depreciation	(3,109,345)	(3,033,257)	(29,333)
Property, plant and equipment, net	1,890,284	1,898,322	17,832
Deferred income taxes (Note 5)	102,213	109,524	964
Other assets	49,689	54,273	468
Total assets	¥ 2,659,354	¥ 2,598,964	\$ 25,088

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2018	2017	2018
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term loans (Note 2)	¥ 213,237	¥ 164,329	\$ 2,011
Current portion of long-term debt	56,300	80,580	531
Current portion of long-term payables	1,580	1,512	14
Accounts payable	149,275	145,475	1,408
Prepaid railway fares received	38,617	37,214	364
Deposits and advances received	56,513	41,188	533
Accrued expenses	23,201	23,104	218
Income taxes payable (Note 5)	15,650	11,380	147
Provision for employees' bonuses	27,789	26,464	262
Provision for customer point programs	729	676	6
Other current liabilities	9,120	44,748	86
Total current liabilities	592,014	576,674	5,585
Long-term liabilities:			
Long-term debt	864,765	843,463	8,158
Long-term payables	104,375	105,957	984
Provision for large-scale renovation of Shinkansen infrastructure	8,333	4,166	78
Accrued retirement benefits	293,437	320,970	2,768
Provision for environmental safety measures	15,834	18,787	149
Provision for loss on railway line liquidation	10,170	11,457	95
Other long-term liabilities	8,719	7,528	82
Total long-term liabilities	1,305,635	1,312,331	12,317
Contingent liabilities (Note 6)			
Net assets:			
Shareholders' equity (Note 7):			
Common stock:			
Authorized – 800,000,000 shares at March 31, 2018 and 2017			
Issued and outstanding – 193,735,000 shares at March 31, 2018 and 2017	100,000	100,000	943
Capital surplus	55,000	55,000	518
Retained earnings (Note 9)	603,775	552,092	5,695
Less treasury stock, at cost (Note 9) – 648 and 723 shares at March 31, 2018 and 2017	(3)	(3)	(0)
Total shareholders' equity	758,771	707,088	7,158
Valuation and translation adjustments:			
Net unrealized holding gain on securities	2,931	2,870	27
Total valuation and translation adjustments	2,931	2,870	27
Total net assets	761,703	709,959	7,185
Total liabilities and net assets	¥ 2,659,354	¥ 2,598,964	\$ 25,088

See accompanying notes to non-consolidated financial statements.

# West Japan Railway Company

## Non-Consolidated Statement of Profit or Loss

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2018	2017	2018
Operating revenues:			
Transportation	¥ 867,870	¥ 849,689	\$ 8,187
Transportation incidentals	17,896	18,051	168
Other operations	28,400	27,236	267
Miscellaneous	62,109	61,126	585
	<u>976,277</u>	<u>956,103</u>	<u>9,210</u>
Operating expenses:			
Personnel	221,490	223,319	2,089
Energy	44,095	40,583	415
Maintenance	161,450	157,151	1,523
Depreciation	136,808	137,644	1,290
Rent	30,210	30,295	285
Miscellaneous taxes	35,734	34,992	337
Other	202,112	196,638	1,906
	<u>831,902</u>	<u>820,625</u>	<u>7,848</u>
Operating income	144,374	135,477	1,362
Other income (expenses):			
Interest and dividend income	1,250	1,188	11
Interest expense	(20,873)	(22,271)	(196)
Gain on contributions received for construction (Note 3)	25,533	14,649	240
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment (Note 3)	(25,310)	(14,266)	(238)
Loss on impairment of property, plant and equipment (Note 4)	(1,060)	(2,577)	(10)
Gain on sales of property, plant and equipment	271	1,677	2
Loss on sales of property, plant and equipment	(151)	(49)	(1)
Provision for loss on railway line liquidation	—	(11,470)	—
Other, net (Note 3)	(4,590)	(460)	(43)
	<u>(24,931)</u>	<u>(33,578)</u>	<u>(235)</u>
Income before income taxes	119,443	101,899	1,126
Income taxes (Note 5):			
Current	32,290	29,315	304
Deferred	6,409	1,741	60
	<u>38,700</u>	<u>31,056</u>	<u>365</u>
Net income	<u>¥ 80,742</u>	<u>¥ 70,842</u>	<u>\$ 761</u>

*See accompanying notes to non-consolidated financial statements.*

# West Japan Railway Company

## Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2018

*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, 2016	¥100,000	¥55,000	¥508,373	¥(3)	¥663,369	¥2,696	¥2,696	¥666,066
Net income for the year	—	—	70,842	—	70,842	—	—	70,842
Cash dividends	—	—	(27,122)	—	(27,122)	—	—	(27,122)
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	173	173	173
Balance at April 1, 2017	100,000	55,000	552,092	(3)	707,088	2,870	2,870	709,959
Net income for the year	—	—	80,742	—	80,742	—	—	80,742
Cash dividends	—	—	(29,060)	—	(29,060)	—	—	(29,060)
Disposals of treasury stock	—	0	—	0	0	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	61	61	61
Balance at March 31, 2018	¥100,000	¥55,000	¥603,775	¥(3)	¥758,771	¥2,931	¥2,931	¥761,703

*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, 2017	\$943	\$518	\$5,208	\$ (0)	\$ 6,670	\$ 27	\$ 27	\$ 6,697
Net income for the year	—	—	761	—	761	—	—	761
Cash dividends	—	—	(274)	—	(274)	—	—	(274)
Disposals of treasury stock	—	0	—	0	0	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	0	0	0
Balance at March 31, 2018	\$943	\$518	\$5,695	\$ (0)	\$ 7,158	\$ 27	\$ 27	\$ 7,185

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements

March 31, 2018

### **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 ¥106 = U.S. \$1.00, the exchange rate prevailing on March 31, 2018. 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.



# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

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

#### 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. Marketable securities classified as other 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.

##### *(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 (Refer to Note 3). 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.

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

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

#### **Summary of Significant Accounting Policies (continued)**

##### *(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.

##### *(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) Provision for large-scale renovation of Shinkansen infrastructure*

Provision for large-scale renovation of Shinkansen infrastructure is provided based on the Article 17, Paragraph 1, of the Nationwide Shinkansen Railway Development Act.

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

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

#### Summary of Significant Accounting Policies (continued)

##### *(12)Accrued retirement benefits*

Accrued retirement benefits for employees are provided at an amount calculated based on the retirement benefit obligation as of the balance sheet date.

In calculating the retirement benefit obligations, the benefit formula basis is applied for the attribution of expected retirement benefits to each period up to the end of the current year.

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.

##### *(13)Provision for environmental safety measures*

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

##### *(14)Provision for loss on railway line liquidation*

Provision for loss on railway line liquidation is provided, at a reasonably estimated amount, for expected expenditures corresponding to the dismantlement of the bridges, electrical facilities and other items along the closed Sanko Line (running from Gotsu station to Miyoshi station).

##### *(15)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.

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

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

#### Summary of Significant Accounting Policies (continued)

##### *(16) 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.

##### *(17) Change in accounting estimates*

Due to a decrease in the expected future disposal costs related to low-concentration polychlorinated biphenyl waste, the difference between the former estimation and current estimation was recorded as “Other, net” in the accompanying non-consolidated statement of profit or loss. As a result, income before income taxes for the year ended March 31, 2018 increased by ¥2,653 million (\$25 million).

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 2. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2018 and 2017 consisted of the following:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2018	2017	2018
Investments in:			
Subsidiaries	¥ 230,058	¥ 229,006	\$ 2,170
Affiliates	35,970	35,640	339
Advances to subsidiaries	79,386	66,209	748
	<u>¥ 345,415</u>	<u>¥ 330,856</u>	<u>\$ 3,258</u>

Investments in an affiliate whose fair value is determinable at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>					
	2018			2017		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Investments in an affiliate	¥ 1,593	¥ 4,069	¥ 2,476	¥ 1,593	¥ 2,678	¥ 1,085

	<i>Millions of U.S. dollars</i>		
	2018		
	Carrying value	Estimated fair value	Difference
Investments in an affiliate	\$ 15	\$ 38	\$ 23

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 2. Balances with Subsidiaries and Affiliates (continued)

At March 31, 2018 and 2017, investments in subsidiaries and affiliates for which it is extremely difficult to determine the fair value are summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2018	2017	2018
Investments in:			
Subsidiaries	¥ 230,058	¥ 229,006	\$ 2,170
Affiliates	34,377	34,047	324
	<u>¥ 264,435</u>	<u>¥ 263,053</u>	<u>\$ 2,494</u>

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, 2018 and 2017 are presented in the accompanying non-consolidated balance sheets as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2018	2017	2018
Due to subsidiaries and affiliates:			
Short-term loans	¥ 212,820	¥ 163,858	\$ 2,007

### 3. Property, Plant and Equipment

Property, plant and equipment at March 31, 2018 and 2017 consisted of the following:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2018	2017	2018
Land	¥ 640,041	¥ 640,658	\$ 6,038
Buildings	469,551	463,308	4,429
Railway fixtures and structures	2,285,123	2,266,207	21,557
Rolling stock and other vehicles	1,102,182	1,086,355	10,397
Ships	4	4	0
Machinery and equipment	356,271	346,540	3,361
Furniture and fixtures	82,085	79,851	774
Leases	1,149	1,173	10
Construction in progress	63,218	47,480	596
	<u>4,999,629</u>	<u>4,931,580</u>	<u>47,166</u>
Less accumulated depreciation	<u>(3,109,345)</u>	<u>(3,033,257)</u>	<u>(29,333)</u>
Property, plant and equipment, net	<u>¥ 1,890,284</u>	<u>¥ 1,898,322</u>	<u>\$ 17,832</u>

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 3. 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 property, plant and equipment 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, 2018 and 2017 were ¥717,998 million (\$6,773 million) and ¥695,970 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, 2018 and 2017 totaled ¥862 million (\$8 million) and ¥1,445 million, respectively.

### 4. Loss on Impairment of Property, Plant and Equipment

The Company groups its property, plant and equipment relating to railways, sales of goods and food services and other businesses in accordance with each business, which manages its revenues and expenses separately. It also groups its property, plant and equipment in the real estate business, property, plant and equipment to be disposed of and idle assets on an individual asset basis.

For the years ended March 31, 2018 and 2017, the Company wrote down the following property, plant and equipment to the respective recoverable value and recorded a related loss on impairment of totaling ¥1,060 million (\$10 million) and ¥2,577 million, respectively, in the accompanying non-consolidated statement of profit or loss.

	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
	<u>2018</u>	<u>2018</u>
Assets to be disposed of:		
Buildings, land and other, held in Chiba City, Chiba Prefecture	¥ 1,060	\$ 10
	<i>Millions of yen</i>	
	<u>2017</u>	
Assets to be disposed of:		
Buildings, land and other, held in Gotsu City, Shimane Prefecture	¥ 2,577	

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 4. Loss on Impairment of Property, Plant and Equipment (continued)

The recoverable value of the assets in the above table was measured primarily at net realizable value.

### 5. Income Taxes

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2018 and 2017 has been omitted because such differences were less than 5% of the statutory tax rates.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2018	2017	2018
Deferred tax assets:			
Provision for employees' bonuses	¥ 8,509	¥ 8,167	\$ 80
Accrued social insurance premiums included in accrued expenses	1,376	1,240	12
Accrued enterprise taxes included in income taxes payable	1,306	1,048	12
Accrued retirement benefits	89,850	98,370	847
Provision for environmental safety measures	4,849	5,763	45
Other	28,818	25,370	271
Gross deferred tax assets	134,711	139,960	1,270
Valuation allowance	(8,183)	(6,801)	(77)
Total deferred tax assets	126,527	133,158	1,193
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,271)	(1,240)	(11)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(10,876)	(11,237)	(102)
Other	(146)	(7)	(1)
Total deferred tax liabilities	(12,295)	(12,485)	(115)
Deferred tax assets, net	¥ 114,231	¥ 120,673	\$ 1,077



# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 6. Contingent Liabilities

At March 31, 2018, 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 ¥19,058 million (\$179 million).

At March 31, 2018, 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 (\$188 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 sheet and non-consolidated statement of changes in net assets. The Company's legal reserve included in retained earnings at March 31, 2018 and 2017 amounted to ¥11,327 million (\$106 million).

## West Japan Railway Company

### Notes to Non-Consolidated Financial Statements (continued)

#### 8. Amounts per Share

Amounts per share at March 31, 2018 and 2017 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2018	2017	2018
Net assets	¥ 3,931.69	¥ 3,664.60	\$ 37.09
Net income	416.77	365.67	3.93
Cash dividends	160.00	140.00	1.50

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, 2018 and 2017 since the Company had no potentially dilutive stock at March 31, 2018 and 2017.

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.

# West Japan Railway Company

## Notes to Non-Consolidated Financial Statements (continued)

### 9. Subsequent Events

#### (1) Issuance of bonds

On April 18, 2018, the Company decided to issue corporate bonds, based on a resolution approved at a meeting of the Board of Directors held on March 16, 2018. Details of the bond issuance are as follows:

Description	The 52nd Series of West Japan Railway Bonds
Issuance date	April 25, 2018
Maturity date	April 25, 2058
Total issuance amount	¥15,000 million (\$141 million)
Issue price	¥100 (\$0.94) with a face value of ¥100 (\$0.94)
Annual interest rate	1.157%
Type	Unsecured
Usage of funds	Redemption of bonds

#### (2) Cash dividends

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, 2018, was to be approved at a meeting of the shareholders of the Company to be held on June 21, 2018:

	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
Cash dividends (¥80 = U.S.\$0.75 per share)	¥ 15,498	\$ 146

#### (3) Acquisition of treasury stock

At a meeting of the Board of Directors of the Company held on April 27, 2018, pursuant to the provision of Article 156 of the Corporation Law of Japan, the Company approved a purchase of up to 1,600,000 of its own shares of common stock with an aggregate acquisition cost not exceeding ¥10,000 million (\$94 million) during the period from June 1, 2018 through March 29, 2019 in order to improve capital efficiency and to enhance the return to shareholders.