Non-Consolidated Financial Statements

West Japan Railway Company

Year ended March 31, 2020
with Independent Auditor's Report

West Japan Railway Company

Non-Consolidated Financial Statements

Year ended March 31, 2020

Contents

Independent Auditor's Report

The Board of Directors
West Japan Railway Company

Opinion

We have audited the accompanying non-consolidated financial statements of West Japan Railway Company (the "Company"), which comprise the non-consolidated balance sheet as at March 31, 2020, and the non-consolidated statements of profit or loss, changes in net assets for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan
June 22, 2020

Kaname Matsumoto
Designated Engagement Partner
Certified Public Accountant

Yutaka Matsumura
Designated Engagement Partner
Certified Public Accountant

Masahiko Naka
Designated Engagement Partner
Certified Public Accountant

West Japan Railway Company

Non-Consolidated Balance Sheet

As of March 31, 2020

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2020	2019	2020
Assets			
Current assets:			
Cash and deposits	¥ 63,262	¥ 89,425	$ 585
Short-term investments	–	27,500	–
Accounts receivable	75,317	88,441	697
Allowance for doubtful accounts	(310)	(360)	(2)
Inventories	20,764	20,411	192
Prepaid expenses and other current assets	82,837	69,524	767
Total current assets	241,870	294,942	2,239
Investments and advances:			
Subsidiaries and affiliates *(Note 2)*	400,189	367,457	3,705
Other securities	26,743	20,466	247
Total investments	426,932	387,923	3,953
Property, plant and equipment, at cost *(Note 3)*:			
Railway	4,890,975	4,817,091	45,286
Other operations	221,075	220,129	2,046
Construction in progress	75,445	59,214	698
	5,187,496	5,096,435	48,032
Less accumulated depreciation	(3,223,287)	(3,166,161)	(29,845)
Property, plant and equipment, net	1,964,208	1,930,274	18,187
Deferred income taxes *(Note 4)*	106,848	111,942	989
Other assets	54,131	57,266	501
Total assets	¥ 2,793,991	¥ 2,782,350	$ 25,870

	Millions of yen		Millions of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Note 2)*	¥ 228,979	¥ 233,757	$ 2,120
Current portion of long-term debt *(Note 8)*	70,800	72,006	655
Commercial papers	60,000	–	555
Current portion of long-term payables	1,567	1,642	14
Accounts payable	187,959	183,135	1,740
Prepaid railway fares received	31,932	41,013	295
Deposits and advances received	76,789	65,452	711
Accrued expenses	23,851	23,523	220
Income taxes payable *(Note 4)*	6,323	14,613	58
Provision for employees' bonuses	25,086	25,713	232
Provision for customer point programs	1,289	751	11
Provision for loss on disaster	5,131	11,100	47
Other current liabilities	6,396	3,746	59
Total current liabilities	726,107	676,456	6,723
Long-term liabilities:			
Long-term debt *(Note 8)*	844,162	885,260	7,816
Long-term payables	101,158	102,728	936
Provision for large-scale renovation of Shinkansen infrastructure	16,666	12,500	154
Accrued retirement benefits	250,308	272,665	2,317
Provision for environmental safety measures	8,911	11,586	82
Provision for loss on railway line liquidation	8,887	9,594	82
Asset retirement obligations	5,383	3,269	49
Other long-term liabilities	8,439	8,510	78
Total long-term liabilities	1,243,917	1,306,114	11,517
Contingent liabilities *(Note 5)*			
Net assets:			
Shareholders' equity *(Note 6)*:			
Common stock:			
Authorized – 800,000,000 shares at March 31, 2020 and 2019			
Issued and outstanding – 191,334,500 and 192,481,400 shares at March 31, 2020 and 2019	100,000	100,000	925
Capital surplus	55,000	55,000	509
Retained earnings *(Note 8)*	670,628	642,050	6,209
Less treasury stock, at cost *(Note 8)* – 648 shares at March 31, 2020 and 2019	(5)	(5)	(0)
Total shareholders' equity	825,622	797,044	7,644
Valuation and translation adjustments:			
Net unrealized holding (loss) gain on securities	(1,656)	2,734	(15)
Total valuation and translation adjustments	(1,656)	2,734	(15)
Total net assets	823,966	799,779	7,629
Total liabilities and net assets	¥ 2,793,991	¥ 2,782,350	$ 25,870

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Profit or Loss

Year ended March 31, 2020

	Millions of yen		*Millions of U.S. dollars (Note 1)*
	2020	2019	2020
Operating revenues:			
Transportation	¥ 856,864	¥ 873,474	$ 7,933
Transportation incidentals	17,180	17,626	159
Other operations	30,062	29,360	278
Miscellaneous	57,796	60,445	535
	961,905	980,906	8,906
Operating expenses:			
Personnel	214,694	215,858	1,987
Energy	45,498	45,288	421
Maintenance	166,403	164,043	1,540
Depreciation	138,226	134,355	1,279
Rent	28,412	27,252	263
Miscellaneous taxes	36,435	36,047	337
Other	212,494	207,334	1,967
	842,166	830,179	7,797
Operating income	119,738	150,727	1,108
Other income (expenses):			
Interest and dividend income	2,625	2,285	24
Interest expense	(19,344)	(20,059)	(179)
Gain on contributions received for construction *(Note 3)*	12,191	23,724	112
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment *(Note 3)*	(11,954)	(22,539)	(110)
Loss on impairment of property, plant and equipment	(33)	–	(0)
Gain on sales of property, plant and equipment	1,860	839	17
Loss on sales of property, plant and equipment	(131)	(545)	(1)
Loss on disposal of property, plant and equipment	(3,058)	(21)	(28)
Provision for loss on disaster	–	(11,100)	–
Other, net *(Note 3)*	3,909	(7,476)	36
	(13,934)	(34,893)	(129)
Income before income taxes	105,803	115,833	979
Income taxes *(Note 4)*:			
Current	25,196	32,854	233
Deferred	7,011	2,365	64
	32,207	35,220	298
Net income	¥ 73,596	¥ 80,613	$ 681

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on securities	Total valuation and translation adjustments	Total net assets
Balance at April 1, 2018	¥100,000	¥ 55,000	¥ 603,775	¥ (3)	¥ 758,771	¥ 2,931	¥ 2,931	¥ 761,703
Net income for the year	–	–	80,613	–	80,613	–	–	80,613
Cash dividends	–	–	(32,340)	–	(32,340)	–	–	(32,340)
Purchase of treasury stock	–	–	–	(9,999)	(9,999)	–	–	(9,999)
Cancellation of treasury stock	–	(0)	(9,997)	9,997	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(197)	(197)	(197)
Balance at April 1, 2019	¥100,000	¥ 55,000	¥ 642,050	¥ (5)	¥ 797,044	¥ 2,734	¥ 2,734	¥ 799,779
Net income for the year	–	–	73,596	–	73,596	–	–	73,596
Cash dividends	–	–	(35,018)	–	(35,018)	–	–	(35,018)
Purchase of treasury stock	–	–	–	(9,999)	(9,999)	–	–	(9,999)
Cancellation of treasury stock	–	–	(9,999)	9,999	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(4,390)	(4,390)	(4,390)
Balance at March 31, 2020	¥100,000	¥ 55,000	¥ 670,628	¥ (5)	¥ 825,622	¥ (1,656)	¥ (1,656)	¥ 823,966

	Millions of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on securities	Total valuation and translation adjustments	Total net assets
Balance at April 1, 2019	$925	$509	$ 5,944	$ (0)	$ 7,380	$ 25	$ 25	$7,405
Net income for the year	–	–	681	–	681	–	–	681
Cash dividends	–	–	(324)	–	(324)	–	–	(324)
Purchase of treasury shares	–	–	–	(92)	(92)	–	–	(92)
Cancellation of treasury stock	–	–	(92)	92	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–	(40)	(40)	(40)
Balance at March 31, 2020	$925	$ 509	$ 6,209	$ (0)	$ 7,644	$ (15)	$ (15)	$7,629

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2020

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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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 ¥108 = U.S. $1.00, the exchange rate prevailing on March 31, 2020. 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.

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)

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 (Refer to Note 3).

(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.

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 customers, which are expected to be utilized in the following periods.

(11) Provision for loss on disaster

Provision for loss on disaster is provided, at an estimated amount, for expected expenditures required to complete future restoration work related to damage arising from the "Heavy Rain Event of July 2018."

(12) 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.

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

Summary of Significant Accounting Policies (continued)

(13) Accrued retirement benefits

Accrued retirement benefits for employees are provided at an expected 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.

(14) 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.

(15) 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).

(16) 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.

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

Summary of Significant Accounting Policies (continued)

(17) 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.

(18) Asset retirement obligations

An asset retirement obligation is recorded at the time of acquisition or construction of a fixed asset and when there is a statutory or similar obligation associated with the removal of such fixed asset. The asset retirement obligation is measured at the discounted value of the liability at the time the fixed asset is acquired or constructed and the amount of the liability is added to the book value of the relevant fixed asset. The cost component of the obligation is depreciated over the remaining useful life of the fixed asset.

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

(Additional Information)

(1) Damages due to Typhoon No.19 (October 2019)

The cost of disposal for Shinkansen rolling stock damaged by flooding due to Typhoon No.19 was recorded as "Loss on disposal of property, plant and equipment" in the other income (expenses) section of the non-consolidated statement of profit or loss.

(2) Impact of novel coronavirus disease

The Company anticipates a significant impact on the operating performance for the next fiscal year due to the decrease in the number of railway passengers as a result of the impact of the novel coronavirus disease.

For the accounting estimate with respect to the recoverability of deferred tax assets and others for the fiscal year ended March 31, 2020, the Company expects the effects related to a decrease in revenue to continue for a certain period of time.

2. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2020	2019	2020
Investments in:			
Subsidiaries	¥ 235,128	¥ 234,384	$ 2,177
Affiliates	41,872	36,084	387
Advances to subsidiaries	123,188	96,987	1,140
	¥ 400,189	¥ 367,457	$ 3,705

2. Balances with Subsidiaries and Affiliates (continued)

Investments in an affiliate whose fair value is determinable at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen					
	2020			2019		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Investments in an affiliate	¥1,593	¥2,924	¥1,331	¥1,593	¥4,002	¥2,409

	Millions of U.S. dollars		
	2020		
	Carrying value	Estimated fair value	Difference
Investments in an affiliate	$ 14	$ 27	$ 12

At March 31, 2020 and 2019, 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*
	2020	2019	2020
Investments in:			
Subsidiaries	¥ 235,128	¥ 234,384	$ 2,177
Affiliates	40,279	34,491	372
	¥ 275,408	¥ 268,876	$ 2,550

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, 2020 and 2019 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen		*Millions of U.S. dollars*
	2020	2019	2020
Due to subsidiaries and affiliates:			
Short-term loans	¥228,457	¥233,300	$ 2,115

3. Property, Plant and Equipment

Property, plant and equipment at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		*Millions of U.S. dollars*
	2020	2019	2020
Land	¥ 639,309	¥ 639,916	$ 5,919
Buildings	494,830	485,976	4,581
Railway fixtures and structures	2,350,948	2,313,131	21,768
Rolling stock and other vehicles	1,152,770	1,142,810	10,673
Ships	4	4	0
Machinery and equipment	383,778	369,634	3,553
Furniture and fixtures	88,926	84,435	823
Leases	1,482	1,311	13
Construction in progress	75,445	59,214	698
	5,187,496	5,096,435	48,032
Less accumulated depreciation	(3,223,287)	(3,166,161)	(29,845)
Property, plant and equipment, net	¥ 1,964,208	¥ 1,930,274	$ 18,187

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, 2020 and 2019 were ¥743,482 million ($6,884 million) and ¥734,980 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, 2020 and 2019 totaled ¥2,031 million ($18 million) and ¥1,025 million, respectively.

4. Income Taxes

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2020 and 2019 has been omitted because the differences between the statutory tax rates and the Company's effective tax rates for financial reporting purposes were less than 5% of the statutory tax rates.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		*Millions of U.S. dollars*
	2020	2019	2020
Deferred tax assets:			
Provision for employees' bonuses	¥ 7,681	¥ 7,873	$ 71
Accrued social insurance premiums included in accrued expenses	916	1,335	8
Accrued enterprise taxes included in income taxes payable	1,145	1,172	10
Accrued retirement benefits	76,644	83,490	709
Provision for environmental safety measures	2,744	3,704	25
Unrealized holding loss on securities	721	–	6
Other	37,136	35,274	343
Gross deferred tax assets	126,991	132,851	1,175
Valuation allowance	(9,656)	(9,114)	(89)
Total deferred tax assets	117,334	123,737	1,086
Deferred tax liabilities:			
Unrealized holding gain on securities	–	(1,195)	–
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(10,459)	(10,573)	(96)
Other	(26)	(26)	(0)
Total deferred tax liabilities	(10,486)	(11,794)	(97)
Deferred tax assets, net	¥ 106,848	¥ 111,942	$ 989

5. Contingent Liabilities

At March 31, 2020, the Company has a commitment to provide guarantees of loans and is also 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 ¥17,510 million ($162 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.

6. Shareholders' Equity

The Companies 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, 2020 and 2019 amounted to ¥11,327 million ($104 million).

7. Amounts per Share

Amounts per share at March 31, 2020 and 2019 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2020	2019	2020
Net assets	¥4,306.43	¥4,155.11	$ 39.87
Net income	384.17	418.13	3.55
Cash dividends	182.5	175.00	1.68

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.

7. Amounts per Share (continued)

Diluted net income per share has not been presented for the years ended March 31, 2020 and 2019 since the Company had no potentially dilutive stock at March 31, 2020 and 2019.

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.

8. Subsequent Events

(1) 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, 2020, was to be approved at a meeting of the shareholders of the Company to be held on June 23, 2020:

	Millions of yen	*Millions of U.S. dollars*
Cash dividends (¥87.5 = U.S.$0.81 per share)	¥ 16,741	$ 155

(2) Bond issuance

The Company issued the following bonds:

Millions of yen (Millions of U.S. dollars)

	The 58th Series of West Japan Railway Bond	The 59th Series of West Japan Railway Bond	The 60th Series of West Japan Railway Bond	The 61st Series of West Japan Railway Bond	The 62nd Series of West Japan Railway Bond	The 63rd Series of West Japan Railway Bond	The 64th Series of West Japan Railway Bond
Total issuance amount	¥60,000 ($555)	¥55,000 ($509)	¥15,000 ($138)	¥15,000 ($138)	¥15,000 ($138)	¥10,000 ($92)	¥20,000 ($185)
Issue price	¥100 ($0.92) with a face value of ¥100 ($0.92)						
Annual interest rate	0.020%	0.130%	0.255%	0.591%	0.729%	0.860%	1.031%
Maturity	May 19, 2023	May 21, 2025	May 21, 2030	May 21, 2040	May 20, 2050	May 21, 2060	May 21, 2070
Issuance date	May 21, 2020						
Type	Unsecured						
Usage of funds	Redemption of bonds and repayment of long-term loans						

8. Subsequent Events (continued)

(3) Loan agreement

The Company entered into the following loan agreement:

(1) Purpose	Working capital
(2) Lenders	Multiple financial institutions
(3) Total loan amount	¥75,000 million ($694 million)
(4) Interest rate	Fixed
(5) Date of borrowing	April to June, 2020
(6) Loan period	Up to maximum of 24 years
(7) Collateral	None
(8) Special clause	None

(4) Commitment line agreement

In addition to the existing ¥130,000 million earthquake-responsive commitment line agreement, the following new commitment line agreement was concluded:

(1) Purpose	Flexible financing
(2) Lender	Multiple financial institutions
(3) Borrowing capacity	¥300,000 million ($2,777 million)
(4) Date of agreement	May 26, 2020
(5) Collateral	None