

# Consolidated Financial Results for the Year Ended March 31, 2017 (Japanese GAAP)

May 11, 2017

Company name: Kyushu Railway Company  
 Stock exchange listings: Tokyo and Fukuoka  
 Securities code: 9142  
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 Scheduled date of dividend payment commencement: June 26, 2017  
 Scheduled date of release of annual securities report: June 23, 2017  
 Preparation of supplementary explanations for financial results: Yes  
 Holding of a briefing on financial results: Yes

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

## 1. Consolidated Financial Results for the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 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	%
Year ended March 31, 2017	382,912	1.3	58,743	181.2	60,565	89.1	44,751	—
Year ended March 31, 2016	377,989	5.8	20,893	63.5	32,035	25.3	(433,089)	—

(Note) Comprehensive income:

Year ended March 31, 2017: ¥42,862 million (—%),  
 Year ended March 31, 2016: ¥(419,589) million (—%)

	Net income per share — basic	Net income per share — diluted	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
Year ended March 31, 2017	279.70	—	13.9	9.2	15.3
Year ended March 31, 2016	(2,706.81)	—	(81.2)	3.6	5.5

(Reference) Equity in net income (losses) of affiliated companies

Year ended March 31, 2017: ¥52 million,  
 Year ended March 31, 2016: ¥47 million

(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 net income per share were made under the assumption that the stock split had occurred at the beginning of the previous consolidated fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	676,669	348,447	50.7	2,144.00
As of March 31, 2016	646,676	305,745	46.4	1,876.72

(Reference) Shareholders' equity:

As of March 31, 2017: ¥343,039 million,  
 As of March 31, 2016: ¥300,275 million

(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 net assets per share were made under the assumption that the stock split had occurred at the beginning of the previous consolidated fiscal year.

### (3) Consolidated cash flows

	Net cash provided by operating activities	Net cash provided by (used in) investing activities	Net cash used in financing activities	Cash and cash equivalents, end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	28,580	(18,366)	(692)	54,263
Year ended March 31, 2016	63,404	9,032	(40,009)	44,690

### 2. Dividends

	Annual dividends					Total dividends (Fiscal)	Payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen	%	%
Year ended March 31, 2016	—	0.00	—	0.00	0.00	—	—	—
Year ended March 31, 2017	—	0.00	—	38.50	38.50	6,160	13.8	1.9
Year ended March 31, 2018(Forecast)	—	39.00	—	39.00	78.00		27.7	

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

Totals for dividends for the fiscal year ended March 31, 2017, and the fiscal year ending March 31, 2018 (forecast), are provided taking into consideration this stock split.

### 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	396,300	3.5	56,200	(4.3)	57,600	(4.9)	45,000	0.6	281.25

## Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017 (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and restatement of revisions

- i Changes in accounting policies with revision of accounting standards: Yes
- ii Changes in accounting policies other than the above: No
- iii Changes in accounting estimates: No
- iv Restatement of revisions: No

(Note) Details available on page 17 of accompanying materials: 3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies

(3) Number of shares outstanding (common stock)

i Number of shares issued and outstanding at end of period (including treasury stock)	As of March 31, 2017	160,000,000 shares	As of March 31, 2016	160,000,000 shares
ii Number of shares of treasury stock at end of period	As of March 31, 2017	—	As of March 31, 2016	—
iii Average number of shares during the period	As of March 31, 2017	160,000,000 shares	As of March 31, 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 had occurred at the beginning of the previous consolidated fiscal year.

(Reference)

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

(April 1, 2016–March 31, 2017)

(1) Non-consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	212,214	0.5	43,490	704.0	47,530	159.9	37,630	—
Year ended March 31, 2016	211,101	5.5	5,409	192.1	18,284	11.7	(444,439)	—

	Net income per share — basic	Net income per share — diluted
	Yen	Yen
Year ended March 31, 2017	235.19	—
Year ended March 31, 2016	(2,777.75)	—

(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 net income per share were made under the assumption that the stock split had occurred at the beginning of the previous consolidated fiscal year.

(1) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	555,569	297,510	53.6	1,859.44
As of March 31, 2016	536,905	262,358	48.9	1,639.74

(Reference) Shareholders' equity:

As of March 31, 2017: ¥297,510 million,  
As of March 31, 2016: ¥262,358 million

(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 net assets per share were made under the assumption that the stock split had occurred at the beginning of previous consolidated fiscal year.

## 2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017–March 31, 2018)

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income		Net income per share — basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	215,500	1.5	42,500	(2.3)	45,900	(3.4)	39,000	3.6	243.75

\* This summary of financial results is not subject to the audit process.

### 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 may vary greatly depending on various factors such as fluctuations in interest rates, fluctuations 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 financial results briefing for securities analysts is scheduled to be held on May 12, 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 Consolidated Financial Performance**

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

#### **[1] Overview of the fiscal year ended March 31, 2017**

Against the backdrop of steady improvements in the job market and wages, Japan's economy continued its gradual recovery in the fiscal year ended March 31, 2017, due to steady movement in consumer spending, despite experiencing some of the effects of economic slowdowns in emerging countries. Meanwhile, the trend toward recovery has been visible after the occurrence of the Kumamoto earthquakes on April 14, 2016, and with restoration and reconstruction demand continuing to manifest, the situation is steadily improving. However, difficult situations for industries such as tourism continue, primarily in Kumamoto and Oita prefectures.

Amid these conditions, the JR Kyushu Group aims to be a kind-hearted and powerful corporate group that engages in comprehensive city-building based on the JR Kyushu Group Mid-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. Also, we have been undertaking Groupwide initiatives to realize a prompt recovery after the 2016 Kumamoto earthquakes with safety as our top priority. In addition, we have engaged in collaborative efforts to help restore areas damaged by the earthquakes.

As a result, operating revenues in the fiscal year ended March 31, 2017, were ¥382.9 billion, up 1.3% year on year. Furthermore, as we made use of the Management Stabilization Fund and recorded impairment losses on fixed assets held in the railway business at the end of the previous fiscal year, the Company recorded operating income of ¥58.7 billion, up 181.2%; EBITDA of ¥73.2 billion; ordinary income of ¥60.5 billion, up 89.1%; and net income attributable to owners of the parent of ¥44.7 billion, compared with net loss attributable to owners of the parent of ¥433.0 billion in the previous fiscal year.

(Note) EBITDA in the fiscal year ended March 31, 2017, is the numerical value of operating income plus the cost of depreciation.

Business performance by segment is as follows.

#### **a. Transportation Group**

In the railway business, we continued to develop operations founded on safety and service quality. At the same time, we utilized our network centered on the Kyushu Shinkansen to deploy sales measures from the customer's perspective in order to secure profits.

As part of safety measures, we engaged in activities that promoted safety under the slogan "accomplishing our mission by bringing out the strengths of each employee," in order to create a safety-oriented corporate culture for the entire JR Kyushu Group. In addition, we implemented such activities as large-scale earthquake scenario and comprehensive derailment recovery training 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 the heavy-rain and earthquake resistance of our existing facilities. At the same time, we continued efforts to set up derailment prevention guards for the Kyushu Shinkansen. In regard to services, we promoted initiatives to welcome customers through the thorough enforcement of the 5S (sort, set in order, shine, standardize, sustain) methodology, which provides the foundation for all our services, and made conscious efforts to carry out our business activities from the perspective of our customers.

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, which celebrated its fifth anniversary. These efforts included the discount ticket campaign “Kyushu Shinkansen Nimai Kippu,” which involves train coupon books, and the Shinkansen commuter pass “Shinkansen Excel Pass.” We also carried out the “KAGOSHIMA by ROLA” campaign. In addition, in October 2016 we introduced two campaigns aimed at transporting passengers to target areas: the Nagasaki Destination Campaign, which ran from October to December, and the “To Seven New Nagasaki Locations—KISS MY NAGASAKI” campaign (in collaboration with the pop group Kis-My-Ft2), which began in October and is still ongoing. The latter campaign introduces seven relatively unknown locations in Nagasaki to potential tourists. 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 and other means. 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. Also, to restore demand for tourism, which faced tough conditions after the occurrence of the 2016 Kumamoto earthquakes, 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. Under the theme of “Invigorate Kyushu,” we oversaw the operation of trains with exterior advertising, held public relations events for tourism, and promoted the sale of “Invigorate Kyushu” train passes. Moreover, we communicated information on and encouraged sales of the “JR Kyushu Rail Pass,” a mainstay product geared toward customers from overseas, 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. After the occurrence of the 2016 Kumamoto earthquakes, we suspended train operations on lines for which equipment was damaged. However, we recommenced operation of all lines for the Kyushu Shinkansen on April 27, 2016, but with a reduced number of trains and trains traveling at slower speeds on certain sections of these lines. Since July 4, the Kyushu Shinkansen has been operating with the regular number of trains and the sections on which trains travel at slower speeds were revised. Trains

began operating at standard speeds on all line sections on March 4, 2017. For our conventional train lines, operations were gradually recommenced up through April 28, excluding in areas such as the Ohashi region of Aso that were severely damaged, including the Hohi Main Line between Higo-Ozu Station and Bungo-Ogi Station. Operations between Aso Station and Bungo-Ogi Station recommenced on July 9. In regard to the restart of operations between Higo-Ozu Station and Aso Station, which remain suspended, 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 have rolled out a variety of products, including products for domestic travel via railways centered on Kyushu, an area of strength for the Company, 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. We also made every effort to promote sales of products that utilize “Kyushu Recovery Discount.” This discount aims to help promptly restore demand for tourism in Kyushu, which has been negatively impacted by the 2016 Kumamoto earthquakes. In addition, we launched a smartphone-compatible version of our website, thereby increasing the convenience of making travel reservations.

In our passenger ship business, we had previously concluded a joint operating contract with the South Korean company Miraejet Co. Ltd. for ferries between Fukuoka and Busan as well as between Tsushima and Busan. Following the conclusion of this contract, we commenced ferry operations under a new schedule in April 2016 and then renovated one of our Beetle hydrofoil ferries in March 2017. Both of these initiatives were part of our efforts to provide high-quality transportation services.

For our bus business, we began operation of high-speed bus routes from Fukuoka and Kokura to Matsue and Izumo in March 2016. In addition, we undertook initiatives to secure profits by offering a Wi-Fi service and otherwise enhancing the quality of service provided by high-speed bus B&S Miyazaki, which connects with the Kyushu Shinkansen, and by developing new routes for regular tour buses.

As a result of the above efforts, the Transportation Group recorded operating revenues of ¥176.4 billion, down 2.5% year on year; operating income of ¥25.7 billion, compared with operating loss of ¥10.5 billion in the previous fiscal year; and EBITDA of ¥28.5 billion.

#### **b. 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 ¥79.3 billion, down 10.3% year on year; operating income of ¥5.9 billion, down 2.5%; and EBITDA of ¥6.7 billion.

#### **c. Real Estate Group**

In the real estate lease business, we opened the JRJP Hakata Building in April 2016 and worked



to further revitalize the areas surrounding Hakata Station, including JR Hakata City. Furthermore, last spring we made renovations to Amu Plaza Nagasaki, Amu Plaza Kokura, and Amu Plaza Kagoshima. We also actively held events at station buildings. In these ways, we made concerted efforts to secure profits. Moreover, the office building Hirakawacho Center Building was acquired in September 2016 and rental units at RJR Precia Hakata were made available for move-in in February 2017. In the real estate sale business, buildings, such as MJR Ropponmatsu, were allocated for sale. The sale of units, including MJR Akasaka Tower and MJR the Garden Oe, were also undertaken.

As a result, the Real Estate Group posted operating revenues of ¥67.4 billion, up 8.8% year on year; operating income of ¥22.6 billion, up 10.9%; and EBITDA of ¥31.1 billion.

#### **d. Retail and Restaurant Group**

In the retail business, we worked to open new convenience stores and drugstores. In the restaurant business, we made efforts to expand profits through such means as launching a pancake restaurant in a facility opened near Hakata Station in April 2016. In the agriculture business, we built on our efforts targeting the integration of agriculture, processing, and sales by opening our second and third Yaoya Kyuchan stores, which sell seasonal vegetables grown locally in Kyushu, and Uchino Tamago, which is a shop specializing in fresh confectioneries and eggs. Furthermore, although some stores were shut down due to the 2016 Kumamoto earthquakes, all stores were reopened by September 2016.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥100.4 billion, up 4.4% year on year; operating income of ¥3.4 billion, up 2.2%; and EBITDA of ¥5.1 billion.

#### **e. Other Groups**

In the hotel business, we undertook initiatives to improve our services with the aim of having our hotels be continuously selected by customers. At the same time, we worked to secure profits by leveraging “Kyushu Recovery Discount.” In the seniors business, the residence-style private retirement home SJR Oita was opened in May 2016.

As a result, Other Groups posted operating revenues of ¥60.9 billion, up 4.9% year on year; operating income of ¥2.5 billion, up 1.7%; and EBITDA of ¥3.3 billion.

(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] Forecasts for the Fiscal Year Ending March 31, 2018**

In the fiscal year ending March 31, 2018, the Japanese economy, as it pertains to the Group’s operating environment, is anticipated to continue to experience a gradual trend toward recovery against the backdrop of steady improvements in the job market and wages as well as the increase in inbound visitors to Japan. However, there is concern that the tourism industries of Kumamoto Prefecture and Oita Prefecture will be adversely affected by the lingering impacts of the 2016 Kumamoto earthquakes that struck Kumamoto Prefecture and the surrounding areas on April 14,

2016. Accordingly, in this region there is an ongoing need for concerted efforts on both the national and regional level to reconstruct the region and its damaged industries.

Amid these conditions, the JR Kyushu Group aims to be a kind and robust corporate group involved in comprehensive city-building (Community Enhancement and Vitalization) based on the JR Kyushu Group Medium-Term Business Plan 2016–2018. We will thus continue 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.

For the fiscal year ending March 31, 2018, operating revenues are forecast to increase 3.5% year on year, to ¥396.3 billion, as a result of new store openings in the retail and restaurant businesses as well as the fact that passenger revenues will not feel the same downward pressure that was placed on them by the 2016 Kumamoto earthquakes during the fiscal year ended March 31, 2017. Conversely, operating income is slated to decrease 4.3%, to ¥56.2 billion, while ordinary income is anticipated to decline 4.9%, to ¥57.6 billion, due to the impacts of higher taxes and depreciation costs. Net income attributable to owners of the parent, however, is projected to increase 0.6%, to ¥45.0 billion, as extraordinary losses related to the Kumamoto earthquakes will be less than in the previous fiscal year. In addition, EBITDA will rise 2.1%, to ¥74.8 billion.

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

(Millions of yen)

	FY 2018/3 (Forecasts)			FY2017/3 (Results)		
	Operating revenues	Operating income	EBITDA	Operating revenues	Operating income	EBITDA
Transportation	181,100	25,100	31,100	176,407	25,719	28,537
Construction	83,800	4,400	5,100	79,329	5,951	6,776
Real Estate	66,200	22,100	31,200	67,475	22,658	31,149
Retail and Restaurant	102,900	3,600	5,400	100,477	3,475	5,189
Other	60,500	1,500	2,700	60,938	2,542	3,348

## (2) Qualitative Information on Consolidated Financial Position

### [1] Assets, Liabilities, and Net Assets

Total assets as of the end of the fiscal year under review increased 4.6% compared to the previous fiscal year-end, to ¥676.6 billion. Due to an increase in notes and accounts receivable-trade, an increase in securities, and other factors, current assets increased 19.8%, to ¥198.6 billion. Despite the acquisition of property, plant and equipment, non-current assets fell 0.6%, to ¥478.0 billion, due to sales of money held in trusts and other factors.

Meanwhile, total liabilities decreased 3.7% compared to the previous fiscal year-end, to ¥328.2 billion. Due to a decrease in income taxes payable and other factors, current liabilities fell 7.8%, to ¥134.9 billion. Non-current liabilities fell 0.7%, to ¥193.2 billion, resulting from a decrease in

liability for retirement benefits and other factors.

Furthermore, total net assets increased 14.0% compared to the previous fiscal year-end, to ¥348.4 billion, as a result of an increase in retained earnings and other factors.

## **[2] Cash Flows**

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥28.5 billion, down ¥34.8 billion year on year, following an increase in payments of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥18.3 billion, compared with net cash provided by investing activities of ¥9.0 billion in the previous fiscal year, due to an increase in payments for purchases of fixed assets, among other factors.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥0.6 billion, down ¥39.3 billion year on year, as a result of a decrease in payments of long-term loans.

As a result of the above, cash and cash equivalents end of year increased ¥9.5 billion year on year, to ¥54.2 billion.

## **(3) Dividend Policies, Dividends in the Fiscal Year Ended March 31, 2017, and Forecast for Dividends in the Fiscal Year Ending March 31, 2018**

The Company views shareholder returns as an important management task, and therefore adheres to a basic policy of issuing stable and ongoing dividend payments based on operating results.

Seeking to accumulate internal reserves while issuing stable shareholder returns, the Company intends to make consistent per share dividend payments from retained earnings by targeting a consolidated dividend payout ratio of approximately 30% each fiscal year leading up to the fiscal year ending March 31, 2019.

Matters regarding dividends are to be decided at the General Meeting of Shareholders. The record date for year-end dividends is March 31 of each year. The Articles of Incorporation of the Company allow for the payment of interim dividends with a record date of September 30 of each year to be decided via resolution by the Board of Directors.

The Company's basic policy is to issue an interim dividend and a year-end dividend, making for two dividends from retained earnings each year. For the fiscal year ended March 31, 2017, however, only a year-end dividend will be issued. Interim dividends will be issued beginning the fiscal year ending March 31, 2018. Given that the record date for the year-end dividend for the fiscal year ended March 31, 2017, is less than six months from the date the Company's stocks were listed on the stock exchange, the Company intends to target a consolidated dividend payout ratio of approximately 15% for this dividend.

In accordance with this policy and operating results in the fiscal year under review, the Company will issue a year-end dividend of ¥38.50 per share for the fiscal year ended March 31, 2017.

For the fiscal year ending March 31, 2018, the Company plans to issue an annual dividend of ¥78 per share consisting of an interim dividend and a year-end dividend of ¥39 each based on the above policy.

Furthermore, the Company intends to allocate internal reserves to investments for maintaining and upgrading railway facilities and to growth investments for building strong operating foundations in order to thoroughly make safety the cornerstone of its operations.

## **2. Basic Policies Regarding the Selection of Accounting Standards**

The Company employs Japanese generally accepted accounting principles (JGAAP). The Company will examine the possibility of adopting International Financial Reporting Standards (IFRS) in the future based on trends in accounting standards in Japan.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	FY 2016/3 (As of March 31, 2016)	FY 2017/3 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	8,673	7,337
Notes and accounts receivable–trade	26,472	45,843
Fares receivable	1,627	1,625
Securities	50,080	64,849
Merchandise and finished goods	9,244	13,945
Work in process	21,675	16,248
Raw materials and supplies	5,244	5,978
Deferred tax assets	6,677	5,661
Income taxes receivable	—	9,746
Other	36,180	27,403
Allowance for doubtful accounts	(42)	(34)
Total current assets	165,833	198,606
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	165,405	195,506
Machinery, rolling stock and vehicles (net)	4,213	11,794
Land	65,219	89,622
Construction in progress	33,256	21,907
Other (net)	6,214	7,251
Net property, plant and equipment	274,308	326,081
Intangible assets	6,031	5,824
Investments and other assets		
Investment securities	11,772	17,063
Deferred tax assets	61,110	58,102
Net defined benefit assets	500	667
Money held in trust	119,336	60,109
Other	8,227	10,610
Allowance for doubtful accounts	(444)	(395)
Total investments and other assets	200,502	146,157
Total noncurrent assets	480,842	478,063
Total assets	646,676	676,669

(Millions of Yen)

	FY 2016/3 (As of March 31, 2016)	FY 2017/3 (As of March 31, 2017)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Notes and accounts payable–trade	34,363	37,089
Short-term loans	664	490
Current portion of long-term debt	889	791
Payables	43,375	45,573
Accrued income taxes	22,941	3,817
Fare deposits received with regard to railway connecting services	1,408	1,513
Railway fares received in advance	5,274	5,191
Accrued bonuses	8,693	8,607
Other	28,757	31,868
Total current liabilities	146,366	134,945
Non-current liabilities		
Long-term debt	77,776	77,034
Allowance for safety and environmental measures	7,306	5,368
Allowance for disaster-damage losses	—	6,012
Liability for retirement benefits	68,492	62,504
Asset retirement obligations	1,205	1,324
Other	39,783	41,032
Total noncurrent liabilities	194,564	193,276
Total liabilities	340,931	328,222
EQUITY		
Common stock		
authorized, 640,000,000 shares; issued, 160,000,000 shares in 2016, 2015 and 2014	16,000	16,000
Capital surplus	559,735	234,263
Retained earnings (Deficit)	(283,381)	86,987
Total common stock	292,354	337,250
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	12,791	10,312
Foreign currency translation adjustments	145	132
Defined retirement benefit plans	(5,015)	(4,655)
Total accumulated other comprehensive income	7,921	5,789
Non-controlling interests	5,469	5,408
Total equity	305,745	348,447
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>646,676</b>	<b>676,669</b>

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

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
OPERATING REVENUES	377,989	382,912
OPERATING EXPENSES		
Transportation, other services and cost of sales	269,315	235,885
Selling, general and administrative expenses	87,780	88,284
Total operating expenses	357,096	324,169
OPERATING INCOME	20,893	58,743
NON-OPERATING INCOME		
Interest income	75	293
Dividend income	92	106
Gain on assets held in trust	—	1,699
Other	622	898
Total non-operating income	790	2,998
NON-OPERATING EXPENSES		
Interest expense	643	695
Fees associated with listing	—	286
Other	148	194
Total non-operating expenses	792	1,176
EARNINGS FROM USE OF THE MANAGEMENT STABILIZATION FUND		
Income from use of the Management Stabilization Fund		
Interest income	730	—
Interest on securities	21	—
Gain on assets held in trust	9,133	—
Other	1,587	—
Total income from use of the Management Stabilization Fund	11,472	—
Expenses from use of the Management Stabilization Fund	328	—
Total expenses from use of the Management Stabilization Fund	328	—
Total earnings from use of the management stabilization fund	11,143	—
ORDINARY INCOME	32,035	60,565
EXTRAORDINARY GAINS		
Construction grants received	26,543	26,424
Gain on sales of trusts	—	3,014
Gain on sales of the Management Stabilization Fund assets	42,033	—
Other	1,164	1,170
Total extraordinary gains	69,742	30,609
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	23,981	25,275
Provision for loss on disaster	—	6,012
Disaster-damage losses	—	3,058
Impairment loss	521,566	351
Other	670	853
Total extraordinary losses	546,218	35,551
INCOME BEFORE INCOME TAXES	(444,440)	55,623
INCOME TAXES	25,372	5,760
Current	(37,731)	4,865
Deferred	(12,359)	10,626
NET INCOME (LOSS)	(432,081)	44,997
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1,007	246
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(433,089)	44,751

## Consolidated Comprehensive Income Statements

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
NET INCOME (LOSSES)	(432,081)	44,997
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	12,297	(2,481)
Foreign currency translation adjustments	(7)	(13)
Defined retirement benefit plans	201	360
Total other comprehensive income	12,491	(2,134)
COMPREHENSIVE INCOME	(419,589)	42,862
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	(420,611)	42,619
Non-controlling interests	1,021	243



### (3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2016

(Millions of Yen)

	Shareholders' equity				The Management Stabilization Fund	Valuation difference on the Management Stabilization Fund
	Common stock	Capital surplus	Retained earnings	Total Shareholders' equity		
Balance at beginning of current year	16,000	171,908	149,708	337,617	387,700	45,722
Changes of items during the year						
Net income (loss) attributable to owners of the parent			(433,089)	(433,089)		
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		126		126		
Transfers of the Management Stabilization Fund resulting for implementation of ordinances		387,700		387,700	(387,700)	
Net changes of items other than shareholders' equity						(45,722)
Total changes of items during the year	—	387,826	(433,089)	(45,262)	(387,700)	(45,722)
Balance at end of current year	16,000	559,735	(283,381)	292,354	—	—

	Accumulated other comprehensive income				Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	514	153	(5,224)	(4,557)	4,754	771,236
Changes of items during the year						
Net income (loss) attributable to owners of the parent						(433,089)
Changes in the ownership interest by purchases of shares of consolidates subsidiaries						126
Transfers of the Management Stabilization Fund resulting for implementation of ordinances						—
Net changes of items other than shareholders' equity	12,276	(7)	209	12,478	715	(32,528)
Total changes of items during the year	12,276	(7)	209	12,478	715	(465,491)
Balance at end of current year	12,791	145	(5,015)	7,921	5,469	305,745

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total Shareholders' equity
Balance at beginning of current year	16,000	559,735	(283,381)	292,354
Changes of items during the year				
Net income attributable to owners of the parent			44,751	44,751
Change of scope of consolidation			29	29
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		114		114
Deficit disposition		(325,586)	325,586	—
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	(325,471)	370,368	44,896
Balance at end of current year	16,000	234,263	86,987	337,250

	Accumulated other comprehensive income				Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	12,791	145	(5,015)	7,921	5,469	305,745
Changes of items during the year						
Net income attributable to owners of the parent						44,751
Change of scope of consolidation						29
Changes in the ownership interest by purchases of shares of consolidates subsidiaries						114
Deficit disposition						—
Net changes of items other than shareholders' equity	(2,479)	(13)	360	(2,132)	(61)	(2,194)
Total changes of items during the year	(2,479)	(13)	360	(2,132)	(61)	42,702
Balance at end of current year	10,312	132	(4,655)	5,789	5,408	348,447

#### (4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes	(444,440)	55,623
Depreciation costs	37,158	14,537
Impairment loss	521,566	351
Gain on sales of trusts	—	(3,014)
Gain on sales of the Management Stabilization Fund assets	(42,033)	—
Losses from provision for cost reduction of fixed assets	23,981	25,275
Disaster-damage losses	—	3,058
Increase (Decrease) provision for loss on disaster	—	6,012
Increase (Decrease) allowance for doubtful accounts	(72)	(57)
Increase (Decrease) liability for retirement benefits	(4,619)	(5,644)
Increase (Decrease) allowance for safety and environmental measures	1,908	(1,937)
Interest and dividends income	(168)	(400)
Interest expense	643	695
Construction grants received	(26,543)	(26,424)
(Increase) decrease in trade receivables	564	(19,343)
(Increase) decrease in inventories	4,599	489
Increase (Decrease) in trade payables	4,021	2,750
Gain on assets held in trust	—	(1,699)
earnings from use of the Management Stabilization Fund	(11,143)	—
Fees associated with listing	—	286
Other	(3,951)	11,596
Subtotal	61,472	62,154
Proceeds from insurance income	—	128
Interest and dividends income received	180	412
Interest expense paid	(525)	(604)
Gain on assets held in trust received	—	1,991
Earnings from use of the Management Stabilization Fund received	12,088	—
Fees associated with listing paid	—	(286)
Loss on disaster paid	—	(2,141)
Income taxes paid	(9,811)	(33,073)
Net cash provided by operating activities	63,404	28,580

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment, and Intangible assets	(86,540)	(93,156)
Purchases of marketable securities	(21,980)	(98,890)
Proceeds from redemption of marketable securities	8,000	95,370
Purchases of investment securities	(376)	(8,866)
Proceeds from sales of trusts	—	59,160
Proceeds from sales of the Management Stabilization Fund assets	314,579	—
Proceeds from construction grants received	15,662	18,622
Purchase of long-term prepaid expenses	(220,667)	(114)
Other	354	9,506
Net cash provided by (used in) investing activities	9,032	(18,366)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	68	(173)
Proceeds from long-term loans payable	43,608	50
Repayment of long-term loans payable	(83,450)	(889)
Payments for long-term accounts payable	(326)	(330)
Proceeds from lease and guarantee deposits received	1,460	2,075
Repayments of lease and guarantee deposits received	(1,139)	(1,149)
Cash dividends paid to non-controlling shareholders	(30)	(53)
Other	(197)	(222)
Net cash used in financing activities	(40,009)	(692)
Effect of exchange rate change on cash and cash equivalents	(14)	10
Net increase (decrease) in cash and cash equivalents	32,412	9,530
Cash and cash equivalents, beginning of year	12,277	44,690
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	42
Cash and cash equivalents, end of year	44,690	54,263

## **(5) Notes to Consolidated Financial Statements**

### **(Notes on Going Concern Assumption)**

No relevant events

### **(Changes in Accounting Policies)**

(Application of the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016”)

In accordance with an amendment to Japan’s Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Issues Task Force No. 32 issued on June 17, 2016) from the fiscal year ended March 31, 2017, and has changed its depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining balance method to the straight-line method.

The effect of this change on profits and losses in the fiscal year ended March 31, 2017, is negligible.

### **(Additional Information)**

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Corporate Accounting Standards Adoption Guide No. 26 issued on March 28, 2016) from the fiscal year ended March 31, 2017.

### **(Occurrence of Damage from the 2016 Kumamoto Earthquakes, etc.)**

Due to the impact of the 2016 Kumamoto earthquakes, which occurred on April 14, 2016, the Company suffered damage to its railroad and other facilities located in the areas surrounding Kumamoto.

Among the repair costs brought about by this damage, repair costs incurred in the fiscal year ended March 31, 2017, are recorded under extraordinary losses on the consolidated income statements as “disaster-damage losses.” In addition, the Company has made rational estimates of repair and other costs expected to be incurred in subsequent fiscal years. This amount has been recorded under extraordinary losses on the consolidated income statements as “provision for loss on disaster.”

## **(Segment Information)**

### **(1) Outline of Reportable Segments**

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to regularly evaluate how to allocate resources and assess their business performance.

The Company primarily engages in the railway business and has four reportable segments: Transportation, Construction, Real Estate, and Retail and Restaurant.

The Transportation segment conducts the railway, bus, and passenger ship businesses. The Construction segment performs construction, vehicle equipment- and machinery-related operations, and electrical work. The Real Estate segment leases station buildings and other real

estate and sells condominiums and other properties. The Retail and Restaurant engages in retail, restaurant, and agriculture businesses.

**(2) Methods for Calculating Sales, Income, Loss, Assets, and Other Items by Reportable Segment**

The accounting principles and procedures used for reportable segments are the same as those used to prepare the consolidated financial statements. Intersegment transactions are transactions between consolidated subsidiaries and are calculated based on market prices.

### 3. Information on Sales, Income, Loss, Assets, and Other Items by Reportable Segment

For the fiscal year ended March 31, 2016

(Millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on the consolidated financial statements (Note 3)
	Transportation	Construction	Real Estate	Retail and Restaurant				
Operating Revenues								
Outside Customers	176,322	24,624	56,216	95,840	24,986	377,989	—	377,989
Inside Group	4,657	63,784	5,804	382	33,115	107,744	(107,744)	—
Total	180,980	88,409	62,020	96,223	58,101	485,734	(107,744)	377,989
Segment income (loss)	(10,549)	6,104	20,437	3,401	2,499	21,893	(999)	20,893
Segment assets	213,186	60,339	261,354	43,598	73,263	651,742	(5,065)	646,676
Other items								
Depreciation costs	26,415	788	7,985	1,518	894	37,603	(444)	37,158
Increase in fixed assets	40,672	1,072	25,615	3,023	1,365	71,750	(1,366)	70,384

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

2. The following adjustments have been made.

(1) The ¥999 million deduction from segment income reflects the elimination of intersegment transactions.

(2) The ¥5,065 million deduction from segment assets includes a downward adjustment of ¥107,819 million in reflection of the elimination of intersegment liabilities and ¥102,753 million in corporate assets not allocated to reportable segments

(3) The ¥444 million deduction under depreciation costs reflects the elimination of intersegment transactions.

(4) The ¥1,366 million deduction under increase in fixed assets reflects the elimination of intersegment transactions.

3. Segment income (loss) has been adjusted for the operating income figure on the consolidated income statements.

For the fiscal year ended March 31, 2017

(Millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on the consolidated financial statements (Note 3)
	Transportation	Construction	Real Estate	Retail and Restaurant				
Operating Revenues								
Outside Customers	171,607	23,299	60,966	100,126	26,912	382,912	—	382,912
Inside Group	4,800	56,030	6,508	350	34,025	101,716	(101,716)	—
Total	176,407	79,329	67,475	100,477	60,938	484,628	(101,716)	382,912
Segment income (loss)	25,719	5,951	22,658	3,475	2,542	60,348	(1,605)	58,743
Segment assets	236,533	59,634	294,226	44,372	76,616	711,383	(34,713)	676,669
Other items								
Depreciation costs	2,817	825	8,490	1,713	806	14,652	(115)	14,537
Increase in fixed assets	31,636	2,318	32,644	2,468	1,485	70,552	(3,434)	67,117

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

2. The following adjustments have been made.

- (1) The ¥1,605 million deduction from segment income reflects the elimination of intersegment transactions.
  - (2) The ¥34,713 million deduction from segment assets includes a downward adjustment of ¥101,180 million in reflection of the elimination of intersegment liabilities and ¥66,466 million in corporate assets not allocated to reportable segments
  - (3) The ¥115 million deduction under depreciation costs reflects the elimination of intersegment transactions.
  - (4) The ¥3,434 million deduction under increase in fixed assets reflects the elimination of intersegment transactions.
3. Segment income (loss) has been adjusted for the operating income figure on the consolidated income statements.



**(Per Share Information)**

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share	¥1,876.72	¥2,144.00
Net income (loss) per share	(¥2,706.81)	(¥279.70)

(Notes) 1. Earnings per share–diluted is not shown for the fiscal year ended March 31, 2016, as net loss per share was recorded and because no applicable shares existed. In addition, earnings per share–diluted is not shown for the fiscal year ended March 31, 2017, because no applicable shares existed.

2. On August 18, 2016, the Company conducted a stock split at a ratio of 500 shares for each share. The figures for net assets per share and net income (loss) per share have been calculated based on the assumption that the stock split had been conducted on April 1, 2016.

**3. The following is the basis for calculating net assets per share.**

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total net assets (millions of yen)	305,745	348,447
Amount deducted from total net assets (millions of yen)	5,469	5,408
(Included non-controlling interests (millions of yen))	(5,469)	(5,408)
Net assets at end of year relating to common stock (millions of yen)	300,275	343,039
Amount of common stock at end of year used for calculating net assets per share (shares)	160,000,000	160,000,000

**4. The following is the basis for calculating net income (loss) per share.**

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income (loss) attributable to owners of the parent (millions of yen)	(433,089)	44,751
Amount not belonging to ordinary shareholders (millions of yen)	—	—
Net income (loss) attributable to common stock owners of the parent (millions of yen)	(433,089)	44,751
Weighted-average numbers of ordinary shares (shares)	160,000,000	160,000,000

**(Significant Subsequent Events)**

No relevant events

## 4. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

(Millions of Yen)

	FY 2016/3 (As of March 31, 2016)	FY 2017/3 (As of March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	1,083	959
Fares receivable	1,438	1,466
Accounts receivable-trade	23,965	40,033
Short-term loans receivable	8,108	-
Securities	38,880	44,476
Real estate for sale	390	5,654
Costs on uncompleted construction contracts	19,551	12,642
Supplies	4,960	5,714
Deferred tax assets	4,692	3,418
Income taxes receivable	-	9,746
Other	3,569	2,888
Allowance for doubtful accounts	(0)	(1)
<b>Total current assets</b>	<b>106,639</b>	<b>126,998</b>
Non-current assets		
Fixed assets for railway business		
Property, plant and equipment	610,561	632,167
Accumulated depreciation	(609,888)	(604,131)
Property, plant and equipment (net)	672	28,036
Intangible assets	4	422
<b>Net fixed assets for railway operations</b>	<b>677</b>	<b>28,459</b>
Fixed assets for other business		
Property, plant and equipment	194,496	234,148
Accumulated depreciation	(33,420)	(38,194)
Property, plant and equipment (net)	161,076	195,953
Intangible assets	343	323
<b>Net fixed assets for other business</b>	<b>161,420</b>	<b>196,277</b>
Fixed assets relating to both businesses		
Property, plant and equipment	37,872	38,009
Accumulated depreciation	(17,334)	(17,467)
Property, plant and equipment (net)	20,538	20,542
Intangible assets	796	515
<b>Net fixed assets relating to both businesses</b>	<b>21,334</b>	<b>21,057</b>
Construction in progress		
Railway business	16,516	17,225
Other business	12,743	3,113
Relating to both businesses	20	23
<b>Total construction in progress</b>	<b>29,280</b>	<b>20,362</b>
Investments and other assets		
Investment securities	7,264	12,823
Stocks of subsidiaries and affiliated companies	35,542	35,701
Long-term prepaid expenses	1,219	2,562
Deferred tax assets	56,717	53,562
Money held in trust	119,336	60,109
Other	997	987
Allowance for doubtful accounts	(101)	(80)
Provision for investment losses	(3,422)	(3,251)
<b>Total investments and other assets</b>	<b>217,552</b>	<b>162,414</b>
<b>Total noncurrent assets</b>	<b>430,265</b>	<b>428,570</b>
<b>Total assets</b>	<b>536,905</b>	<b>555,569</b>

(Millions of Yen)

	FY 2016/3 (As of March 31, 2016)	FY 2017/3 (As of March 31, 2017)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current portion of long-term debt	17	—
Payables	67,752	69,004
Accrued income taxes	18,588	—
Accrued consumption taxes	—	1,421
Fare deposits received with regard to railway connecting services	1,408	1,513
Deposits received	3,310	3,139
Railway fares received in advance	5,240	5,068
Advances received	16,418	17,283
Accrued bonuses	6,075	5,728
Provision for point card certificates	234	250
Other	4,353	5,649
Total current liabilities	123,398	109,058
Non-current liabilities		
Long-term debt	73,000	73,000
Employees' severance and retirement benefits	57,894	52,209
Provision for directors' retirement benefits	510	—
Provision for exchange of travel vouchers	476	462
Allowance for safety and environmental measures	7,306	5,368
Allowance for disaster-damage losses	-	6,012
Provision for guarantee obligations	292	48
Asset retirement obligations	123	125
Other	11,545	11,772
Total noncurrent liabilities	151,148	148,999
Total liabilities	274,547	258,058
<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		
Capital surplus	171,908	171,908
Other	387,700	62,113
Total capital surplus	559,608	234,021
Retained earnings (Deficit)		
Other		
Tax effect reserve	27,916	—
Reserve for deferred gain of fixed assets	4,479	4,582
General reserve	20,000	—
Retained earnings carried forward	(377,982)	33,047
Total retained earnings (Deficit)	(325,586)	37,630
Total common stock	250,021	287,652
Valuation and translation adjustment		
Unrealized gain on available-for-sale securities	12,336	9,858
Net valuation and translation adjustment	12,336	9,858
Total equity	262,358	297,510
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>536,905</b>	<b>555,569</b>

## (2) Non-Consolidated Statements of Income

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
<b>RAILWAY BUSINESS</b>		
Operating revenues		
Income from railway passenger traffic	150,125	146,490
Trackage revenue	489	542
Miscellaneous income of transportation	18,574	17,944
Total operating revenues	169,189	164,976
Operating expenses		
Transportation expenses	137,196	121,250
General and administrative expenses	12,910	10,870
Taxes	5,672	5,729
Depreciation costs	24,957	2,044
Total operating expenses	180,737	139,896
Operating income (loss)	(11,547)	25,080
<b>OTHER BUSINESSES</b>		
Operating revenues		
Revenue from real estate sale	18,780	21,127
Revenue from real estate lease	20,138	22,805
Other	2,992	3,304
Total operating revenues	41,911	47,237
Operating expenses		
Cost of sales	19,990	23,017
Selling, general and administrative expenses	376	501
Taxes	172	296
Depreciation costs	4,415	5,011
Total operating expenses	24,954	28,827
Operating income	16,956	18,410
<b>TOTAL OPERATING INCOME</b>	<b>5,409</b>	<b>43,490</b>
<b>NON-OPERATING INCOME</b>		
Interest income	27	236
Dividend income	1,564	2,313
Gain on assets held in trust	-	1,699
Reversal of provision for guarantee obligations	390	243
Provision for investment losses	271	171
Gains on sales of equipment	36	70
Other	121	381
Total non-operating income	2,411	5,117
<b>NON-OPERATING EXPENSES</b>		
Interest expense	605	654
Fees associated with listing	-	286
Other	74	136
Total non-operating expenses	679	1,077
<b>EARNINGS FROM USE OF THE MANAGEMENT STABILIZATION FUND</b>		
Earnings from use of the Management Stabilization Fund		
Interest income	730	-
Interest on securities	21	-
Gain on assets held in trust	9,133	-
Other	1,587	-
Total income from use of the Management Stabilization Fund	11,472	-
Expenses from use of the Management Stabilization Fund	328	-
<b>ORDINARY INCOME</b>	<b>18,284</b>	<b>47,530</b>

(Millions of Yen)

	FY 2016/3 (April 1, 2015 – March 31, 2016)	FY 2017/3 (April 1, 2016 – March 31, 2017)
<b>EXTRAORDINARY GAINS</b>		
Construction grants received	26,456	26,349
Gain on sales of trusts	-	3,014
Gains on sales of fixed assets	514	132
Gain on sales of the Management Stabilization Fund assets	42,033	-
Other	415	770
Total extraordinary gains	69,419	30,267
<b>EXTRAORDINARY LOSSES</b>		
Losses from provision for cost reduction of fixed assets	23,893	25,200
Provision for loss on disaster	-	6,012
Disaster-damage losses	-	3,202
Impairment loss	525,979	-
Other	1,522	135
Total extraordinary losses	551,395	34,549
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(463,690)</b>	<b>43,248</b>
<b>INCOME TAXES</b>		
Current	19,651	184
Deferred	(38,902)	5,432
Total income taxes	(19,251)	5,617
<b>NET INCOME (LOSS)</b>	<b>(444,439)</b>	<b>37,630</b>

### (3) Non-Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2016

(Millions of Yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					Total Shareholders' equity
		Additional Paid-in Capital	Other capital surplus	Capital surplus	Other Retained Earnings				Total Retained Earnings	
					Tax effect reserve	Provision of reserve for deferred gain of fixed assets	Provision of reserve for general reserve	Retained Earnings Carried Forward		
Balance at beginning of current year	16,000	171,908	-	171,908	27,916	4,336	20,000	66,599	118,852	306,761
Changes of items during the year										
Net income (loss)								(444,439)	(444,439)	(444,439)
Provision of reserve for deferred gain of fixed assets						142		(142)	-	-
Transfers of the Management Stabilization Fund resulting for implementation of ordinances			387,700	387,700						387,700
Net changes of items other than shareholders' equity										
Total changes of items during the year	-	-	387,700	387,700	-	142	-	(444,582)	(444,439)	(56,739)
Balance at end of current year	16,000	171,908	387,700	559,608	27,916	4,479	20,000	(377,982)	(325,586)	250,021

	The Management Stabilization Fund	Valuation difference on the Management Stabilization Fund	Valuation and Translation Adjustments	Total equity
			Net Unrealized Holding Gains (Losses) on Securities	
Balance at beginning of current year	387,700	45,722	98	740,281
Changes of items during the year				
Net income (loss)				(444,439)
Provision of reserve for deferred gain of fixed assets				-
Transfers of the Management Stabilization Fund resulting for implementation of ordinances	(387,700)			-
Net changes of items other than shareholders' equity		(45,722)	12,238	(33,484)
Total changes of items during the year	(387,700)	(45,722)	12,238	(477,923)
Balance at end of current year	-	-	12,336	262,358

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Shareholders' equity									
	Retained earnings	Retained earnings			Retained earnings					Total Shareholders' equity
		Additional Paid-in Capital	Other capital surplus	Capital surplus	Other Retained Earnings				Total Retained Earnings	
					Tax effect reserve	Provision of reserve for deferred gain of fixed assets	Provision of reserve for general reserve	Retained Earnings Carried Forward		
Balance at beginning of current year	16,000	171,908	387,700	559,608	27,916	4,479	20,000	(377,982)	(325,586)	250,021
Changes of items during the year										
Net income								37,630	37,630	37,630
Provision of reserve for deferred gain of fixed assets						103		(103)	-	-
Deficit disposition			(325,586)	(325,586)	(27,916)		(20,000)	373,503	325,586	-
Net changes of items other than shareholders' equity										
Total changes of items during the year	-	-	(325,586)	(325,586)	(27,916)	103	(20,000)	411,030	363,217	37,630
Balance at end of current year	16,000	171,908	62,113	234,021	-	4,582	-	33,047	37,630	287,652

	Valuation and Translation Adjustments	Total equity
	Net Unrealized Holding Gains (Losses) on Securities	
Balance at beginning of current year	12,336	262,358
Changes of items during the year		
Net income		37,630
Provision of reserve for deferred gain of fixed assets		-
Deficit disposition		-
Net changes of items other than shareholders' equity	(2,478)	(2,478)
Total changes of items during the year	(2,478)	35,152
Balance at end of current year	9,858	297,510