

Retirement Benefits Obligation

Accounting Standard for Retirement Benefits

Starting in FY ended March 2001, JR-West adopted a new accounting standard for retirement benefits. As a result, total retirement benefits obligation (RBO) are calculated at the discounted present value of estimates of the total retirement benefits to be paid upon retirement based upon the length of the employment. At the beginning of FY ended March 2001, JR-West's total retirement benefits obligation amounted to ¥500.6 billion on a non-consolidated basis under the new accounting standard for retirement benefits. JR-West amortized the transition difference, net retirement benefits obligation (net RBO), of ¥301.6 billion on a non-consolidated basis arising from the initial adoption of the new accounting standard principally over a ten-year period through FY ending March 2010. The annual amortization was ¥30.1 billion.

Retirement Benefits Obligation (RBO)

		¥ billions										
		00.3	01.3	02.3	03.3	04.3	05.3	06.3	07.3	08.3	09.3	10.3
		beginning	end									
Consolidated	Retirement Benefits Obligation (RBO)	518.4	509.4	468.5	448.9	451.6	408.2	401.4	376.3	377.1	373.3	365.5
	Pension Plan Assets	3.7	3.4	3.1	8.7	9.5	9.9	11.8	11.9	10.9	8.8	9.3
	Unfunded Retirement Benefit Obligation	514.7	506.0	465.3	440.2	442.0	398.2	389.6	364.4	366.2	364.4	356.2
	Accrued Reserve	204.8	205.7	231.2	190.8	181.7	208.9	199.7	201.6	219.6	257.0	292.7
	Prepaid Pension Cost		—	0.1	0.2	0.0	0.0	0.1	0.3	0.3	0.4	0.5
	Net RBO	308.9	274.9	274.7	258.4	233.1	198.6	188.0	145.0	109.5	72.1	32.0
	Net RBO at Transition	308.9	275.8	245.2	225.1	193.7	162.2	130.7	99.2	67.8	36.3	4.9
	Accumulated Unrecognized Actuarial Differences			(0.9)	29.5	33.2	39.1	36.1	57.1	48.0	43.7	28.6
	Unrecognized Prior Service Cost			0.0	0.0	0.2	0.2	0.1	(2.2)	(2.0)	(1.7)	(1.5)
Non-consolidated	RBO	500.6	491.6	450.6	405.4	408.2	366.2	360.0	339.3	341.7	339.0	331.9
	Accrued Reserve	199.0	199.0	221.5	180.8	165.5	191.6 ³	182.9	201.1	238.5	273.3	303.8
	Net RBO	301.6	270.0	269.7	239.9	216.5	184.5	177.0	138.1	103.2	65.7	28.0
	Net RBO at Transition	301.6	271.4	241.3	211.1	180.9	150.8	120.6	90.4	60.3	30.1	0.0
	Accumulated Unrecognized Actuarial Differences ⁴			(1.4)	28.3 ²	28.7	35.6 ³	33.7	56.4 ⁴	47.6	42.9	35.5

¹ Accumulated unrecognized actuarial differences are amortized commencing the year following the year in which the unrecognized actuarial difference is recognized by the straight-line method over a 10-year period.

² The Company incurred a ¥29.6 billion unrecognized actuarial difference in FY ended March 2002, due to the reduction of the discount rate from 3.0% to 2.0%, reflecting the decrease of the long-term interest rate.

³ Accrued reserve and unrecognized actuarial difference increased significantly in FY ended March 2004, due to the prior service cost of ¥38.5 billion in other expenses incurred by the changes in our retirement system such as the review of the early retirement program and the introduction of the re-employment system.

⁴ The Company incurred a ¥27.0 billion unrecognized actuarial difference in FY ended March 2006 due to a review of the basic rate.

Changes in Our Retirement Systems

(1) Early retirement program

Our current early retirement program, first introduced in FY ended March 1996 for eligible employees aged 50 to 55, will conclude as scheduled in FY ending March 2012. As a transitional measure, however, we have decided to enact an early retirement program for eligible employees reaching the age of 58 between FY ending March 2013 and FY ending March 2017.

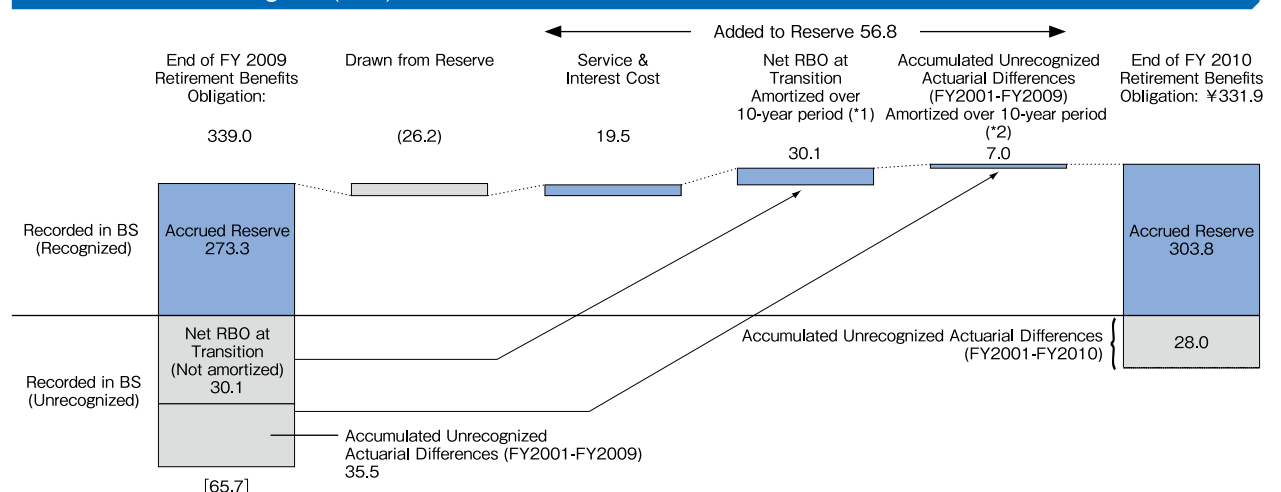
(2) Re-employment system

We have adopted a re-employment system in which some employees who retire upon reaching the mandatory retirement age are rehired from the day after retirement until such time as they are eligible for full public pension benefits. The current system targets eligible employees who retire between FY ended March 2007 and FY ending March 2012, and we have decided to establish a new re-employment system for employees who retire in or after FY ending March 2013.

(3) Mandatory retirement

The Company's current age for mandatory retirement is 60. However, we have decided that from FY ending March 2010 mandatory retirement will occur on July 31 of the fiscal year following the one in which employees reach age 60. As a transitional measure, employees who reach the age of 60 between April 1, 2009 and March 31, 2012 who retire on the final day of the month in which they turn 60 will be treated as having reached mandatory retirement age.

Retirement Benefits Obligation (RBO) on Non-consolidated Basis in FY 2010



(*1) Amortization method of differences at change of accounting treatment: Amortized over a 10-year period from FY 2001.

Amortization for FY2010 $\frac{30.1}{10} = 3.016/10\text{-year period, until FY 2010}$

(*2) Amortization method of accumulated unrecognized actuarial differences: Amortized over a 10-year period commencing the year following the year in which they are recognized.

Amortization from FY2001 to FY2009 $\frac{7.0}{10} = 0.7/10\text{-year period}$

Note: FY 2010, etc., refer to fiscal years ended March 2010, etc.