Non-Consolidated Financial Statements

West Japan Railway Company

Year ended March 31, 2017
with Independent Auditor's Report

West Japan Railway Company

Non-Consolidated Financial Statements

Year ended March 31, 2017

Contents

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, 2017, 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, 2017, 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 21, 2017
Osaka, Japan

West Japan Railway Company

Non-Consolidated Balance Sheet

As of March 31, 2017

	Millions of yen 2017	*Millions of yen* 2016	*Millions of U.S. dollars (Note 1)* 2017
Assets			
Current assets:			
Cash and deposits	¥ 31,932	¥ 30,609	$ 285
Short-term investments	–	35,000	–
Accounts receivable	72,577	70,159	648
Allowance for doubtful accounts	(470)	(520)	(4)
Inventories	17,941	16,233	160
Deferred income taxes *(Note 5)*	11,148	11,865	99
Prepaid expenses and other current assets	52,386	88,597	467
Total current assets	185,517	251,945	1,656
Investments and advances:			
Subsidiaries and affiliates *(Note 2)*	330,856	192,478	2,954
Other securities	20,470	12,464	182
Total investments	351,326	204,942	3,136
Property, plant and equipment, at cost *(Note 3 and 4)*:			
Railway	4,670,286	4,543,313	41,698
Other operations	213,813	226,439	1,909
Construction in progress	47,480	73,116	423
	4,931,580	4,842,869	44,031
Less accumulated depreciation	(3,033,257)	(2,948,046)	(27,082)
Property, plant and equipment, net	1,898,322	1,894,822	16,949
Deferred income taxes *(Note 5)*	109,524	110,599	977
Other assets	54,273	37,553	484
Total assets	¥ 2,598,964	¥ 2,499,863	$ 23,205

	Millions of yen		Millions of U.S. dollars (Note 1)
	2017	2016	2017
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Note 2)*	¥ 164,329	¥ 170,297	$ 1,467
Current portion of long-term debt	80,580	62,300	719
Current portion of long-term payables	1,512	30,647	13
Accounts payable	145,475	145,767	1,298
Prepaid railway fares received	37,214	38,391	332
Deposits and advances received	41,188	36,372	367
Accrued expenses	23,104	21,191	206
Income taxes payable *(Note 5)*	11,380	21,350	101
Provision for employees' bonuses	26,464	27,102	236
Provision for customer point programs	676	637	6
Other current liabilities	44,748	6,352	399
Total current liabilities	576,674	560,411	5,148
Long-term liabilities:			
Long-term debt	843,463	795,241	7,530
Long-term payables	105,957	107,472	946
Provision for large-scale renovation of Shinkansen infrastructure	4,166	–	37
Accrued retirement benefits	320,970	341,413	2,865
Provision for environmental safety measures	18,787	21,099	167
Provision for loss on railway line liquidation	11,457	–	102
Other long-term liabilities	7,528	8,159	67
Total long-term liabilities	1,312,331	1,273,386	11,717
Contingent liabilities *(Note 6)*			
Net assets:			
Shareholders' equity *(Note 7)*:			
Common stock:			
Authorized – 800,000,000 shares at March 31, 2017 and 2016			
Issued and outstanding – 193,735,000 shares at March 31, 2017 and 2016	100,000	100,000	892
Capital surplus	55,000	55,000	491
Retained earnings *(Note 9)*	552,092	508,373	4,929
Less treasury stock, at cost – 723 and 673 shares at March 31, 2017 and 2016	(3)	(3)	(0)
Total shareholders' equity	707,088	663,369	6,313
Valuation and translation adjustments:			
Net unrealized holding gain on securities	2,870	2,696	25
Total valuation and translation adjustments	2,870	2,696	25
Total net assets	709,959	666,066	6,338
Total liabilities and net assets	¥ 2,598,964	¥ 2,499,863	$ 23,205

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Profit or Loss

Year ended March 31, 2017

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2017	2016	2017
Operating revenues:			
Transportation	¥ 849,689	¥ 850,051	$ 7,586
Transportation incidentals	18,051	18,317	161
Other operations	27,236	26,043	243
Miscellaneous	61,126	59,814	545
	956,103	954,227	8,536
Operating expenses:			
Personnel	223,319	233,332	1,993
Energy	40,583	44,117	362
Maintenance	157,151	152,866	1,403
Depreciation	137,644	132,309	1,228
Rent	30,295	26,941	270
Miscellaneous taxes	34,992	31,970	312
Other	196,638	195,477	1,755
	820,625	817,014	7,327
Operating income	135,477	137,213	1,209
Other income (expenses):			
Interest and dividend income	1,188	1,519	10
Interest expense	(22,271)	(24,187)	(198)
Gain on contributions received for construction *(Note 3)*	14,649	14,487	130
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment *(Note 3)*	(14,266)	(14,160)	(127)
Loss on impairment of property, plant and equipment	(2,577)	–	(23)
Gain on sales of property, plant and equipment	1,677	1,845	14
Loss on sales of property, plant and equipment	(49)	(41)	(0)
Provision for loss on railway line liquidation	(11,470)	–	(102)
Provision for environmental safety measures	–	(12,939)	–
Insurance income	–	2,000	–
Other, net *(Note 3)*	(460)	(4,550)	(4)
	(33,578)	(36,027)	(299)
Income before income taxes	101,899	101,185	909
Income taxes *(Note 5)*:			
Current	29,315	35,968	261
Deferred	1,741	4,093	15
	31,056	40,062	277
Net income	¥ 70,842	¥ 61,123	$ 632

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2017

	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, 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 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 March 31, 2017	¥100,000	¥ 55,000	¥ 552,092	¥ (3)	¥ 707,088	¥ 2,870	¥ 2,870	¥ 709,959

	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, 2016	$ 892	$ 491	$ 4,539	$ (0)	$ 5,922	$ 24	$ 24	$ 5,947
Net income for the year	–	–	632	–	632	–	–	632
Cash dividends	–	–	(242)	–	(242)	–	–	(242)
Purchase of treasury stock	–	–	–	(0)	(0)	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	1	1	1
Balance at March 31, 2017	$ 892	$ 491	$ 4,929	$ (0)	$ 6,313	$ 25	$ 25	$ 6,338

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2017

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, 2017. 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 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.

(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.

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

(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.

(12) 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)

(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 Sanko Line (running from Gotsu station to Miyoshi station), which is scheduled to close from April 1, 2018.

(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.

(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.

2. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2017	2016	2017
Investments in:			
Subsidiaries	¥ 229,006	¥ 123,488	$ 2,044
Affiliates	35,640	35,342	318
Advances to subsidiaries	66,209	33,647	591
	¥ 330,856	¥ 192,478	$ 2,954

Investments in an affiliate whose fair value is determinable at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen					
	2017			2016		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Investments in an affiliate	¥ 1,593	¥ 2,678	¥ 1,085	¥ 1,593	¥2,760	¥ 1,167

	Millions of U.S. dollars		
	2017		
	Carrying value	Estimated fair value	Difference
Investments in an affiliate	$ 14	$ 23	$ 9

2. Balances with Subsidiaries and Affiliates (continued)

At March 31, 2017 and 2016, 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*
	2017	2016	2017
Investments in:			
Subsidiaries	¥ 229,006	¥ 123,488	$ 2,044
Affiliates	34,047	33,749	303
	¥ 263,053	¥ 157,238	$ 2,348

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, 2017 and 2016 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen		*Millions of U.S. dollars*
	2017	2016	2017
Due to subsidiaries and affiliates:			
Short-term loans	¥ 163,858	¥ 169,738	$ 1,463

3. Property, Plant and Equipment

Property, plant and equipment at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2017	2016	2017
Land	¥ 640,658	¥ 640,338	$ 5,720
Buildings	463,308	454,899	4,136
Railway fixtures and structures	2,266,207	2,224,683	20,233
Rolling stock and other vehicles	1,086,355	1,039,526	9,699
Ships	4	4	0
Machinery and equipment	346,540	333,623	3,094
Furniture and fixtures	79,851	75,662	712
Leases	1,173	1,015	10
Construction in progress	47,480	73,116	423
	4,931,580	4,842,869	44,031
Less accumulated depreciation	(3,033,257)	(2,948,046)	(27,082)
Property, plant and equipment, net	¥ 1,898,322	¥ 1,894,822	$ 16,949

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, 2017 and 2016 were ¥695,970 million ($6,214 million) and ¥684,654 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, 2017 and 2016 totaled ¥1,445 million ($12 million) and ¥727 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 year ended March 31, 2017, the Company wrote down the following property, plant and equipment to the respective recoverable value and recorded a related loss on impairment of property, plant and equipment totaling ¥2,577 million ($23 million) in the accompanying non-consolidated statement of profit or loss for the year then ended.

	Millions of yen	*Millions of U.S. dollars*
	2017	2017
Assets to be disposed of:		
Buildings, land and other, held in Gotsu City, Shimane Prefecture	¥ 2,577	$ 23

The recoverable value of the assets was measured at net realizable value.

5. Income Taxes

The aggregate statutory tax rate applicable to the Company was 33.06% for the year ended March 31, 2016.

A reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2016 as a percentage of income before income tax was as follows:

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

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2017 was omitted because such difference is less than 5% of the statutory tax rate.

5. Income Taxes (continued)

The significant components of the Company's deferred tax assets and liabilities at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2017	2016	2017
Deferred tax assets:			
Provision for employees' bonuses	¥ 8,167	¥ 8,363	$ 72
Accrued social insurance premiums included in accrued expenses	1,240	1,257	11
Accrued enterprise taxes included in income taxes payable	1,048	1,752	9
Accrued retirement benefits	98,370	104,704	878
Provision for environmental safety measures	5,763	6,480	51
Other	25,370	18,923	226
Gross deferred tax assets	139,960	141,482	1,249
Valuation allowance	(6,801)	(6,667)	(60)
Total deferred tax assets	133,158	134,814	1,188
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,240)	(1,189)	(11)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(11,237)	(11,152)	(100)
Other	(7)	(7)	(0)
Total deferred tax liabilities	(12,485)	(12,349)	(111)
Deferred tax assets, net	¥ 120,673	¥ 122,465	$ 1,077

6. Contingent Liabilities

At March 31, 2017, 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 ¥16,886 million ($150 million).

At March 31, 2017, 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 sheet and non-consolidated statement of changes in net assets. The Company's legal reserve included in retained earnings at March 31, 2017 and 2016 amounted to ¥11,327 million ($101 million).

8. Amounts per Share

Amounts per share at March 31, 2017 and 2016 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2017	2016	2017
Net assets	¥3,664.60	¥3,438.04	$32.71
Net income	365.67	315.50	3.26
Cash dividends	140.00	135.00	1.25

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, 2017 and 2016 since the Company had no potentially dilutive stock at March 31, 2017 and 2016.

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 Events

(1) Issuance of bonds

On April 14, 2017, the Company decided to issue corporate bonds, based on a resolution approved at a meeting of the Board of Directors held on March 15, 2017. Details of the bond issuance are as follows:

Description	The 49th Series of West Japan Railway Bonds
Issuance date	April 21, 2017
Maturity date	April 20, 2057
Total issuance amount	¥10,000 million ($89 million)
Issue price	¥100 ($0.89) with a face value of ¥100 ($0.89)
Annual interest rate	1.216%
Type	Unsecured
Usage of funds	Repayment of loans

9. Subsequent Events (continued)

(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, 2017, was to be approved at a meeting of the shareholders of the Company to be held on June 22, 2017:

	Millions of yen	*Millions of U.S. dollars*
Cash dividends (¥70 = U.S.$0.62 per share)	¥ 13,561	$ 121

10. Supplemental Information

The Company adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No.26, March 28, 2016) from the beginning of the fiscal year ended March 31, 2017.

Following sincere discussions between the Company and municipalities along the Sanko Line (running from Gotsu station to and Miyoshi station) a notice on abolishing the line, which is scheduled to become effective from April 1, 2018, was filed with the Minister of Land, Infrastructure, Transport and Tourism. The Company will continue to cooperate with the affected municipalities to build an alternative transportation system after the abolishment as a business operator that has been conducting public transportation operations along the Sanko line.
The Company notified the municipalities in March 2017 of the Company’s plan to principally dismantle the bridges and electrical facilities along the line after operations cease. As a result, the expected dismantlement costs are recognized as provision for loss on railway line liquidation in the amount of ¥11,470 million ($102 million) in the accompanying non-consolidated statement of profit or loss for the year ended March 31, 2017.