

**Consolidated Financial Results**  
**for the Six-Month Period Ended September 30, 2017**  
**(Japanese GAAP)**

November 9, 2017

Company name: Kyushu Railway Company  
 Stock exchange listings: Tokyo and Fukuoka  
 Securities code: 9142  
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Scheduled date for filing of quarterly report: November 10, 2017  
 Scheduled date of dividend payment commencement: December 5, 2017  
 Preparation of supplementary explanations for financial results: Yes  
 Holding of a briefing on quarterly financial results: Yes

(Amounts less than one million yen, except for per share amounts, are omitted.)

**1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2017**  
**(From April 1, 2017 to September 30, 2017)**

**(1) Consolidated operating results**

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	189,401	10.1	32,785	15.8	33,993	15.4	22,933	15.2
September 30, 2016	172,089	—	28,305	—	29,464	—	19,907	—

(Note) Comprehensive income: Six months ended September 30, 2017: ¥23,023 million (30.3%).  
 Six months ended September 30, 2016: ¥17,670 million (—%)

	Net income per share — basic	Net income per share — diluted
Six months ended	Yen	Yen
September 30, 2017	143.34	—
September 30, 2016	124.42	—

(Note) On August 18, 2016, the Company conducted a stock split at a ratio of 500 shares for each share of common stock. Calculations of quarterly income per share were made under the assumption that the stock split would occur at the beginning of previous consolidated fiscal year.

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	682,722	365,260	52.7
As of March 31, 2017	676,669	348,447	50.7

(Reference) Shareholders' equity: As of September 30, 2017: ¥359,849 million  
 As of March 31, 2017: ¥343,039 million

## 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	0.00	—	38.50	38.50
Year ending March 31, 2018	—	39.00			
Year ending March 31, 2018 (Forecast)			—	39.00	78.00

(Note) Revisions to the most recently disclosed dividend forecasts: No

## 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	405,300	5.8	59,100	0.6	61,000	0.7	45,000	0.6	281.25

(Note) Revisions to the most recently disclosed financial forecasts: Yes

### Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016 (changes in specified subsidiaries affecting the scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
  - i Changes in accounting policies with revision of accounting standards: No
  - ii Changes in accounting policies other than the above: No
  - iii Changes in accounting estimates: No
  - iv Restatement of revisions: No
- (4) Number of shares outstanding (common stock)

i Number of shares issued and outstanding at end of period (including treasury stock)	As of September 30, 2017	160,000,000 shares	As of March 31, 2017	160,000,000 shares
ii Number of shares of treasury stock at end of period	As of September 30, 2017	—	As of March 31, 2017	—
iii Average number of shares during the period	As of September 30, 2017	160,000,000 shares	As of September 30, 2016	160,000,000 shares

(Note) On August 18, 2016, the Company conducted a stock split at a ratio of 500 shares for each share of common stock.

Calculations for the number of shares issued and outstanding (common stock) were made under the assumption that the stock split would occur at the beginning of the previous consolidated fiscal year.

\* This summary of consolidated financial results is not subject to quarterly reviews.

### Explanation of Appropriate Uses of Performance Forecasts and Other Important Items

Performance forecasts and other forward-looking statements appearing in this document are based on currently available information and specific assumptions deemed rational, and are not assurances that the Company will achieve these forecasts. Actual performance can vary greatly depending on various factors such as fluctuations in interest rates, declines in share prices, changes in exchange rates, fluctuations in the value of assets, changes in the economic and financial environment, changes in the conditions of competition, occurrences of large-scale and other disasters, and changes in regulations.

Supplementary materials have been attached to this summary of financial results.

A briefing on quarterly financial results for securities analysts is scheduled to be held on November 10, 2017 (Friday). The presentation materials used for this briefing will be posted on the Company's website promptly after the conclusion of this briefing.

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## **1. Qualitative Information on Quarterly Consolidated Financial Performance**

### **(1) Qualitative Information on Consolidated Operating Results**

In the six-month period ended September 30, 2017, Japan's economy continued on a modest growth trend amid a rise in exports and production stimulated by gradual growth in the global economy as well as the increasingly solid consumer spending arising from steady improvements in the job market and wages. Meanwhile, the trend toward recovery from the impacts of the Kumamoto earthquakes, which occurred in April 2016, continued, with overall conditions improving on the back of full-fledged restoration and reconstruction demand combined with demand in the tourism industry and other types of inbound travel demand.

Amid these conditions, the Group aims to be a kind-hearted and powerful corporate group that engages in comprehensive city-building based on the JR Kyushu Group Medium-term Management Plan 2016–2018. We have been working to further improve our services with safety as the foundation in all of our businesses and have been making efforts to increase revenues through active project development in each business. At the same time, we have been promoting more efficient business operations and intensive cost reductions.

As a result, operating revenues in the six-month period ended September 30, 2017, increased 10.1% year on year, to ¥189,401 million. Operating income was up 15.8%, to ¥32,785 million; EBITDA rose 16.4%, to ¥41,070 million; ordinary income grew 15.4%, to ¥33,993 million; and net income attributable to owners of the parent increased 15.2%, to ¥22,933 million.

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation.

Business performance by segment is as follows.

#### **1. Transportation Group**

In the railway business, we carried out our business operations with safety and service as our foundation. At the same time, we worked to secure revenues by fully utilizing our transportation network, centered on the Kyushu Shinkansen, and implementing various management initiatives from the perspective of our customers. In terms of promoting safety, we engaged in activities under the slogan “feeling empowered to deliver the best possible performance in one's position,” in order to create a safety-oriented corporate culture for the entire JR Kyushu Group. In addition, we implemented such activities as training to prepare for massive earthquakes and comprehensive disaster response drills at Kanmon Railway tunnel in an effort to improve our ability to respond to abnormal conditions. For safety investments, we steadily carried out the replacement of aging facilities and, as a disaster prevention measure, enhanced our heavy rain countermeasures. At the same time, we continued efforts to set up Shinkansen derailment prevention guards. In regard to services, we promoted initiatives to welcome customers by exercising the 5S (sort, set in order, shine, standardize, sustain) methodology as a basic part of daily operations and the foundation for all our services, and made conscious efforts to greet customers with a smile and in a manner that leaves an impression on them.

From the perspective of marketing, we promoted sales of all our products with the purpose of encouraging the use of railways, primarily the Kyushu Shinkansen. Such products included the discount ticket campaign “Kyushu Shinkansen Nimai Kippu,” which involves train coupon books, and the Shinkansen commuter pass “Shinkansen Excel Pass.” At the same time, we carried out the

“GO! GO!! Kiss-My Kumamoto Oita” campaign. As for our “JR Kyushu Internet Reservation Service,” we enhanced our lineup of products available only online and worked to improve the service’s convenience through collaboration with train transfer search engines, integration with our point system *JR Kyupo*, and other means. In addition, we promoted sales through the “Internet Reservations for Trains Too!” campaign. Also, we undertook initiatives to boost the recognition level of Kyushu-based brands and to encourage visitors to Kyushu. These initiatives included the cruise train “Seven Stars in Kyushu” as well as the Kawasemi Yamasemi special express train, which commenced service in March 2017, and 10 other “Design & Story” trains, in addition to the promotion of Kyushu’s natural environment, food, hot springs, and historical culture and the hospitality of local community members. Furthermore, we cooperated with local community members to establish attractive walking courses for our “Station Manager Recommends JR Kyushu Walking” initiative, which aims to invigorate local communities in Kyushu. A large number of customers took part in this initiative. Moreover, through the introduction of a web sales system, we commenced direct sales of the “JR Kyushu Rail Pass,” a mainstay product geared toward customers from overseas, and launched an advanced seat reservation service. In addition, we communicated information on and encouraged sales of the pass in a manner that catered to specific countries and regions, primarily South Korea, Taiwan, Hong Kong, China, and Thailand.

Turning to transportation, we implemented detailed transportation-oriented initiatives, including increasing the number of trains to bolster our transportation capacity. We also made concerted efforts to establish an efficient transportation organization that meets the demand for each train line. At the same time, we promoted the use of our railways by further enhancing our transportation network, which is centered on the Kyushu Shinkansen. Due to the impacts of heavy rain that occurred in northern Kyushu in July and typhoon No. 18 that struck in September, railway facilities of the Kyudai Main Line, the Hitahikosan Line, the Nippo Main Line, and other lines sustained damage, and we are currently implementing substitute forms of transportation on certain sections of these lines. Moreover, with regard to operations between Higo-Ozu Station and Aso Station on the Hohi Main Line, which were suspended due to the impacts of the 2016 Kumamoto earthquakes, centered on the Houhi Main Line Repair Office established in April 2017, we are making coordinated efforts with relevant organizations to help advance erosion control, reforestation, and road repair measures of the central and local governments.

In our travel business, we enhanced our lineups of products for domestic travel via railways centered on Kyushu, an area of strength for the Company, as well as products sold online. In addition, we promoted sales of products for travel to and from South Korea that make use of the hydrofoil ferry service Beetle and products for overseas travel that leverage our alliance with JTB Corporation.

In our passenger ship business, we renovated our Beetle hydrofoil ferries to provide service on routes between Fukuoka and Busan as well as between Tsushima and Busan. Through such initiatives, we sought to provide high-quality transportation services.

For our bus business, we introduced Internet-exclusive discount tickets through our “JR Kyushu Internet Reservation Service” for the high-speed bus B&S Miyazaki, which connects with the Kyushu Shinkansen, thereby improving convenience levels for our customers. In addition, we endeavored to secure earnings through such means as rolling out limited-time discount campaigns for our other high-speed bus routes.

As a result of the above efforts, the Transportation Group recorded operating revenues of ¥89,520

million, up 6.6% year on year; operating income of ¥18,056 million, up 18.1%; and EBITDA of ¥20,381 million, up 23.9%.

## **2. Construction Group**

In the construction business, work orders have been received for the construction of elevated tracks and Shinkansen-related, condominium-related, and other projects, with construction being steadily executed. Cost reductions were also pursued.

As a result, the Construction Group recorded operating revenues of ¥27,846 million, up 12.3% year on year; operating income of ¥635 million, up 53.0%; and EBITDA of ¥1,031 million, up 27.2%.

## **3. Real Estate Group**

As for the real estate lease business, in 2017 we made renovations to Amu Plaza Kokura, Amu Plaza Nagasaki, and Amu Plaza Kagoshima in April, June, and July, respectively. We also proactively held events at various station buildings as we sought to secure earnings. At the same time, in September, we opened Ropponmatsu 421, promoting the development of an attractive downtown area through collaboration with local communities that helped create a lively atmosphere. Moreover, rental units at RJR Precia Hakata were made available for move-in in February 2017 and we acquired Higashi Jujo Rental Apartments in June. In the real estate sale business, sales were recorded from MJR Kyudai-Gakkentoshi Residence and we sought to promote sales of MJR the Garden Oe and MJR the Garden Kagoshima-Chuo.

As a result, the Real Estate Group posted operating revenues of ¥30,922 million, up 25.6% year on year; operating income of ¥11,744 million, up 13.1%; and EBITDA of ¥16,053 billion, up 9.8%.

## **4. Retail and Restaurant Group**

Turning to our retail and restaurant business, in 2017 we actively opened new stores to grow profits, including the opening of our first drug store in Tokyo in July and our first café in Osaka a month later. In the agriculture business, we made efforts to expand profits through the opening of Yaoya Kyuchan, which sells fresh vegetables grown in Kyushu, at Ropponmatsu 421 in September.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥51,504 million, up 2.9% year on year; operating income of ¥1,861 million, up 10.4%; and EBITDA of ¥2,666 million, up 5.8%.

## **5. Other Groups**

In the hotel business, we made concerted efforts to expand our business in each area of operation and improve profits in such ways as opening JR Kyushu Hotel Blossom Naha in June 2017, our first hotel in Okinawa, and making gradual preparations for the grand opening of Okuhita Onsen UMEHIBIKI. In the seniors business, we opened SJR Ropponmatsu, our fifth residence-style private retirement home, in September 2017 with the aim of having our facilities be continuously selected by our customers. In doing so, we worked to enhance our services.

As a result, Other Groups posted operating revenues of ¥28,053 million, down 3.5% year on year; operating income of ¥650 million, down 35.8%; and EBITDA of ¥1,185 million, down 16.3%.

(Note) Segment EBITDA is the numerical value (before elimination of transactions between segments) of operating income for each segment plus the cost of depreciation.

## **(2) Qualitative Information on Consolidated Financial Position**

### **1. Assets, Liabilities, and Net Assets**

Total assets as of September 30, 2017, increased 0.9% compared with the previous fiscal year-end, to ¥682,722 million. Current assets decreased 8.5%, to ¥181,698 million, following the collection of notes and accounts receivable. Non-current assets increased 4.8%, to ¥501,023 million, due to the acquisition of property, plant and equipment.

Meanwhile, total liabilities decreased 3.3% compared with the previous fiscal year-end, to ¥317,462 million. Current liabilities declined 9.8%, to ¥121,693 million, due to settlements of notes and accounts payable and other payables. Non-current liabilities were up 1.3%, to ¥195,769 million, as a result of an increase in provision for loss on disaster and other factors.

Furthermore, total equity increased 4.8% compared with the previous fiscal year-end, to ¥365,260 million, due to increases in retained earnings and other factors.

### **2. Cash Flows**

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥46,950 million, up ¥37,037 million year on year, following the collection of trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥39,838 million, down ¥1,890 million year on year, due to such factors as a decrease in payments for purchases of fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities stood at ¥6,702 million, up ¥6,948 million, as a result of cash dividends paid and other factors.

As a result of the above, cash and cash equivalents increased ¥411 million compared with the previous year-end, to ¥54,675 million.

### (3) Qualitative Information on Consolidated Performance Outlook

In regard to our full-year forecasts for the fiscal year ending March 31, 2018, we have made upward revisions to the forecasts for operating revenues, operating income, and ordinary income, which were announced on August 10, 2017, in light of the performance of each segment in the second quarter and the acquisition of Caterpillar Kyushu Ltd. Meanwhile, we have left our forecast for net income attributable to owners of the parent unchanged as we have recorded extraordinary losses due to the heavy rain in northern Kyushu and typhoon No. 18, which both occurred in 2017.

#### Consolidated Forecasts for the Fiscal Year Ending March 31, 2018

Operating revenues	¥405.3 billion (YoY increase of 5.8%)
Operating income	¥59.1 billion (YoY increase of 0.6%)
Ordinary income	¥61.0 billion (YoY increase of 0.7%)
Net income attributable to owners of the parent	¥45.0 billion (YoY increase of 0.6%)
EBITDA	¥77.4 billion (YoY increase of 5.6%)

Forecasts for operating revenues, operating income, and EBITDA by segment are as follows.

(Millions of yen)

	Year ending March 31, 2018 (forecast)			Year ended March 31, 2017 (results)		
	Operating revenues	Operating income	EBITDA	Operating revenues	Operating income	EBITDA
Transportation	182,100	27,200	32,800	176,407	25,719	28,537
Construction	84,400	4,400	5,100	79,329	5,951	6,776
Real Estate	68,000	22,600	31,600	67,475	22,658	31,149
Retail and Restaurant	102,900	3,600	5,400	100,477	3,475	5,189
Other	67,500	1,800	3,300	60,938	2,542	3,348

Note: Caterpillar Kyushu Ltd. is included in "Other."

Moreover, the performance outlook was prepared based on information available as of the release date of these materials, and there are cases where actual performance differs from outlook figures due to various factors that arise going forward.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Consolidated Balance Sheets

(Millions of Yen)

	FY 2017/3 (As of March 31, 2017)	FY 2018/3, Second Quarter (As of September 30, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	7,337	12,064
Notes and accounts receivable—trade	45,843	27,146
Fares receivable	1,625	2,381
Securities	64,849	69,435
Merchandise and finished goods	13,945	8,625
Work in process	16,248	33,123
Raw materials and supplies	5,978	7,203
Deferred tax assets	5,661	5,687
Income taxes receivable	9,746	—
Other	27,403	16,067
Allowance for doubtful accounts	(34)	(36)
Total current assets	198,606	181,698
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	195,506	203,878
Machinery, rolling stock and vehicles (net)	11,794	12,891
Land	89,622	97,576
Construction in progress	21,907	26,766
Other (net)	7,251	7,107
Net property, plant and equipment	326,081	348,221
Intangible assets	5,824	5,993
Investments and other assets		
Investment securities	17,063	21,764
Deferred tax assets	58,102	56,976
Net defined benefit assets	667	697
Money held in trust	60,109	56,882
Other	10,610	10,843
Allowance for doubtful accounts	(395)	(355)
Total investments and other assets	146,157	146,809
Total noncurrent assets	478,063	501,023
Total assets	676,669	682,722

(Millions of Yen)

	FY 2017/3 (As of March 31, 2017)	FY 2018/3, Second Quarter (As of September 30, 2017)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Notes and accounts payable–trade	37,089	22,487
Short-term loans	490	425
Current portion of long-term debt	791	793
Payables	45,573	31,919
Accrued income taxes	3,817	4,991
Fare deposits received with regard to railway connecting services	1,513	1,662
Railway fares received in advance	5,191	6,092
Accrued bonuses	8,607	8,660
Other	31,868	44,658
Total current liabilities	134,945	121,693
Non-current liabilities		
Long-term debt	77,034	76,637
Allowance for safety and environmental measures	5,368	5,368
Allowance for disaster-damage losses	6,012	10,439
Liability for retirement benefits	62,504	59,937
Asset retirement obligations	1,324	1,381
Other	41,032	42,004
Total noncurrent liabilities	193,276	195,769
Total liabilities	328,222	317,462
<b>EQUITY</b>		
Common stock		
authorized, 640,000,000 shares; issued, 160,000,000 shares in 2016, 2015 and 2014	16,000	16,000
Capital surplus	234,263	234,262
Retained earnings (Deficit)	86,987	103,761
Total common stock	337,250	354,024
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	10,312	10,000
Foreign currency translation adjustments	132	130
Defined retirement benefit plans	(4,655)	(4,305)
Total accumulated other comprehensive income	5,789	5,825
Non-controlling interests	5,408	5,410
Total equity	348,447	365,260
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>676,669</b>	<b>682,722</b>

## (2) Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Income Statements

#### Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2017/3, Second Quarter (Six months ended September 30, 2016)	FY 2018/3, Second Quarter (Six months ended September 30, 2017)
<b>OPERATING REVENUES</b>	172,089	189,401
<b>OPERATING EXPENSES</b>		
Transportation, other services and cost of sales	100,636	111,142
Selling, general and administrative expenses	43,147	45,473
Total operating expenses	143,783	156,616
<b>OPERATING INCOME</b>	28,305	32,785
<b>NON-OPERATING INCOME</b>		
Interest income	185	28
Dividend income	92	152
Gain on assets held in trust	967	753
Other	517	691
Total non-operating income	1,763	1,625
<b>NON-OPERATING EXPENSES</b>		
Interest expense	347	341
Other	257	76
Total non-operating expenses	604	418
<b>ORDINARY INCOME</b>	29,464	33,993
<b>EXTRAORDINARY GAINS</b>		
Construction grants received	634	822
Gain on sales of trusts	3,014	—
Other	252	219
Total extraordinary gains	3,901	1,041
<b>EXTRAORDINARY LOSSES</b>		
Provision for loss on disaster	7,675	4,819
Disaster-damage losses	1,213	73
Losses from provision for cost reduction of fixed assets	38	757
Other	197	297
Total extraordinary losses	9,124	5,948
<b>INCOME BEFORE INCOME TAXES</b>	24,242	29,086
<b>INCOME TAXES</b>		
Current	2,289	4,958
Deferred	2,080	1,175
Total income taxes	4,370	6,133
<b>NET INCOME</b>	19,872	22,952
<b>NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	(35)	18
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	19,907	22,933

Quarterly Consolidated Comprehensive Income Statements  
Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2017/3, Second Quarter (Six months ended September 30, 2016)	FY 2018/3, Second Quarter (Six months ended September 30, 2017)
NET INCOME	19,872	22,952
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(2,536)	(282)
Foreign currency translation adjustments	(22)	(1)
Defined retirement benefit plans	357	355
Total other comprehensive income	(2,201)	70
COMPREHENSIVE INCOME	17,670	23,023
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	17,728	22,970
Non-controlling interests	(57)	52

### (3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2017/3, Second Quarter (Six months ended September 30, 2016)	FY 2018/3, Second Quarter (Six months ended September 30, 2017)
<b>OPERATING ACTIVITIES</b>		
Income before income taxes	24,242	29,086
Depreciation	6,972	8,285
Gain on sales of trusts	(3,014)	—
Losses from provision for cost reduction of fixed assets	38	757
Disaster-damage losses	1,213	73
Provision for loss on disaster	7,675	4,819
Net change in allowance for doubtful accounts	(24)	(38)
Net change in net defined benefit liabilities	(2,667)	(2,085)
Net change in allowance for safety and environmental measures	(220)	—
Interest and dividend income	(277)	(181)
Interest expense	347	341
Construction grants received	(634)	(822)
Net change in major receivables	2,580	17,941
Net change in inventories	(8,021)	(12,168)
Net change in major payables	(10,986)	(13,551)
Gain on assets held in trust	(967)	(753)
Other	14,600	9,999
Sub-total	30,854	41,704
Insurance proceeds received	128	—
Proceeds from interest and dividends	287	199
Payments of interest	(290)	(299)
Proceeds from gain on assets held in trust	1,255	753
Payments of disaster-damage losses	(668)	(1,287)
Income taxes paid or refunded (paid listed in parentheses)	(21,653)	5,879
Net cash provided by operating activities	9,912	46,950
<b>INVESTING ACTIVITIES</b>		
Payments for purchases of fixed assets	(55,663)	(45,506)
Payments for purchases of investments in securities	(81,390)	(26,600)
Proceeds from redemption of securities	13,980	17,500
Purchases of investment securities	(592)	(3,629)
Proceeds from sales of trusts	59,160	—
Proceeds from construction grants	18,555	16,646
Other	4,220	1,752
Net cash used in investing activities	(41,728)	(39,838)
<b>FINANCING ACTIVITIES</b>		
Net change in short-term loans	(155)	(65)
Payments of long-term loans	(414)	(394)
Repayments of long-term liabilities	(164)	(167)
Proceeds from deposits and guarantees	1,406	388
Redemption of deposits and guarantees	(285)	(218)
Cash dividends paid	—	(6,160)
Cash dividends paid to non-controlling interests	(53)	(48)
Other	(86)	(35)
Net cash used in financing activities	245	(6,702)

	(Millions of Yen)	
	FY 2017/3, Second Quarter (Six months ended September 30, 2016)	FY 2018/3, Second Quarter (Six months ended September 30, 2017)
Translation differences for cash and cash equivalents	(18)	1
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,588)	411
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	44,690	54,263
Net change in cash and cash equivalents accompanying changes in the scope of consolidation	42	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,143	54,675

#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Notes on Significant Changes in the Value of Shareholders' Equity)

None

(Segment Information)

FY 2017/3, Second Quarter (Six-Month Period Ended September 30, 2016)

Information Related to Operating Revenues and Income by Segment

Millions of Yen

	Reportable Segment				Others (Note 1)	Total	Adjustment (Note 2)	Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Construction	Real Estate	Retail and Restaurant				
Operating Revenues								
Outside Customers	81,631	5,973	21,633	49,882	12,968	172,089	—	172,089
Inside Group	2,327	18,813	2,986	160	16,103	40,392	(40,392)	—
Total	83,959	24,787	24,619	50,043	29,071	212,481	(40,392)	172,089
Segment income (loss)	15,294	415	10,384	1,685	1,014	28,794	(488)	28,305

(Notes) 1. "Others" represents categories of business that are not included in reportable segments and includes hotel operations.

2. The ¥488 million deduction from segment income reflects the elimination of intersegment transactions.

3. Segment income has been adjusted for the operating income figure on the quarterly consolidated income statements.

FY 2018/3, Second Quarter (Six-Month Period Ended September 30, 2017)

Information Related to Operating Revenues and Income by Segment

Millions of Yen

	Reportable Segment				Others (Note 1)	Total	Adjustment (Note 2)	Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Construction	Real Estate	Retail and Restaurant				
Operating Revenues								
Outside Customers	87,057	9,233	27,803	51,362	13,943	189,401	—	189,401
Inside Group	2,463	18,612	3,118	141	14,109	38,446	(38,446)	—
Total	89,520	27,846	30,922	51,504	28,053	227,848	(38,446)	189,401
Segment income (loss)	18,056	635	11,744	1,861	650	32,948	(163)	32,785

(Notes) 1. "Others" represents categories of business that are not included in reportable segments and includes hotel operations.

2. The ¥163 million deduction from segment income reflects the elimination of intersegment transactions.

3. Segment income has been adjusted for the operating income figure on the quarterly consolidated income statements.

(Significant Subsequent Events)

None

(Additional Information)

(Damage Caused by Heavy Rain in Northern Kyushu and Typhoon No. 18)

Damage was sustained by railway facilities due to heavy rain in northern Kyushu in July and typhoon No. 18 in September. Under extraordinary losses in the consolidated income statements for the second quarter, the repair and other expenses that were incurred in the quarter as a result of these disasters were recorded as disaster-damage losses. In addition, the repair and other expenses that we expect to incur due to these disasters from the third quarter onward were recorded as provision for loss on disaster based on rational estimations of their amounts.

However, recovery and other expenses for which amount estimations cannot be rationally made at this time are not included in provision for loss on disaster.