

Consolidated Financial Statements

West Japan Railway Company

*Year ended March 31, 2021
with Independent Auditor's Report*

West Japan Railway Company
Consolidated Financial Statements

Year ended March 31, 2021

Contents

Consolidated Financial Statements

Independent Auditor's Report	1
Consolidated Balance Sheet	8
Consolidated Statement of Operations	10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Changes in Net Assets	12
Consolidated Statement of Cash Flows	14
Notes to Consolidated Financial Statements	16

Independent Auditor's Report

The Board of Directors
West Japan Railway Company

Opinion

We have audited the accompanying consolidated financial statements of West Japan Railway Company and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition in Railway Business (Accuracy of Aggregation)	
Description of Key Audit Matter	Auditor's Response
As described in Note 24 "Segment Information," revenues from external customers in the Transportation segment recorded by West Japan Railway Company (the "Company") and its consolidated subsidiaries for the year ended March 31, 2021 included railway business revenues, which	In considering the accuracy of the aggregation of transportation revenues, we engaged IT specialists in our network firm to gain an understanding of the aggregation of handling revenues from issuance of tickets, the flow of data to the recording of transportation revenues in the IT systems, the relevant

<p>consisted mainly of the Company's transportation revenues.</p> <p>Transportation revenues are recorded by aggregating handling revenues from sales made by the Company and settling those revenues with other companies (e.g., payment of transportation fees owed to lines operated by other companies and receipt of transportation revenues of own lines due from other companies.)</p> <p>The aggregation of transportation revenues incorporate many individual transactions due to the large number of railway passengers, and the Company needs to exchange information necessary for settling revenues* with other JR passenger railway companies. As such, there is a mechanism in place that allows for mutual cooperation between multiple IT systems to ensure that this information is accurate, thus making the Company highly reliant on IT systems.</p> <p>Given that the accuracy of the aggregation of transportation revenues is a critical factor in the consideration of whether transportation revenues are appropriately reflected in the consolidated financial statements, we determined this to be a key audit matter.</p> <p>* In settling revenues involving other passenger railway companies, the Company, jointly with five other JR passenger railway companies, has entered into an agreement with Railway Information Systems Co., Ltd. to utilize an online system (Magnetic-electronic Automatic Reservation System) for selling reserved seat train tickets and the like, and outsource work related to the processing of revenue settlement among the companies.</p>	<p>processes and automated internal controls, and evaluated the effectiveness of internal controls.</p> <p>We mainly performed the following audit procedures.</p> <ul style="list-style-type: none"> • We evaluated the effectiveness of IT general controls by inspecting evidence of approval by the appropriate personnel when changes were made to programs in the IT systems and by inspecting evidence of approval by the appropriate personnel when granting and modifying access rights for material data and files as well as evidence of periodic inspections of access rights. • We evaluated the effectiveness of application controls over data interface processing for IT systems by examining the consistency between IT systems. • In order to evaluate the effectiveness of application controls over automated aggregation by key systems, we recalculated the aggregation of transportation revenues and evaluated the processing accuracy of the IT systems. • With regard to the outsourcing of work related to the calculation of revenue settlement among JR passenger railway companies, we evaluated the design, implementation, and operating effectiveness of controls over contract work performed by Railway Information Systems Co., Ltd. <p>In addition to the above procedures to evaluate the effectiveness of internal controls, we mainly performed the following audit procedures.</p> <ul style="list-style-type: none"> • Analytical procedures for transportation revenues using passenger-kilometers data • Examining supporting documentation of transactions used to record transportation revenues
---	---

	<ul style="list-style-type: none"> • Confirmation of balances of receivables from credit card companies and receivables from other JR passenger railway companies for inter-line fares.
--	--

Recoverability of Deferred Tax Assets of West Japan Railway Company	
Description of Key Audit Matter	Auditor's Response
<p>The Group recorded deferred tax assets of ¥191,769 million (\$1,743 million) as of March 31, 2021 on the consolidated balance sheet. As described in (a) "Recoverability of Deferred Tax Assets" in Note 2 "Significant Accounting Estimates" in the notes to consolidated financial statements, of the above amount, the Company recorded deferred tax assets of ¥164,085 million (\$1,491 million) (¥176,134 million (\$1,601 million) before offsetting against deferred tax liabilities).</p> <p>As described in (a) "Recoverability of Deferred Tax Assets" in Note 2 "Significant Accounting Estimates" in the notes to consolidated financial statements, the Company records deferred tax assets by estimating future taxable income or tax loss based on future business plans.</p> <p>The significant assumptions used in estimating future taxable income are time of the recovery in passenger volume for railways, which declined due to the impact of COVID-19, the extent of the recovery, and the feasibility of cost reductions.</p> <p>Given that the significant assumptions applied in the future business plan involve uncertainties and require management's judgement in assessing the recoverability of deferred tax assets, we determined this to be a key audit matter.</p>	<p>In considering the recoverability of deferred tax assets, we mainly performed the following audit procedures to examine estimated future taxable income.</p> <ul style="list-style-type: none"> • We examined the amount of future deductible temporary differences and tax loss carryforwards by involving tax specialists, and we also examined the schedule of the years in which they were expected to be reversed or expired. • We assessed the underlying future business plan to evaluate the estimate of future taxable income. We assessed the future business plan by checking it with the most recent budget approved by management. Additionally, in order to evaluate the effectiveness of management's estimation process in business planning, we compared business plans in previous years to actual results. • Regarding the time of the recovery in volume of railway usage, which declined due to the impact of COVID-19, and the extent of the recovery, which are significant assumptions included in the future business plans, we held discussions with management and compared the results of trend analysis of historical performance to industry trends and the latest available external data. • In order to evaluate the feasibility of cost reductions, we discussed with management and performed trend analysis of historical performance.

	<ul style="list-style-type: none"> We conducted a sensitivity analysis on significant assumptions and evaluated management's assessment of estimation uncertainties in the future business plan.
--	---

Impairment of Property, Plant and Equipment Held by West Japan Railway Hotel Development, Ltd.

Description of Key Audit Matter	Auditor's Response
<p>In addition to the railway business, the Group is also engaged in "Sales of goods and food services" as well as "Real estate" and "Hotel" businesses and hold a significant amount of property, plant and equipment.</p> <p>As described in (b) "Impairment of Property, Plant and Equipment" in Note 2 "Significant Accounting Estimates" in the notes to consolidated financial statements, property, plant and equipment held by West Japan Railway Hotel Development Ltd., which is a consolidated subsidiary that operates the main hotels of the Group, amounted to ¥27,529 million (\$250 million) as of March 31, 2021.</p> <p>West Japan Railway Hotel Development Ltd. determined that there were indications of impairment for the asset groups related to its property, plant and equipment during the year ended March 31, 2021 due to the deterioration of the business environment as a result of the impact of COVID-19. However, an impairment loss was not recognized as the estimated future cash flows generated from the asset groups exceeded the carrying value.</p> <p>The estimated future cash flows generated from the continuous use of the asset groups are determined based on the medium- to long-term business plan approved by management and the assumed performance levels for periods subsequent to the period covered by the business plan.</p> <p>As described in (b) "Impairment of Property, Plant and Equipment" in Note 2 "Significant Accounting Estimates" in the notes to</p>	<p>We mainly performed the following audit procedures to assess the estimated amount of undiscounted future cash flows used in determining whether there was an impairment loss to recognize on property, plant and equipment of West Japan Railway Hotel Development Ltd.</p> <ul style="list-style-type: none"> We compared the cash flow projection period with the remaining economic useful lives of the major assets. We evaluated the consistency between the estimated future cash flows and the business plan approved by management. We compared the business plan for previous years with actual results to evaluate the effectiveness of management's estimation process. In order to consider management's assessment of future uncertainty, with regard to the time of the recovery in occupancy levels, which declined due to the impact of COVID-19, and the extent of the recovery, which serve as the basis for the business plan, we discussed with management, inspected industry trends and the latest available external data, and conducted a sensitivity analysis, taking into account the fluctuation caused by future uncertainties. In addition, with regard to the assumed performance levels for periods subsequent to the period covered by the business plan, we inspected industry trends and the latest available

<p>consolidated financial statements, significant assumptions in estimating future cash flows are the time of the recovery in occupancy levels, which declined due to the impact of COVID-19, the extent of the recovery, and the assumed performance levels for periods subsequent to the period covered by the business plan.</p> <p>Given that the significant assumptions used to estimate the future cash flows involve uncertainty and require management's judgement, we determined this to be a key audit matter.</p>	<p>external data and assessed the consistency with the assumptions.</p>
---	---

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 consolidated financial statements is not expressing an opinion on the effectiveness of the Group'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 Group'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 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board 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 Audit and Supervisory Board Member and the Audit and Supervisory Board 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.

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 consolidated financial statements with respect to the year ended March 31, 2021 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 consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

June 22, 2021

Kaname Matsumoto
Designated Engagement Partner
Certified Public Accountant

Yoshihiro Shibata
Designated Engagement Partner
Certified Public Accountant

Masahiko Naka
Designated Engagement Partner
Certified Public Accountant

West Japan Railway Company

Consolidated Balance Sheet

As of March 31, 2021

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits (<i>Notes 5, 12 and 22</i>)	¥ 210,291	¥ 78,530	\$ 1,911
Short-term investments (<i>Notes 5, 6, 12 and 22</i>)	24	127	0
Notes and accounts receivable (<i>Note 22</i>):			
Unconsolidated subsidiaries and affiliates	1,167	2,091	10
Trade	126,282	135,694	1,148
Less allowance for doubtful accounts	(638)	(634)	(5)
Inventories (<i>Note 7</i>)	118,899	117,088	1,080
Prepaid expenses and other current assets	77,651	74,083	705
Total current assets	533,678	406,981	4,851
Investments:			
Unconsolidated subsidiaries and affiliates (<i>Notes 8 and 22</i>)	67,589	81,364	614
Other securities (<i>Notes 6, 12 and 22</i>)	35,516	35,326	318
Total investments	103,105	116,690	937
Property, plant and equipment, at cost (<i>Notes 2 9, 10 and 12</i>):			
Land	783,246	780,886	7,120
Buildings and structures	3,534,686	3,476,651	32,133
Machinery, equipment and vehicles	1,634,977	1,582,125	14,863
Tools, furniture and fixtures	187,551	180,776	1,705
Construction in progress	118,904	86,437	1,080
	6,259,365	6,106,877	56,903
Less accumulated depreciation	(3,691,310)	(3,574,788)	(33,557)
Property, plant and equipment, net	2,568,055	2,532,088	23,345
Deferred income taxes (<i>Notes 2 and 14</i>)	191,769	136,954	1,743
Asset for retirement benefits (<i>Note 16</i>)	2,595	1,919	23
Other assets (<i>Note 12</i>)	80,246	80,622	729
Total assets (<i>Note 24</i>)	¥ 3,479,452	¥ 3,275,257	\$ 31,631

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term loans (<i>Notes 11 and 22</i>)	¥ 19,474	¥ 24,711	\$ 177
Commercial papers (<i>Note 22</i>)	—	60,000	—
Current portion of long-term debt (<i>Notes 11, 22, 23 and 25</i>)	63,732	73,073	579
Current portion of long-term payables (<i>Notes 13 and 22</i>)	1,309	1,567	11
Notes and accounts payable (<i>Notes 12, 22 and 23</i>):			
Unconsolidated subsidiaries and affiliates	3,132	7,689	28
Trade	206,477	195,471	1,877
Prepaid railway fares received	30,202	31,999	274
Deposits and advances received (<i>Note 22</i>)	179,395	145,516	1,630
Accrued expenses (<i>Note 22</i>)	28,450	33,660	258
Income taxes payable (<i>Notes 14 and 22</i>)	13,691	16,975	124
Provision for employees' bonuses	23,473	37,410	213
Provision for customer point programs	2,077	2,431	18
Provision for loss on disaster	2,230	5,131	20
Other current liabilities	16,979	22,892	154
Total current liabilities	590,627	658,530	5,369
Long-term liabilities:			
Long-term debt (<i>Notes 11, 22, 23 and 25</i>)	1,426,947	874,834	12,972
Long-term payables (<i>Notes 13 and 22</i>)	99,848	101,158	907
Liability for retirement benefits (<i>Note 16</i>)	254,830	269,328	2,316
Provision for large-scale renovation of Shinkansen infrastructure	20,833	16,666	189
Provision for environmental safety measures	6,898	8,912	62
Provision for loss on railway line liquidation	8,809	8,887	80
Provision for unutilized gift certificates	2,797	2,343	25
Deferred income taxes (<i>Notes 2 and 14</i>)	1,846	655	16
Other long-term liabilities	109,977	110,833	999
Total long-term liabilities	1,932,790	1,393,620	17,570
Contingent liabilities (<i>Note 17</i>)			
Net assets:			
Shareholders' equity (<i>Note 18</i>):			
Common stock			
Authorized – 800,000,000 shares at March 31, 2021 and 2020			
Issued and outstanding – 191,334,500 shares at March 31, 2021 and 2020	100,000	100,000	909
Capital surplus	57,454	56,567	522
Retained earnings (<i>Note 25</i>)	696,703	956,227	6,333
Less treasury stock, at cost – 129,629 and 129,792 shares at March 31, 2021 and 2020	(482)	(483)	(4)
Total shareholders' equity	853,676	1,112,311	7,760
Accumulated other comprehensive (loss) income:			
Net unrealized holding loss on securities	(780)	(430)	(7)
Net unrealized deferred gain on hedging instruments	0	29	0
Retirement benefits liability adjustments (<i>Note 16</i>)	17	6,114	0
Total accumulated other comprehensive (loss) income	(762)	5,714	(6)
Non-controlling interests	103,119	105,080	937
Total net assets	956,033	1,223,106	8,691
Total liabilities and net assets	¥ 3,479,452	¥ 3,275,257	\$ 31,631

See accompanying notes to consolidated financial statements.

West Japan Railway Company

Consolidated Statement of Operations

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2021	2020	2021
Operating revenues (<i>Notes 10 and 24</i>)	¥ 898,172	¥ 1,508,201	\$ 8,165
Operating expenses:			
Transportation, other services and cost of sales (<i>Note 10</i>)	975,595	1,130,143	8,869
Selling, general and administrative expenses (<i>Note 19</i>)	168,121	217,430	1,528
	<u>1,143,717</u>	<u>1,347,573</u>	<u>10,397</u>
Operating (loss) income (<i>Note 24</i>)	(245,544)	160,628	(2,232)
Other income (expenses):			
Interest and dividend income	936	1,203	8
Interest expense	(20,455)	(19,465)	(185)
Equity in earnings of affiliates	1,909	1,787	17
Gain on contributions received for construction (<i>Note 9</i>)	11,841	12,191	107
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment (<i>Note 9</i>)	(10,666)	(11,606)	(96)
Gain on sales of property, plant and equipment	10,407	961	94
Loss on sales of property, plant and equipment	(109)	(148)	(0)
Employment adjustment subsidies	8,307	—	75
Loss related to novel coronavirus	(11,879)	—	(107)
Loss on devaluation of investments in securities	(15,721)	(1,804)	(142)
Other, net (<i>Note 10</i>)	(3,766)	(3,084)	(34)
	<u>(29,195)</u>	<u>(19,965)</u>	<u>(265)</u>
(Loss) profit before income taxes	(274,740)	140,662	(2,497)
Income taxes (<i>Note 2 and 14</i>):			
Current	9,990	40,703	90
Deferred	(50,812)	6,130	(461)
	<u>(40,822)</u>	<u>46,833</u>	<u>(371)</u>
(Loss) profit	(233,918)	93,828	(2,126)
(Loss) profit attributable to non-controlling interests	(703)	4,447	(6)
(Loss) profit attributable to owners of parent	<u>¥ (233,214)</u>	<u>¥ 89,380</u>	<u>\$ (2,120)</u>

See accompanying notes to consolidated financial statements.

West Japan Railway Company

Consolidated Statement of Comprehensive Income

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
(Loss) profit	¥ (233,918)	¥ 93,828	\$ (2,126)
Other comprehensive loss (Note 20):			
Net unrealized holding loss on securities	(362)	(4,572)	(3)
Net unrealized deferred (loss) gain on hedging instruments	(37)	105	(0)
Retirement benefit liability adjustments (Note 16)	(6,174)	(2,519)	(56)
Other comprehensive income of affiliates accounted for by the equity method attributable to owners of parent	38	208	0
Total other comprehensive loss	<u>(6,535)</u>	<u>(6,778)</u>	<u>(59)</u>
Total comprehensive (loss) income	<u>¥ (240,453)</u>	<u>¥ 87,050</u>	<u>\$ (2,185)</u>

Comprehensive (loss) income attributable to owners of parent and non-controlling interests for the years ended March 31, 2021 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Comprehensive (loss) income attributable to owners of parent	¥ (239,691)	¥ 82,716	\$ (2,179)
Comprehensive (loss) income attributable to non-controlling interests	(762)	4,333	(6)

West Japan Railway Company

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021

	<i>Millions of yen</i>										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding loss on securities	Net unrealized deferred gain on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehen- sive (loss) income	Non- controlling interests	Total net assets
Balance at April 1, 2019	¥ 100,000	¥ 56,171	¥ 911,532	¥ (483)	¥ 1,067,220	¥ 3,837	¥ (54)	¥ 8,594	¥ 12,378	¥ 100,262	¥ 1,179,861
Cash dividends	—	—	(35,018)	—	(35,018)	—	—	—	—	—	(35,018)
Profit attributable to owners of parent	—	—	89,380	—	89,380	—	—	—	—	—	89,380
Change in scope of consolidation	—	379	(186)	—	192	—	—	—	—	—	192
Increase due to merger	—	—	518	—	518	—	—	—	—	—	518
Purchase of treasury stock	—	—	—	(9,999)	(9,999)	—	—	—	—	—	(9,999)
Cancellation of treasury stock	—	—	(9,999)	9,999	—	—	—	—	—	—	—
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	0	0	—	—	—	—	—	0
Change in equity due to capital increase of consolidated company	—	17	—	—	17	—	—	—	—	—	17
Net changes in items other than shareholders' equity	—	—	—	—	—	(4,268)	83	(2,479)	(6,663)	4,817	(1,846)
Balance at April 1, 2020	<u>¥ 100,000</u>	<u>¥ 56,567</u>	<u>¥ 956,227</u>	<u>¥ (483)</u>	<u>¥ 1,112,311</u>	<u>¥ (430)</u>	<u>¥ 29</u>	<u>¥ 6,114</u>	<u>¥ 5,714</u>	<u>¥ 105,080</u>	<u>¥ 1,223,106</u>
Cash dividends	—	—	(26,308)	—	(26,308)	—	—	—	—	—	(26,308)
Loss attributable to owners of parent	—	—	(233,214)	—	(233,214)	—	—	—	—	—	(233,214)
Disposal of treasury stock	—	—	(0)	1	0	—	—	—	—	—	0
Increase due to purchase of shares of a consolidated subsidiary	—	886	—	—	886	—	—	—	—	—	886
Net changes in items other than shareholders' equity	—	—	—	—	—	(350)	(29)	(6,096)	(6,476)	(1,961)	(8,437)
Balance at March 31, 2021	<u>¥ 100,000</u>	<u>¥ 57,454</u>	<u>¥ 696,703</u>	<u>¥ (482)</u>	<u>¥ 853,676</u>	<u>¥ (780)</u>	<u>¥ 0</u>	<u>¥ 17</u>	<u>¥ (762)</u>	<u>¥ 103,119</u>	<u>¥ 956,033</u>

West Japan Railway Company

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2021

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding loss on securities	Net unrealized deferred gain on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehen- sive (loss) income	Non- controlling interests	Total net assets
Balance at April 1, 2020	\$ 909	\$ 514	\$ 8,692	\$ (4)	\$ 10,111	\$ (3)	\$ 0	\$ 55	\$ 51	\$ 955	\$ 11,119
Cash dividends	—	—	(239)	—	(239)	—	—	—	—	—	(239)
Loss attributable to owners of parent	—	—	(2,120)	—	(2,120)	—	—	—	—	—	(2,120)
Disposal of treasury stock	—	—	(0)	0	0	—	—	—	—	—	0
Increase due to purchase of shares of a consolidated subsidiary	—	8	—	—	8	—	—	—	—	—	8
Net changes in items other than shareholders' equity	—	—	—	—	—	(3)	(0)	(55)	(58)	(17)	(76)
Balance at March 31, 2021	<u>\$ 909</u>	<u>\$ 522</u>	<u>\$ 6,333</u>	<u>\$ (4)</u>	<u>\$ 7,760</u>	<u>\$ (7)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6)</u>	<u>\$ 937</u>	<u>\$ 8,691</u>

See accompanying notes to consolidated financial statements.

West Japan Railway Company

Consolidated Statement of Cash Flows

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2021	2020	2021
Cash flows from operating activities			
(Loss) profit before income taxes	¥ (274,740)	¥ 140,662	\$ (2,497)
Adjustments for:			
Depreciation and amortization	173,468	170,448	1,576
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	10,666	11,606	96
Loss on disposal of property, plant and equipment	5,982	11,934	54
Loss on devaluation of investments in securities	15,721	1,804	142
Decrease in liability for retirement benefits	(23,911)	(20,190)	(217)
Increase in allowance for doubtful accounts	311	728	2
Decrease in provision for employees' bonuses	(13,937)	(190)	(126)
Increase in provision for large-scale renovation of Shinkansen infrastructure	4,166	4,166	37
Decrease in other accruals	(5,307)	(8,706)	(48)
Interest and dividend income	(936)	(1,203)	(8)
Interest expense	20,455	19,465	185
Equity in earnings of affiliates	(1,909)	(1,787)	(17)
Gain on contributions received for construction	(11,841)	(12,191)	(107)
Decrease in notes and accounts receivable	10,681	15,527	97
Decrease (increase) in inventories	3,874	(9,184)	35
Increase (decrease) in notes and accounts payable	30,642	(16,487)	278
(Decrease) increase in consumption taxes receivable and payable	(11,197)	2,739	(101)
Other	(2,118)	(4,044)	(19)
Subtotal	(69,930)	305,097	(635)
Interest and dividend received	939	1,201	8
Interest paid	(20,191)	(19,217)	(183)
Income taxes paid	(14,113)	(46,928)	(128)
Net cash (used in) provided by operating activities	¥ (103,295)	¥ 240,152	\$ (939)

West Japan Railway Company

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2021

	<i>Millions of yen</i>		<i>Millions of U.S. dollars (Note 1)</i>
	2021	2020	2021
Cash flows from investing activities			
Purchases of property, plant and equipment	¥ (242,047)	¥ (265,152)	\$ (2,200)
Proceeds from sales of property, plant and equipment	12,850	1,564	116
Contributions received for construction	22,793	21,742	207
Purchases of investments in securities	(3,020)	(25,507)	(27)
Proceeds from sales of investments in securities	812	1,923	7
Net increase in loans receivable	(927)	(34)	(8)
Other	(2,153)	(3,193)	(19)
Net cash used in investing activities	(211,692)	(268,657)	(1,924)
Cash flows from financing activities			
Net (decrease) increase in short-term loans	(5,448)	3,791	(49)
Net (decrease) increase in commercial papers	(60,000)	60,000	(545)
Proceeds from long-term loans	283,600	20,000	2,578
Repayments of long-term loans	(36,507)	(39,205)	(331)
Proceeds from issuance of bonds	330,000	10,000	3,000
Redemption of bonds	(35,000)	(35,000)	(318)
Payment of long-term payables	(1,567)	(1,645)	(14)
Purchases of treasury stock	—	(9,999)	—
Proceeds from sales of treasury stock	0	—	0
Cash dividends paid to owners of parent	(24,870)	(34,999)	(226)
Cash dividends paid to non-controlling interests	(311)	(333)	(2)
Other	(3,144)	(1,774)	(28)
Net cash provided by (used in) financing activities	446,749	(29,167)	4,061
Net increase (decrease) in cash and cash equivalents	131,761	(57,671)	1,197
Cash and cash equivalents at beginning of year	78,283	136,581	711
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	—	1,110	—
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	—	(1,736)	—
Cash and cash equivalents at end of year (Note 5)	¥ 210,045	¥ 78,283	\$ 1,909

West Japan Railway Company

Notes to Consolidated Financial Statements

March 31, 2021

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

Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of West Japan Railway Company (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) 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 consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the 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 U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen solely for convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥110= U.S. \$1.00, the exchange rate prevailing on March 31, 2021. 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 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 Consolidated Financial Statements (continued)

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

Summary of Significant Accounting Policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or undisposed losses (the equity method). Consolidated profit includes the Company's equity in the current profit or loss of such companies after the elimination of unrealized intercompany gain or loss.

The balance sheet date of one consolidated subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

The balance sheet date of one affiliate is September 30, and the Company applied the equity method to its investments in this affiliate using the most recent financial statements as of the fiscal year end. The balance sheet date of the remaining affiliates is the same as that of the consolidated financial statements.

(2) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(3) Short-term investments and investments in securities

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 primarily by the moving average method. Non-marketable securities classified as other securities are stated at cost primarily based on the moving average method.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

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

Summary of Significant Accounting Policies (continued)

(4) *Derivative financial instruments*

Derivative financial instruments are stated at fair value.

(5) *Inventories*

Inventories are stated at lower of cost or net selling value, cost being determined primarily by the following methods:

Merchandise:	Principally the retail cost method or the last purchase price method
Real estate for sale and work in progress:	The specific identification method
Rails, materials and supplies:	Principally the moving average method

(6) *Property, plant and equipment (excluding leased assets)*

Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures 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 9).

(7) *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.

(8) *Research and development costs*

Research and development costs are charged to income as incurred.

(9) *Goodwill*

Goodwill is amortized over a period of five years on a straight-line basis.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

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

Summary of Significant Accounting Policies (continued)

(10) 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.

(11) 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.

(12) 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.

(13) Provision for employees' bonuses

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

(14) Provision for customer point programs

Provision for customer point programs is provided, at a reasonably estimated amount, for expected expenditures corresponding to points granted to customers, which are expected to be utilized in following periods.

(15) 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."

West Japan Railway Company

Notes to 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) Retirement benefits

The asset and liability for retirement benefits are provided principally at an expected amount calculated based on the retirement benefit obligation and the fair value of the plan assets 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 principally 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 principally over a period of ten years, which is shorter than the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the “Simplified Method”).

(17) 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.

(18) Provision for environmental safety measures

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

(19) 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).

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

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

Summary of Significant Accounting Policies (continued)

(20) Provision for unutilized gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries are credited to income after a certain period has passed from their respective dates of issuance. Certain consolidated subsidiaries provide a provision for unutilized gift tickets at a reasonably estimated amount of future utilization based on the historical utilization ratio.

(21) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(22) 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.

(23) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts, currency swap contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts and 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 forward foreign exchange or 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 and its certain consolidated subsidiaries hedge foreign currency exchange rate risk and interest rate risk within certain ranges based on their internal rules for derivative transactions.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

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

Summary of Significant Accounting Policies (continued)

(23) Hedge accounting (continued)

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. Significant Accounting Estimates

(a) Recoverability of Deferred Tax Assets

1. Net deferred tax assets of ¥164,085 million (\$1,491 million) were recorded by the Company (¥176,134 million (\$1,601 million) before offsetting against deferred tax liabilities) as of March 31, 2021.
2. Information regarding the significant accounting estimates for the identified item

1) Method of Calculation

Of the amount of deferred tax assets recorded in the consolidated financial statements, a large proportion was attributable to the Company in the amount of ¥164,085 million (\$1,491 million) as of March 31, 2021. When recording deferred tax assets, future taxable income or tax loss is estimated based on the future business plan that is based on reasonable assumptions.

2) Significant Assumptions

In estimating future taxable income, the Company incorporated the impact of the novel coronavirus disease ("COVID-19") based on certain assumptions. Regarding transportation revenues, which account for a large part of the Group's operating revenues, while the current level of railway usage is still low and the future outcome is uncertain, it is assumed that railway demand will gradually recover during the fiscal year ending March 31, 2022 due to factors such as the vaccination rollout.

Regarding the extent of the recovery, nevertheless it is difficult to predict the behavioral changes of customers, the Company assumed that the utilization level will be approximately 90% of the level before the outbreak of COVID-19, by making references to various survey results.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Estimates (continued)

(a) Recoverability of Deferred Tax Assets (continued)

In addition, in the “Medium-Term Management Plan 2022” (revised and announced in October 2020), the Group is aiming for early financial foundation recovery through cost structure reform, and plans to implement cost savings over the next mid-term business plan.

3) Financial Impact for the Following Fiscal Year

The Company believes that the above is management’s best estimate based on the information available at this time. If the containment of COVID-19 is delayed longer than expected, it is possible that the amount of deferred tax assets recorded in the next fiscal year could be limited, which may have a certain impact on financial performance.

(b) Impairment of Property, Plant and Equipment

1. Property, plant and equipment of ¥27,529 million (\$250 million) was held by West Japan Railway Hotel Development, Ltd., a consolidated subsidiary of the Company as of March 31, 2021.
2. Information regarding significant accounting estimates for the identified item
 - 1) Method of Calculation

As of March 31, 2021, West Japan Railway Hotel Development, Ltd. that operates the main hotels of the Group, recorded property, plant and equipment of ¥27,529 million (\$250 million). After determining whether there are indications of impairment, an impairment loss is recognized in the event that the estimated amount of future cash flows generated from property, plant and equipment under a future business plan based on reasonable assumptions is less than its carrying value.

For the year ended March 31, 2021, the number of guests and the room rates declined due to the impact of COVID-19, and the business environment deteriorated significantly, therefore the Company determined that there were indications of impairment. However, no impairment loss was recognized as the estimated future cash flows generated from the property, plant and equipment exceeded its carrying value based on the assumptions below.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Estimates (continued)

(b) Impairment of Property, Plant and Equipment (continued)

2) Significant Assumptions

The estimated future cash flows were calculated based on medium- to long-term business plan. In the business plan, the number of guests still remains at a low level, and the timing of containment of COVID-19 is uncertain, however the Company assumes that it will gradually recover during the fiscal year ending March 31, 2022 due to factors such as the vaccination rollout. The extent of the recovery was estimated from sources such as various survey results and it is expected to recover to the same level as the level before the outbreak of COVID-19 during the fiscal year ending March 31, 2022, and it is assumed that it will remain at the same level for periods subsequent to the period covered by the business plan.

3) Financial Impact for the Following Fiscal Year

The Company believes that the above is management's best estimate based on the information available at this time. If the containment of COVID-19 is delayed longer than expected, it is possible that the future cash flows could be lower than the amount estimated in the fiscal year ended March 31, 2021 and an impairment loss could be recorded.

3. Accounting Standards Issued but Not Yet Effective

(Accounting Standard and Implementation Guidance for Revenue Recognition)

On March 31, 2020, the Accounting Standards Board of Japan (the "ASBJ") issued revised "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, revised 2021) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

(1) Overview

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 has been applied from fiscal years starting on or after January 1, 2018 and Topic 606 has been applied from fiscal years starting after December 15, 2017.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

3. Accounting Standards Issued but Not Yet Effective (continued)

(Accounting Standard and Implementation Guidance for Revenue Recognition) (continued)

(1) Overview (continued)

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of the adoption of accounting standard and implementation guidance

The effect of the adoption of the accounting standards and the implementation guidance on the beginning balance of retained earnings for the following fiscal year is expected to be immaterial.

(Accounting Standards for Fair Value Measurement and Related Implementation Guidance)

On July 4, 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30), and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31), along with related updates to “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, revised 2019), “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, revised 2019), and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, revised 2020).

(1) Overview

Given the situation that IASB and FASB have established almost identical detailed guidance for fair value measurement (IFRS 13 Fair Value Measurement under IFRS and ASU 2018-13 Fair Value Measurement (Topic 820) under U.S. GAAP), the ASBJ took the initiative mainly to promote consistency between Japanese and international accounting standards regarding guidance for fair value measurement and required disclosures of financial instruments and issued the “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement.”

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

3. Accounting Standards Issued but Not Yet Effective (continued)

(Accounting Standards for Fair Value Measurement and Related Implementation Guidance)
(continued)

(1) Overview (continued)

As the basic policy in developing accounting standards for fair value measurement, the ASBJ fundamentally incorporated the basic principles of IFRS 13 through a unified measurement method to enhance comparability of financial statements among domestic and foreign entities. However, for any item to be considered arising from business practices in Japan, other treatment for the item shall be determined to the extent that comparability is not impaired.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

4. Additional Information

(Loss related to novel coronavirus)

The cost of countermeasures against COVID-19 and the fixed costs incurred during the temporary closure of the Group's commercial facilities were recorded as "Loss related to novel coronavirus" in the other income (expenses) section of the consolidated statement of operations.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

5. Cash and Cash Equivalents

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2021 and 2020 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Cash and deposits	¥ 210,291	¥ 78,530	\$ 1,911
Time deposits with original maturities in excess of three months included in cash and deposits	(245)	(246)	(2)
Cash and cash equivalents	<u>¥ 210,045</u>	<u>¥ 78,283</u>	<u>\$ 1,909</u>

6. Short-Term Investments and Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, securities be classified as follows: trading, held-to-maturity, or other securities. The Group did not have any investments classified as trading or held-to-maturity securities at March 31, 2021 and 2020. The standard further requires that marketable securities classified as other securities are stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Marketable securities classified as other securities at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>					
	2021			2020		
	Carrying value	Acquisition Costs	Difference	Carrying value	Acquisition costs	Difference
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 10,783	¥ 7,507	¥ 3,276	¥ 7,781	¥ 5,206	¥ 2,575
Debt securities:						
Government bonds	146	145	1	274	270	3
Subtotal	10,930	7,652	3,277	8,055	5,477	2,578
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	16,557	21,573	(5,016)	21,129	24,894	(3,764)
Subtotal	16,557	21,573	(5,016)	21,129	24,894	(3,764)
Total	<u>¥ 27,487</u>	<u>¥ 29,226</u>	<u>¥ (1,738)</u>	<u>¥ 29,185</u>	<u>¥ 30,371</u>	<u>¥ (1,185)</u>

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

6. Short-Term Investments and Investments in Securities (continued)

	<i>Millions of U.S. dollars</i>		
	2021		
	Carrying value	Acquisition costs	Difference
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 98	\$ 68	\$ 29
Debt securities:			
Government bonds	1	1	0
Subtotal	99	69	29
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	150	196	(45)
Subtotal	150	196	(45)
Total	\$ 249	\$ 265	\$ (15)

Devaluation of investments in securities amounted to ¥15,721 million (\$142 million) and ¥1,804 million for the years ended March 31, 2021 and 2020, respectively.

For marketable securities, if the market value at the end of the year has fallen by 50% or more of the acquisition cost, impairment loss is recognized, while if it falls 30% or more but less than 50%, impairment loss is recognized as necessary in light of the likelihood of recovery, and other factors. For securities whose fair value is extremely difficult to determine, if the total value of net assets per share has declined by 50% or more of the acquisition costs due to deterioration in the financial position of the securities' issuers, impairment loss is recognized, in principle.

7. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Merchandise and real estate for sale	¥ 26,801	¥ 26,294	\$ 243
Work in progress	66,162	67,045	601
Rails, materials and supplies	25,935	23,748	235
	¥ 118,899	¥ 117,088	\$ 1,080

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

8. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2021 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Investments in:			
Unconsolidated subsidiaries	¥ 21,949	¥ 23,950	\$ 199
Affiliates	45,640	57,414	414
	<u>¥ 67,589</u>	<u>¥ 81,364</u>	<u>\$ 614</u>

9. Property, Plant and Equipment

Contributions for the construction of railway facilities are granted by national and municipal governments and others. Such contributions 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. Contributions are recognized as “gain on contributions received for construction” and the amounts directly deducted from the acquisition costs of the related property, plant and equipment are recognized as “loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment” in the other income (expenses) section of the consolidated statement of operations.

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.

For railway business, the accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2021 and 2020 amounted to ¥752,073 million (\$6,837 million) and ¥743,482 million, respectively.

For railway business, the compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2021 and 2020 amounted to nil and ¥2,031 million, respectively.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

10. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease, commercial facilities including lands and rental housing, mainly in Osaka Prefecture and other areas.

Rental income, net of related expenses relevant to these real estate properties, amounted to ¥46,770 million (\$425 million) and ¥47,141 million for the years ended March 31, 2021 and 2020, respectively. The rental income is recorded under operating revenues or other income, and the rental expenses are recorded under operating expenses or other expenses.

The carrying value in the consolidated balance sheets and corresponding fair value of those properties as of March 31, 2021 and 2020 were as follows:

<i>Millions of yen</i>			
2021			
Carrying value			Fair value
As of April 1, 2020	Net change	As of March 31, 2021	As of March 31, 2021
¥ 352,841	¥ 14,546	¥ 367,388	¥ 720,770
<i>Millions of yen</i>			
2020			
Carrying value			Fair value
As of April 1, 2019	Net change	As of March 31, 2020	As of March 31, 2020
¥ 327,838	¥ 25,003	¥ 352,841	¥ 723,372
<i>Millions of U.S. dollars</i>			
2021			
Carrying value			Fair value
As of April 1, 2020	Net change	As of March 31, 2021	As of March 31, 2021
\$ 3,207	\$ 132	\$ 3,339	\$ 6,552

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

10. Investment and Rental Properties (continued)

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.
2. The components of net change in carrying value for the years ended March 31, 2021 and 2020 included increase mainly due to acquisitions of real estate properties in the amount of ¥34,810 million (\$316 million) and ¥38,411 million and the decrease mainly due to depreciation in the amount of ¥16,195 million (\$147 million) and ¥13,617 million, respectively.
3. The fair value of the main real estate properties is estimated in accordance with appraisal standards for valuing real estate. The fair value of the other real estate properties is based on the carrying value or a different valuation method because those values are considered to reasonably reflect the fair value.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

11. Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2021 and 2020 ranged from 0.002% to 0.35%, respectively.

Long-term debt at March 31, 2021 and 2020 is summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.02% to 2.49%, due from 2021 through 2071	¥ 839,988	¥ 544,986	\$ 7,636
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.29% to 0.49%, due in installments from 2021 through 2040	25,000	5,553	227
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.00% to 2.5%, due in installments from 2021 through 2057	583,486	355,841	5,304
Finance lease obligations, at rates ranging from 0.00% to 5.31%, due in installments from 2021 through 2051	32,329	31,651	293
Other	9,875	9,875	89
	1,490,679	947,908	13,551
Less current portion	(63,732)	(73,073)	(579)
	¥ 1,426,947	¥ 874,834	\$ 12,972

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
2022	¥ 63,732	\$ 579
2023	98,367	894
2024	141,365	1,285
2025	86,363	785
2026	137,708	1,251
2027 and thereafter	963,141	8,755
	¥ 1,490,679	\$ 13,551

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

11. Short-Term Loans and Long-Term Debt (continued)

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2021 and 2020 was as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Lines of credit	¥ 430,000	¥ 130,000	\$ 3,909
Credit utilized	—	—	—
Available credit	¥ 430,000	¥ 130,000	\$ 3,909

12. Pledged Assets

Assets pledged at March 31, 2021 as collateral for indebtedness are summarized as follows:

	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
	2021	
Bank deposits included in cash and deposits	¥ 245	\$ 2
Short-term investments	24	0
Investments in other securities	392	3
Land	128	1
Buildings and structures, net	171	1
Other assets	607	5
	¥ 1,571	\$ 14

The indebtedness secured by such collateral at March 31, 2021 was as follows:

	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
	2021	
Notes and accounts payable	¥ 18	\$ 0

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

13. Long-Term Payables

Long-term payables at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:			
Fixed interest portion at 6.55% due in installments from 2021 through 2052	¥ 100,943	¥ 101,969	\$ 917
Other	215	756	1
	101,158	102,725	919
Less current portion	(1,309)	(1,567)	(11)
	¥ 99,848	¥ 101,158	\$ 907

The aggregate annual maturities of long-term payables subsequent to March 31, 2021 are summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
2022	¥ 1,309	\$ 11
2023	1,167	10
2024	1,245	11
2025	1,327	12
2026	1,416	12
2027 and thereafter	94,692	860
	¥ 101,158	\$ 919

14. Income Taxes

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 30.62% for the years ended March 31, 2021 and 2020.

A reconciliation of the statutory tax rate and effective tax rates for the year ended March 31, 2021 and 2020 as a percentage of (loss) profit before income taxes is as follows:

	2021	2020
Statutory tax rate	30.62 %	30.62 %
Effect of:		
Change in valuation allowance	(14.23)	2.02
Per capita portion of inhabitants' taxes	(0.28)	0.58
Permanent non-deductible expenses	(0.03)	0.28
Special credit of corporation tax	0.00	(0.34)
Other	(1.22)	0.14
Effective tax rates	14.86 %	33.30 %

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Group at March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Deferred tax assets:			
Provision for employees' bonuses	¥ 7,407	¥ 11,705	\$ 67
Accrued enterprise taxes included in accrued expenses	715	1,758	6
Liability for retirement benefits	78,213	82,992	711
Unrealized gain on property, plant and equipment	15,885	15,833	144
Tax loss carryforwards	110,962	12,391	1,008
Other	53,760	54,925	488
Total gross deferred tax assets	266,944	179,607	2,426
Valuation allowance related to tax loss carryforwards	(35,652)	(11,874)	(324)
Valuation allowance related to total future deductible temporary differences	(21,252)	(7,859)	(193)
Total valuation allowance	(56,904)	(19,734)	(517)
Total deferred tax assets	210,039	159,872	1,909
Deferred tax liabilities:			
Unrealized holding gain on securities	(654)	(742)	(5)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,077)	(11,367)	(109)
Gain on valuation of assets of consolidated subsidiaries	(1,155)	(1,161)	(10)
Other	(6,228)	(10,302)	(56)
Total deferred tax liabilities	(20,116)	(23,574)	(182)
Deferred tax assets, net	¥ 189,923	¥ 136,298	\$ 1,726

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The total valuation allowance increased by ¥37,169 million (\$337 million) during the year ended March 31, 2021. The main reason for the increase is that the Group determined certain deductible temporary differences and tax loss carryforwards to be uncollectible as a result of the assessment of recoverability of deferred tax assets.

A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2021 is as follows:

Year ending March 31,	<i>Millions of yen</i>		
	2021		
	Tax loss carryforwards	Valuation allowance	Deferred tax assets
2022	¥ 1,980	¥ (1,980)	¥ –
2023	559	(559)	–
2024	3,851	(3,851)	–
2025	199	(199)	–
2026	928	(545)	382
2027 and thereafter	103,444	(28,516)	74,927
	¥ 110,962	¥ (35,652)	¥ 75,310

Year ending March 31,	<i>Millions of U.S. dollars</i>		
	2021		
	Tax loss carryforwards	Valuation allowance	Deferred tax assets
2022	\$ 18	\$ (18)	\$ –
2023	5	(5)	–
2024	35	(35)	–
2025	1	(1)	–
2026	8	(4)	3
2027 and thereafter	940	(259)	681
	\$ 1,008	\$ (324)	\$ 684

Deferred tax assets on tax loss carryforwards in the above were measured applying the statutory tax rate and determined to be recoverable based on estimated future taxable income.

A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2020 has been omitted because the amounts were immaterial.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

15. Leases

Future minimum lease payments subsequent to March 31, 2021 for noncancelable operating leases were as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
2022	¥ 2,736	\$ 24
2023 and thereafter	41,000	372
	<u>¥ 43,736</u>	<u>\$ 397</u>

Future minimum lease receipts subsequent to March 31, 2021 for noncancelable operating leases were as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
2022	¥ 421	\$ 3
2023 and thereafter	8,504	77
	<u>¥ 8,925</u>	<u>\$ 81</u>

16. Retirement Benefit Plans

The Company and its consolidated subsidiaries have lump-sum severance and retirement benefit plans. Certain consolidated subsidiaries have a small-and-medium-sized enterprise mutual aid plan (a defined contribution retirement plan) and/or a defined contribution pension plan. In certain cases, special retirement benefits may be paid to employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses by the Simplified Method.

The changes in the retirement benefit obligations, except those for which the Simplified Method was applied, during the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Retirement benefit obligations at beginning of year	¥ 279,144	¥ 294,891	\$ 2,537
Service cost	12,270	11,507	111
Interest cost	2,059	2,203	18
Actuarial loss	8,147	1,527	74
Retirement benefits paid	(36,347)	(32,907)	(330)
Prior service cost	721	—	6
Reclassification of retirement benefit obligation resulting from change from the Simplified Method	255	1,585	2
Increase of retirement benefit obligation resulting from change from the Simplified Method	59	841	0
Other	43	(504)	0
Retirement benefit obligations at end of year	<u>¥ 266,356</u>	<u>¥ 279,144</u>	<u>\$ 2,421</u>

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

16. Retirement Benefit Plans (continued)

The changes in plan assets, except those for which the Simplified Method was applied during the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Plan assets at beginning of year	¥ 19,012	¥ 18,514	\$ 172
Expected return on plan assets	273	292	2
Actuarial gain (loss)	1,361	(685)	12
Contributions paid	1,513	1,613	13
Retirement benefits paid	(828)	(611)	(7)
Reclassification of retirement benefit obligation resulting from change from the Simplified Method	—	474	—
Other	—	(586)	—
Plan assets at end of year	¥ 21,332	¥ 19,012	\$ 193

The changes in liability for retirement benefits for which the Simplified Method was applied during the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Liability for retirement benefits at beginning of year	¥ 7,276	¥ 7,297	\$ 66
Retirement benefit expenses	993	1,163	9
Retirement benefits paid	(713)	(495)	(6)
Contributions paid	(91)	(128)	(0)
Reclassification of liability for retirement benefits resulting from change from the Simplified Method	(255)	(1,111)	(2)
Increase resulting from newly consolidated Subsidiaries	—	551	—
Liability for retirement benefits at end of year	¥ 7,210	¥ 7,276	\$ 65

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2021 and 2020 for the Company's and its consolidated subsidiaries' defined benefit pension plans, including those for which the Simplified Method was applied:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Funded retirement benefit obligations	¥ 26,304	¥ 24,041	\$ 239
Plan assets at fair value	(22,108)	(19,739)	(200)
	4,196	4,302	38
Unfunded retirement benefit obligations	248,037	263,106	2,254
Net liability for retirement benefits in the consolidated balance sheet	¥ 252,234	¥ 267,409	\$ 2,293
Liability for retirement benefits	254,830	269,328	2,316
Asset for retirement benefits	(2,595)	(1,919)	(23)
Net liability for retirement benefits in the consolidated balance sheet	¥ 252,234	¥ 267,409	\$ 2,293

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

16. Retirement Benefit Plans (continued)

The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Service cost	¥ 12,270	¥ 11,507	\$ 110
Interest cost	2,059	2,203	18
Expected return on plan assets	(273)	(292)	(2)
Amortization of unrecognized actuarial gain	(1,300)	(1,449)	(11)
Amortization of prior service cost	31	(0)	0
Increase of retirement benefit obligation resulting from change from the Simplified Method	59	841	0
Retirement benefit expenses calculated by the Simplified Method	993	1,163	9
Other	33	2	0
Retirement benefit expenses under defined benefit pension plans	<u>¥ 13,875</u>	<u>¥ 13,976</u>	<u>\$ 126</u>

The components of retirement benefit liability adjustments included in other comprehensive (loss) income (before tax effects) for the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Prior service cost	¥ (690)	¥ (0)	\$ (6)
Actuarial gain	(8,086)	(3,662)	(73)
	<u>¥ (8,776)</u>	<u>¥ (3,662)</u>	<u>\$ (79)</u>

The components of retirement benefit liability adjustments included in accumulated other comprehensive (loss) income (before tax effects) as of March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Unrecognized prior service cost	¥ (689)	¥ 0	\$ (6)
Unrecognized actuarial gain	710	8,797	6
	<u>¥ 20</u>	<u>¥ 8,797</u>	<u>\$ 0</u>

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

16. Retirement Benefit Plans (continued)

The fair value of plan assets, by major category, as percentages of total plan assets as of March 31, 2021 and 2020 were as follows:

	2021	2020
Debt securities	46%	45%
Equity securities	26	19
Other	28	36
Total	100%	100%

The expected long-term rate of return on plan assets has been determined considering the anticipated allocation to each asset class at present and in the future, and the expected long-term rate of return on assets held in each category at present and in the future.

The assumptions used in accounting for the above retirement benefit plans for the years ended March 31, 2021 and 2020 were principally as follows:

	2021	2020
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	2.0%	2.0%

Total contributions required to be paid by certain consolidated subsidiaries to the defined contribution pension plans for the years ended March 31, 2021 and 2020 amounted to ¥564 million (\$5 million) and ¥538 million, respectively.

17. Contingent Liabilities

At March 31, 2021, the Company and its certain consolidated subsidiaries had a commitment to provide guarantees of loans and were also contingently liable for guarantees of loans, accounts payable-trade and other obligations of unconsolidated subsidiaries, affiliates and a third party in the aggregate amount of ¥70,943 million (\$644 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.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

18. 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 consolidated balance sheet and consolidated statement of changes in net assets. The Company's additional paid-in capital included in capital surplus amounted to ¥55,000 million (\$500 million) and legal reserve included in retained earnings amounted to ¥11,327 million (\$102 million) at March 31, 2021 and 2020, respectively.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2021 and 2020 are summarized as follows:

	Number of shares			March 31, 2021
	April 1, 2020	Increase	Decrease	
Common stock	191,334,500	–	–	191,334,500
Treasury stock	129,792	–	163	129,629

	Number of shares			March 31, 2020
	April 1, 2019	Increase	Decrease	
Common stock	192,481,400	–	1,146,900	191,334,500
Treasury stock	129,794	1,146,900	1,146,902	129,792

The decrease in treasury stock for the year ended March 31, 2021 was due to the sale of shares less than one trading unit.

The decrease in common stock for the year ended March 31, 2020 was due to the cancellation of treasury stock.

The increase in treasury stock for the year ended March 31, 2020 was due to the purchase of treasury stock.

The decrease in treasury stock of 1,146,902 common stock for the year ended March 31, 2020 was due to the cancellation of 1,146,900 shares and changes in equity in affiliates accounted for by the equity method of 2 shares.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

19. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥7,584 million (\$68 million) and ¥8,851 million for the years ended March 31, 2021 and 2020, respectively.

20. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2021 and 2020.

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Net unrealized holding loss on securities:			
Amount arising during the year	¥ (69)	¥ (6,756)	\$ (0)
Reclassification adjustments for gain included in consolidated statement of operations	(486)	201	(4)
Before tax effect	(556)	(6,555)	(5)
Tax effect	193	1,982	1
Total	(362)	(4,572)	(3)
Net unrealized deferred (loss) gain on hedging instruments:			
Amount arising during the year	(53)	151	(0)
Before tax effect	(53)	151	(0)
Tax effect	16	(46)	0
Total	(37)	105	(0)
Retirement benefit liability adjustments:			
Amount arising during the year	(7,508)	(2,212)	(68)
Reclassification adjustments for loss included in consolidated statement of operations	(1,268)	(1,449)	(11)
Before tax effect	(8,776)	(3,662)	(79)
Tax effect	2,602	1,142	23
Total	(6,174)	(2,519)	(56)
Other comprehensive income of affiliates accounted for by the equity method attributable to owners of parent:			
Amount arising during the year	104	75	0
Reclassification adjustments for (loss) gain included in consolidated statement of operations	(65)	133	(0)
Total	38	208	0
Total other comprehensive loss	¥ (6,535)	¥ (6,778)	\$ (59)

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

21. Amounts per Share

Amounts per share at March 31, 2021 and 2020 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2021	2020	2021
Net assets	¥ 4,460.73	¥ 5,847.27	\$ 40.55
(Loss) profit attributable to owners of parent	(1,219.71)	466.88	(11.08)
Cash dividends	100.00	182.50	0.90

Net assets per share have been computed based on the number of shares of common stock outstanding at each balance sheet date.

(Loss) profit attributable to owners of parent per share has been computed based on the (loss) profit attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted profit attributable to owners of parent per share has not been presented for the years ended March 31, 2021 and 2020 since the Company had no potentially dilutive stock at March 31, 2021 and 2020.

The weighted-average number of shares of common stock used to compute (loss) profit attributable to owners of parent per share for the year ended March 31, 2021 and 2020 were 191,204 thousand and 191,441 thousand, respectively.

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 Consolidated Financial Statements (continued)

22. Financial Instruments

Overview

(1) Policy for financial instruments

The Group raises funds mainly through bonds and bank borrowings mainly for the purpose of settlement of existing payables and capital investment which cannot be fully provided by free cash flows. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term working capital mainly through short-term bonds. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables – trade notes and accounts receivable – are exposed to credit risk in relation to customers. Short-term investments and investments in securities are exposed to market price volatility risk. Those securities are mainly composed of the shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables – trade notes and accounts payable and deposits and advances received – have payment due dates within one year. The Group is also exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies. However, regarding trade payables denominated in foreign currencies arising from organized foreign tours, forward foreign exchange contracts are principally arranged to reduce the risk. Bonds and bank borrowings are taken out principally for the purpose of settlement of existing payables and capital investments. The redemption dates of these long-term debts extend up to forty nine years from March 31, 2021. Some of them have variable interest rates and are exposed to interest rate fluctuation risk. Long-term payables are mainly derived from the purchase of Sanyo Shinkansen's facilities. These payables are settled by installments once every six months. The repayment dates of these payables extend up to thirty years from March 31, 2021.

Regarding derivatives, the Group enters into currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities and forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Information regarding the method of hedge accounting is found in Note 1 (23).

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Overview (continued)

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from trade receivables, the Company monitors due dates and outstanding balances by individual customer. The Company is also making efforts to identify at an early stage and mitigate risks arising from bad debts from customers who are having financial difficulties. The consolidated subsidiaries also monitor the risk in the same manners as the Company in accordance with their internal policies.

The Group enters into derivative transactions only with financial institutions which have a sound credit profile to mitigate counterparty risk. At the balance sheet date, the carrying values of the financial assets in the consolidated balance sheets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Company utilizes currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities. Finance division of the Company executes and monitors them in accordance with internal policy.

For trade payables denominated in foreign currencies, certain consolidated subsidiaries identify the foreign currency exchange risk by currency and month and enter into principally forward foreign exchange contracts to hedge such risk. For trade payables denominated in foreign currencies arising from forecasted transactions to occur within six months regarding organized foreign tours, forward foreign exchange contracts are principally arranged considering the actual results in the past and the circumstances of the tour reservations. The basic policy is approved at a meeting once a half year in accordance with internal policy. In accordance with the approval, finance division enters into such transactions and reconciles outstanding balances with those of the counterparties. The control division of the Company monitors these risks based on the application from each operating division of each branch of certain consolidated subsidiaries. In addition, these risks are also periodically monitored by the internal audit division of the Company.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Overview (continued)

(3) Risk management for financial instruments (continued)

- (b) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others) (continued)

For short-term investments and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair values and relationships with the issuers.

- (c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division of the Company, subsidiaries and affiliates, the Company prepares and updates their cash flow plans on a timely basis to manage liquidity risk. In addition, the Company has kept the liquidity level stable to a certain extent by entering into commitment line contracts to enable the Company to raise funds in accordance with the policies determined in advance.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivatives in the following “Estimated Fair Value of Financial Instruments” section are not necessarily indicative of the actual market risk involved in derivative transactions.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2021 and 2020 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to 2 in Note 22).

	<i>Millions of yen</i>		
	2021		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 210,291	¥ 210,291	¥ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,149	1,149	–
Trade	122,848	122,848	–
Short-term investments and investments in securities:			
Investments in affiliates	3,858	4,237	379
Other securities	27,487	27,487	–
Liabilities:			
Short-term loans	(19,474)	(19,474)	–
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(3,132)	(3,132)	–
Trade	(206,477)	(206,477)	–
Income taxes payable	(13,691)	(13,691)	–
Accrued expenses	(4,985)	(4,985)	–
Deposits (component of deposits and advances received)	(126,792)	(126,792)	–
Long-term debt (including current portion)	(1,458,350)	(1,514,560)	(56,209)
Long-term payables (including current portion)	(101,158)	(211,228)	(110,070)

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	<i>Millions of yen</i>		
	2020		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 78,530	¥ 78,530	¥ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,063	2,063	–
Trade	132,506	132,506	–
Short-term investments and investments in securities:			
Investments in affiliates	3,437	2,924	(513)
Other securities	28,447	28,447	–
Liabilities:			
Short-term loans	(24,711)	(24,711)	–
Commercial papers	(60,000)	(60,000)	–
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(7,689)	(7,689)	–
Trade	(195,471)	(195,471)	–
Income taxes payable	(16,975)	(16,975)	–
Accrued expenses	(4,438)	(4,438)	–
Deposits (component of deposits and advances received)	(104,983)	(104,983)	–
Long-term debt (including current portion)	(916,256)	(991,008)	(74,751)
Long-term payables (including current portion)	(102,725)	(224,620)	(121,894)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	53	53	–

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	<i>Millions of U.S. dollars</i>		
	2021		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	\$ 1,911	\$ 1,911	\$ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	10	10	—
Trade	1,116	1,116	—
Short-term investments and investments in securities:			
Investments in affiliates	35	38	3
Other securities	249	249	—
Liabilities:			
Short-term loans	(177)	(177)	—
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(28)	(28)	—
Trade	(1,877)	(1,877)	—
Income taxes payable	(124)	(124)	—
Accrued expenses	(45)	(45)	—
Deposits (component of deposits and advances received)	(1,152)	(1,152)	—
Long-term debt (including current portion)	(13,257)	(13,768)	(510)
Long-term payables (including current portion)	(919)	(1,920)	(1,000)

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits and notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Short-term investments and investments in securities

The fair value of stocks is determined based on quoted market prices. The fair value of debt securities is determined based on either quoted market prices or present value of the future cash flows discounted by the interest rate which is determined using the interest rate of national bonds plus a credit spread premium.

Short-term loans, notes and accounts payable, commercial papers, deposits, income taxes payable and accrued expenses

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds (component of long-term debt, including current portion)

The fair value of bonds is determined based on the quoted market price.

Long-term loan (component of long-term debt, including current portion) and long-term payables (including current portion)

The fair value of long-term loans is determined based on the present value of the total amounts of principal and interest payments discounted at an interest rate to be applied if similar new loans were entered into.

Further, the fair value of certain long-term loans, which are subject to treatment using foreign currency swap or interest-rate swap, is estimated by discounting the foreign currency swap or interest-rate swap and the total amounts of principal and interest treated in combination with them based on an interest rate to be applied if similar new loans were entered into.

Long-term payables are monetary liability for purchase of railway facilities assumed under a special law, and it is difficult for the Company to raise funds again in the same manner. The fair value of such long-term payables is determined based on the present value of the total amounts of principal and interest payment discounted at an interest rate to be applied if similar new bonds were issued.

Derivative transactions

Refer to Note 23.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

2. Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2021 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Millions of U.S. dollars</i>
	2021	2020	2021
Investments in securities			
Unlisted stocks	¥ 68,086	¥ 82,275	\$ 618
Other	3,697	2,656	33

Because no quoted market price is available and also the future cash flows cannot be estimated reasonably, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as amounts presented in the table of “Estimated Fair Value of Financial Instruments” in this note.

3. The redemption schedule for cash and deposits, receivables, short-term investments and investments in securities with maturities at March 31, 2021 is as follows:

	<i>Millions of yen</i>		
	2021		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash and deposits	¥ 201,740	¥ –	¥ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,149	–	–
Trade	122,830	18	–
Short-term investments and investments in securities:			
Other securities with maturities (national government bonds)	24	121	–
Total	¥ 325,745	¥ 139	¥ –

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

22. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	<i>Millions of U.S. dollars</i>		
	2021		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash and deposits	\$ 1,834	\$ –	\$ –
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	10	–	–
Trade	1,116	0	–
Short-term investments and investments in securities:			
Other securities with maturities (national government bonds)	0	1	–
Total	<u>\$ 2,961</u>	<u>\$ 1</u>	<u>\$ –</u>

4. The redemption schedules for long-term debt and long-term payables are disclosed in Note 11 “Short-Term Loans and Long-Term Debt” and Note 13 “Long-Term Payables” in the Notes to Consolidated Financial Statements.

23. Derivative Transactions

There were no derivative transactions not qualifying for hedge accounting at March 31, 2021 and 2020.

The notional amounts and the estimated fair value of the derivative instruments outstanding qualifying for hedge accounting at March 31, 2021 and 2020 were as follows:

Currency-related transactions

Method of hedge accounting	Description of transaction	Hedged items	<i>Millions of yen</i>		
			2021		
			Notional amount	Notional amount (Over 1 year)	Estimated fair value
Allocation method of forward foreign exchange contracts	Currency swap contracts including interest-rate conversion Pay Yen / Receive U.S. dollars (Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans included in long-term debt	¥ 5,000	¥ –	(*2)

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

23. Derivative Transactions (continued)

Currency-related transactions (continued)

Method of hedge accounting	Description of transaction	Hedged items	Millions of yen		
			2020		
			Notional amount	Notional amount (Over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Buy				
	Euro	Accounts payable	¥ 2,526	¥ –	¥ 32 (*1)
	U.S. dollars	(Forecasted transaction)	1,575	–	7 (*1)
	Other		913	–	13 (*1)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Buy				
	Euro	Accounts payable	364	–	(*2)
	U.S. dollars		225	–	(*2)
	Other		79	–	(*2)
Allocation method of forward foreign exchange contracts	Currency swap contracts including interest-rate conversion				
	Pay Yen / Receive U.S. dollars				
	(Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans included in long-term debt	5,000	5,000	(*2)
			¥ 10,684	¥ 5,000	¥ 53

Method of hedge accounting	Description of transaction	Hedged items	Millions of U.S. dollars		
			2021		
			Notional amount	Notional amount (Over 1 year)	Estimated fair value
Allocation method of forward foreign exchange contracts	Currency swap contracts including interest-rate conversion				
	Pay Yen / Receive U.S. dollars				
	(Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans included in long-term debt	\$ 45	\$ –	(*2)

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

23. Derivative Transactions (continued)

Currency-related transactions (continued)

(*1) The fair value is primarily based on the prices provided by financial institutions.

(*2) Because forward foreign exchange contracts are accounted for as if the exchange rates applied to the forward foreign exchange contracts had originally applied to hedged items, their fair values were included in hedged items.

Interest-rate related transactions

			<i>Millions of yen</i>		
			2021		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (Over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans included in long-term debt	¥ 43,100	¥ 40,000	(*)
			<i>Millions of yen</i>		
			2020		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (Over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans included in long-term debt	¥ 40,100	¥ 33,100	(*)
			<i>Millions of U.S. dollars</i>		
			2021		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (Over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans included in long-term debt	\$ 391	\$ 363	(*)

(*) Because interest rate swap contracts are accounted for as if the interest rates applied to the swaps had originally applied to the long-term loans, their fair values were included in long-term loans.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

24. Segment Information

The Group's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Group primarily engages in businesses related to transportation, sales of goods and food services and real estate.

The Group is composed of four main business segments and those reportable segments are "Transportation," "Sales of goods and food services," "Real estate," and "Construction." "Transportation" involves railway, bus, and ferry services. "Sales of goods and food services" involves department store, restaurant and wholesale businesses. "Real estate" involves sales or leasing of real estate and management of shopping malls. "Construction" involves construction of buildings and rails.

"Construction," which was included in "Other" up to the year ended March 31, 2020, met quantitative thresholds and was, therefore, separately presented as a reportable segment for the year ended March 31, 2021. Segment information of the year ended March 31, 2020 has been restated and disclosed based on the current segment classification after the change.

Accounting policies used in each reportable segment are substantially the same as those described in Note 1 "Summary of Significant Accounting Policies." Intersegment transactions are those conducted among the Company and its consolidated subsidiaries and are mainly recorded at the market prices.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Reportable segment information for the years ended March 31, 2021 and 2020 is outlined as follows:

<i>Millions of yen</i>								
2021								
Reportable segments								
	Transporta- tion	Sales of goods and food services	Real estate	Construc- tion	Other	Subtotal	Elimination and adjustments	Consolidated
Operating revenues, income and assets by reportable segments:								
Operating revenues:								
External customers	¥ 476,891	¥ 142,228	¥ 145,732	¥ 52,400	¥ 80,919	¥ 898,172	¥ –	¥ 898,172
Intersegment operating revenues or transfers	12,718	8,263	19,960	79,349	190,138	310,430	(310,430)	–
Total	¥ 489,609	¥ 150,492	¥ 165,692	¥ 131,750	¥ 271,057	¥ 1,208,603	¥ (310,430)	¥ 898,172
Segment (loss) income	¥ (252,168)	¥ (15,082)	¥ 29,258	¥ 6,803	¥ (11,818)	¥ (243,007)	¥ (2,537)	¥ (245,544)
Segment assets	¥ 2,162,450	¥ 110,161	¥ 734,809	¥ 116,572	¥ 383,817	¥ 3,507,810	¥ (28,358)	¥ 3,479,452
Other items:								
Depreciation and amortization	¥ 141,524	¥ 5,487	¥ 24,191	¥ 490	¥ 8,455	¥ 180,148	¥ (6,679)	¥ 173,468
Investment in affiliates accounted for by the equity method	30,425	–	–	7,988	6,674	45,089	–	45,089
Increase in property, plant and equipment and intangible assets	178,640	6,079	46,283	1,116	11,040	243,160	–	243,160

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

<i>Millions of yen</i>								
2020								
	Reportable segments						Elimination and adjustments	Consolidated
	Transportation	Sales of goods and food services	Real estate	Construction	Other	Subtotal		
Operating revenues, income and assets by reportable segments:								
Operating revenues:								
External customers	¥ 933,416	¥ 226,051	¥ 165,100	¥ 46,970	¥ 136,662	¥ 1,508,201	¥ –	¥ 1,508,201
Intersegment operating revenues or transfers	16,394	10,290	20,340	87,845	218,207	353,077	(353,077)	–
Total	¥ 949,811	¥ 236,341	¥ 185,440	¥ 134,815	¥ 354,869	¥ 1,861,279	¥ (353,077)	¥ 1,508,201
Segment income	¥ 105,313	¥ 3,855	¥ 34,909	¥ 6,979	¥ 13,149	¥ 164,208	¥ (3,580)	¥ 160,628
Segment assets	¥ 2,140,857	¥ 111,857	¥ 717,241	¥ 116,036	¥ 428,094	¥ 3,514,089	¥ (238,832)	¥ 3,275,257
Other items:								
Depreciation and amortization	¥ 138,574	¥ 5,768	¥ 22,881	¥ 500	¥ 8,539	¥ 176,263	¥ (5,814)	¥ 170,448
Investment in affiliates accounted for by the equity method	28,397	–	–	7,594	6,191	42,184	–	42,184
Increase in property, plant and equipment and intangible assets	188,979	14,214	63,751	1,215	10,546	278,707	–	278,707

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Millions of U.S. dollars

2021

	Reportable segments						Elimination and adjustments	Consolidated
	Transporta- tion	Sales of goods and food services	Real estate	Construc- tion	Other	Subtotal		
Operating revenues, income and assets by reportable segments:								
Operating revenues:								
External customers	\$ 4,335	\$ 1,292	\$ 1,324	\$ 476	\$ 735	\$ 8,165	\$ –	\$ 8,165
Intersegment operating revenues or transfers	115	75	181	721	1,728	2,822	(2,822)	–
Total	<u>\$ 4,450</u>	<u>\$ 1,368</u>	<u>\$ 1,506</u>	<u>\$ 1,197</u>	<u>\$ 2,464</u>	<u>\$ 10,987</u>	<u>\$ (2,822)</u>	<u>\$ 8,165</u>
Segment (loss) income	\$ (2,292)	\$ (137)	\$ 265	\$ 61	\$ (107)	\$ (2,209)	\$ (23)	\$ (2,232)
Segment assets	\$ 19,658	\$ 1,001	\$ 6,680	\$ 1,059	\$ 3,489	\$ 31,889	\$ (257)	\$ 31,631
Other items:								
Depreciation and amortization	\$ 1,286	\$ 49	\$ 219	\$ 4	\$ 76	\$ 1,637	\$ (60)	\$ 1,576
Investment in affiliates accounted for by the equity method	276	–	–	72	60	409	–	409
Increase in property, plant and equipment and intangible assets	1,624	55	420	10	100	2,210	–	2,210

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

“Other” involves business segments not included in the reportable segments, such as “Hotel business,” and “Travel agency business.”

The adjustments of segment income in the amounts of ¥2,537 million (\$23 million) and ¥3,580 million for the years ended March 31, 2021 and 2020, respectively, were eliminations of intersegment transactions.

The adjustments of segment assets in the amounts of ¥28,358 million (\$257 million) and ¥238,832 million, included corporate assets not allocated to reportable segments of ¥382,618 million (\$3,478 million) and ¥193,689 million, and eliminations of intersegment transactions of ¥410,976 million (\$3,736 million) and ¥432,521 million at March 31, 2021 and 2020, respectively.

The adjustments of depreciation and amortization in the amounts of ¥6,679 million (\$60 million) and ¥5,814 million for the years ended March 31, 2021 and 2020, respectively, were eliminations of intersegment transactions.

Segment income was reconciled to operating income in the consolidated statement of operations.

Information on each product and service was omitted for the years ended March 31, 2021 and 2020 because it was same as that of the reportable segment information.

Geographical information and information on sales to major customers was omitted for the years ended March 31, 2021 and 2020 because there were no items that meet their disclosure criteria.

Information on loss on impairment of property, plant and equipment per each reportable segment was omitted for the years ended March 31, 2021 and 2020 because the amounts were immaterial.

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended March 31, 2021 and 2020 was omitted because the amounts were immaterial.

West Japan Railway Company

Notes to Consolidated Financial Statements (continued)

25. Subsequent Events

(1) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2021, was to be approved at a meeting of the shareholders of the Company to be held on June 23, 2021:

	<i>Millions of yen</i>	<i>Millions of U.S. dollars</i>
Cash dividends (¥50.0 = U.S.\$0.45 per share)	¥ 9,566	\$ 86

(2) Bond issuance

The Company issued the following bonds:

	<i>Millions of yen (Millions of U.S. dollars)</i>						
	The 72nd Series of West Japan Railway Bond	The 73rd Series of West Japan Railway Bond	The 74th Series of West Japan Railway Bond	The 75th Series of West Japan Railway Bond	The 76th Series of West Japan Railway Bond	The 77th Series of West Japan Railway Bond	The 78th Series of West Japan Railway Bond
Total issuance amounts	¥50,000 (\$454)	¥30,000 (\$272)	¥10,000 (\$90)	¥15,000 (\$136)	¥15,000 (\$136)	¥20,000 (\$181)	¥20,000 (\$181)
Issue price	¥100 (\$0.90) with a face value of ¥100 (\$0.90)						
Annual interest rates	0.001%	0.050%	0.230%	0.582%	0.829%	0.961%	1.133%
Maturity	April 22, 2024	April 22, 2026	April 22, 2031	April 22, 2041	April 21, 2051	April 22, 2061	April 22, 2071
Issuance date	April 22, 2021						
Type	Unsecured						
Usage of funds	Redemption of bonds, repayment of long-term loans and capital investments						