

**Main Questions and Answers from the Financial Results Presentation, Second  
Quarter, FY2018/3**

**Q. The Company has decided to refrain from making upward revisions to the full-year forecast for railway transportation revenues. Was this decision based on the impacts of the heavy rain in northern Kyushu and typhoon No. 18?**

A. Our performance in the first half exceeded that of the same period in the previous fiscal year due to the dissipating impacts of the Kumamoto earthquakes and other factors. However, between July and September, we were adversely affected by the suspended operations of the Kyudai Main Line and the Nippo Main Line following disaster-related damage, as well as by the absence of the “Kyushu Recovery Discount,” which we offered last year. As we estimate that these factors will continue to impact us in the second half, we have decided to leave our full-year forecast for railway transportation revenues unchanged.

**Q. Has the Company yet to make an allowance for the recovery expenses of the Hitahikosan Line totaling ¥7.0 billion due to the fact that, at this time, it has not been able to determine whether these expenses will be recorded as a capital expenditure or an extraordinary loss?**

A. It would be difficult for us to bear the entirety of these recovery expenses on our own, so we are seeking the counsel of related local government agencies and other organizations as we examine our approach going forward. Also, we will likely be able to coordinate our recovery efforts for railway facilities with the restoration projects being implemented by government agencies, and we will carry out our response while collaborating closely with these agencies. In light of such circumstances, it is difficult to make a rational estimate of recovery expense totals at this time. We therefore have not recorded expenses related to the Hitahikosan Line.

**Q. To what degree has the performance of Caterpillar Kyushu Ltd. been reflected into the Company’s full-year forecasts?**

A. We intend to include Caterpillar Kyushu on our balance sheet at the end of the third quarter, and the company’s performance will be reflected under the “Other segment” starting from the fourth quarter. The projected ¥7.0 billion increase (over the previous forecast) in operating revenues for the Other segment stems almost entirely from the acquisition of Caterpillar Kyushu.

**Q. In both the previous fiscal year and the current one, the Company has adopted a dividend policy of having roughly a 30% payout ratio based on net income after the recording of extraordinary losses related to disasters. Going forward, is the Company considering issuing dividends based on net income that excludes extraordinary losses?**

A. Natural disasters tend to occur more frequently in Kyushu compared with other regions, and the impact these disasters have on our performance is certainly not small. We do not intend to issue dividends that exclude the impact of natural disasters.