

(Translation)

Consolidated Financial Results
for the Six-Month Period Ended September 30, 2019
(Japanese GAAP)

November 5, 2019

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
URL: <http://www.jrkyushu.co.jp/>
Representative: Toshihiko Aoyagi, President and CEO
Contact: Shinji Hatai, General Manager, Public Relations Department
Tel.: +81-92-474-2541

Scheduled date for filing of quarterly report: November 8, 2019
Date of dividend payment commencement: December 4, 2019
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, 2019
(From April 1, 2019 to September 30, 2019)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenue		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, 2019	212,861	1.3	30,217	(9.1)	31,026	(11.5)	23,025	(12.2)
September 30, 2018	210,220	11.0	33,227	1.3	35,052	3.1	26,233	14.4

(Note) Comprehensive income: Six months ended September 30, 2019: ¥25,244 million [(9.9%)]
Six months ended September 30, 2018: ¥28,005 million [21.6%]

	Net income per share — basic	Net income per share — diluted
Six months ended	Yen	Yen
September 30, 2019	143.96	—
September 30, 2018	163.96	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	806,932	437,075	53.4
As of March 31, 2019	801,483	420,743	51.8

(Reference) Shareholders' equity: As of September 30, 2019: ¥431,246 million
As of March 31, 2019: ¥414,853 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, 2019	—	41.50	—	51.50	93.00
Year ending March 31, 2020	—	46.50			
Year ending March 31, 2020 (Forecast)			—	46.50	93.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages for the full year show year-on-year changes.)

	Operating revenue		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	442,300	0.4	56,600	(11.4)	57,200	(14.0)	42,500	(13.7)	265.83

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

Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019 (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, 2019	160,000,000 shares	As of March 31, 2020	160,000,000 shares
ii Number of shares of treasury stock at end of period	As of September 30, 2019	186,100 shares	As of March 31, 2019	—
iii Average number of shares during the period	As of September 30, 2019	159,937,967 shares	As of September 30, 2018	160,000,000 shares

Note: The number of shares of treasury stock at the end of the period includes the number of shares of the Company's stock held by the Board Benefit Trust (BBT) (Second quarter of FY2020/3, 186,100 shares; FY2019/3, no share). In addition, the number of shares of the Company's stock held by the Board Benefit Trust (BBT) is included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (Second quarter of FY2020/3, 62,033 shares; Second quarter of FY2019/3, no share).

* This summary of consolidated financial results is not subject to quarterly reviews by certified public accountants or corporate auditors.

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, 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 quarterly materials are attached to this summary of consolidated financial results.

Kyushu Railway Company plans to hold a quarterly financial results presentation meeting for analysts on Wednesday, November 6, 2019. The Company plans to publish the presentation materials distributed at this meeting on its website immediately after the meeting is concluded.

Contents of Accompanying Materials

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Qualitative Information on Consolidated Operating Results	2
(2) Qualitative Information on Consolidated Financial Position	6
(3) Qualitative Information on Consolidated Performance Outlook	6
2. Quarterly Consolidated Financial Statements and Major Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
Quarterly Consolidated Income Statements	
Consolidated Cumulative Second Quarter	10
Quarterly Consolidated Comprehensive Income Statements	
Consolidated Cumulative Second Quarter	11
(3) Consolidated Statements of Cash Flows	12
(4) Notes to Quarterly Consolidated Financial Statements.....	13
(Notes on Going Concern Assumption)	13
(Notes on Significant Changes in the Value of Shareholders' Equity).....	13
(Additional Information)	13
(Segment Information)	14
(Significant Subsequent Events)	15

○ (Financial results presentation materials)

Financial Results for the Second Quarter of FY20.3 (Cumulative total for the six-month period from April to September)

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information on Consolidated Operating Results

In the six-month period ended September 30, 2019, Japan's economy recorded modest growth. Exports and production were influenced by the deceleration of overseas economies, but consumer spending was increasingly solid against a background of steady improvements in the job market and wages.

Amid these conditions, in accordance with the JR Kyushu Group Medium-Term Business Plan 2019–2021 — Toward the Next Growth Stage, we worked to advance three priority initiatives — Further strengthen our management foundation, Further strengthen our earnings power in key businesses, and Growth and evolution in new business areas. In addition, we implemented initiatives in the areas of ESG, safety and service, and development of human resources.

As a result, operating revenue in the six-month period ended September 30, 2019, increased 1.3% year on year, to ¥212,861 million. Operating income was down 9.1%, to ¥30,217 million; EBITDA decreased 2.5%, to ¥42,389 million; ordinary income declined 11.5%, to ¥31,026 million; and net income attributable to owners of the parent decreased 12.2%, to ¥23,025 million.

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation (excluding the cost of depreciation related to lease assets held for the purpose of subleasing).

Business performance by segment is as follows. From the three-month period ended June 30, 2019, the reportable segment classifications have been changed, and in the following year-on-year comparisons the figures for the same period of the previous fiscal year have been reclassified in accordance with the segment classifications after the change.

a. 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 revenue 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 safety initiatives, in order to create a safety-oriented corporate culture for the entire JR Kyushu Group, we engaged in activities that promoted safety under the slogan of “One more time. Is that OK? Let's be sensitive to safety.” For safety investments, we updated rolling stock and steadily carried out the replacement of aging facilities.

In regard to services, we continued to exercise the 5S (sort, set in order, shine, standardize, sustain) methodology as a basic part of daily operations and the foundation of our services, and we made efforts to see that customer can enjoy comfortable use of transportation services by welcoming them with a smile and through pleasant greetings. In addition, we expanded the introduction of the “JR-KYUSHU FREE Wi-Fi,” a free, public wireless LAN service available in major stations and on “Design & Story” trains. Also, in regard to the use of Twitter to provide information on train operating conditions in multiple languages, we began to utilize Korean and Chinese accounts in addition to our Japanese and English accounts. In these ways, we worked to provide diverse, customer-focused services.

In marketing, we worked to increase our earning power in key fields — the Shinkansen, short-distance, and inbound — and implemented city-building initiatives that leverage the appeal of railways. For the Kyushu Shinkansen, we took steps to promote usage, implementing the “Go! Waku Waku Trip with MICKEY” project from May 2019. Also, from July we held the “Kumamoto Destination Campaign” and a related tourism campaign, “Kumamoto Fall in Love.” In these ways, we worked to draw customers to the Kumamoto area. As for our “JR Kyushu Internet Reservation Service,” we enhanced our lineup of products available only online and implemented campaigns. In these ways, we advanced the shift toward usage of the Internet.

Moreover, to capture inbound demand, we promoted direct sales and advance seat reservation services through “JR KYUSHU RAIL PASS Online Booking,” a specialized reservation website for the “JR Kyushu Rail Pass.” 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, and China. We also undertook initiatives to boost the recognition level of the Kyushu brand and to encourage visitors to Kyushu by working in collaboration with All Nippon Airways Co., Ltd., to promote tourism and by implementing a variety of promotions. These initiatives included the promotion of Kyushu’s natural environment, food, hot springs, and historical culture and the hospitality of local community members, such as the cruise train “Seven Stars in Kyushu” and our 11 “Design & Story” trains.

Turning to transportation, we implemented detailed transportation-oriented initiatives coordinated with events and the seasons, and we made concerted efforts to establish an efficient transportation organization that meets the demand for each train line. At the same time, we worked to further enhance our transportation network, which is centered on the Kyushu Shinkansen. Also, due to the impacts of heavy rain that occurred in northern Kyushu in July 2017, we implemented substitute forms of transportation between Soeda Station and Yoake Station on the Hitahikosan Line. Moreover, with regard to operations between Higo-Ozu Station and Aso Station on the Houhi Main Line, which were suspended due to the impacts of the 2016 Kumamoto earthquakes, we are cooperating and making coordinated efforts with the central and local governments and advancing work targeting the resumption of service within FY2021/3.

In our passenger ship business, we concluded an agreement with the Busan Tourism Organization, aiming to attract tourists to the Busan region and to promote the tourism exchange business between Kyushu and Busan. Through this agreement, we worked to expand demand for travel via hydrofoil ferry. Meanwhile, our operations were influenced by Japan-South Korea relations, and we took steps to reduce costs, such as revising the frequency of operations.

For our bus business, we worked to promote usage of the high-speed bus B&S Miyazaki, which connects with the Kyushu Shinkansen, and other high-speed bus routes, thereby securing profits.

Targeting the establishment of new mobility services, in other words “mobility as a service,” we worked in cooperation with other transportation companies, etc. Specifically, in May 2019, we reached an agreement with Odakyu Electric Railway Co., Ltd., calling for implementing data collaboration on the shared data platform being developed by Odakyu Electric Railway

and for expanding collaboration related to the consideration of services. In addition, we concluded a business alliance agreement with DAIICHI KOUTSU SANGYO Co., Ltd., to increase the convenience of transportation services. In addition, to celebrate this alliance, from June we implemented a campaign — Let's Take a Taxi with an Internet Train Reservation and SUGOCA.

As a result of the above efforts, the Transportation Group recorded operating revenue of ¥90,517 million, up 2.7% year on year; operating income of ¥17,369million, up 3.2%; and EBITDA of ¥21,850 million, up 9.0%.

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 posted operating revenue of ¥34,609 million, up 6.2% year on year; operating income of ¥276 million, down 71.2% from the same period of the previous fiscal year, and EBITDA of ¥844 million, down 40.7% from the same period of the previous fiscal year.

c. Real Estate Group

As for the real estate lease business, we implemented aggressive sales activities for “Kokura-shuku — 300 steps of bystreet from station,” which opened in March 2019, and we renovated Amu Plaza Hakata in April 2019 and Amu Plaza Kagoshima in August and September. In addition, we actively held events that utilized the station squares of each station building. In these ways, we worked to expand earnings.

In the real estate sale business, sales were recorded from “MJR the Garden Kagoshima-Chuo”, “MJR Meinohamaekiminami”, and other condominium buildings, and we sought to promote sales of “MJR the Garden Kami-Kumamoto Ekimae”, “MJR the Garden Miyazaki Ekimae”, and other condominium buildings.

In the hotel business, we launched “THE BLOSSOM,” our highest-grade hotel brand. We opened “THE BLOSSOM HIBIYA” in August 2019 and “THE BLOSSOM HAKATA Premier” in September. We also worked to expand earnings by bolstering revenue management at existing hotels.

In April 2019, with the objectives of strengthening governance, leveraging economies of scale to bolster marketing capabilities and increase management efficiency, and enhancing human resources development skills, we established intermediate holding companies to oversee the station building companies and hotel companies.

As a result, the Real Estate and Hotels Group posted operating revenue of ¥42,155 million, down 1.9% year on year; operating income of ¥10,116 million, down 23.2%; and EBITDA of ¥15,568 million, down 14.3%.

d. Retail and Restaurant Group

Turning to our retail business, we moved forward with the opening of new drugstores and convenience stores.

For the restaurant business, we took steps to expand our business area, such as opening our first cafe in Tokyo. In addition, we worked aggressively to develop new formats, such as opening our first cinnamon roll specialty store in August.

As a result, the Retail and Restaurant Group recorded operating revenue of ¥53,023 million, up 1.3% year on year; operating income of ¥1,715 million, down 3.4%; and EBITDA of ¥2,507 million, down 3.4%.

e. Other Groups

For the construction machinery sales and rental business, we worked to secure earnings through aggressive sales activities.

As a result, Other Groups posted operating revenue of ¥36,596 million, up 6.6% year on year; operating income of ¥1,141 million, up 27.1%; and EBITDA of ¥2,146 million, up 23.4%.

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation (excluding the cost of depreciation related to lease assets held for the purpose of subleasing).

(2) Qualitative Information on Consolidated Financial Position

1. Assets, Liabilities, and Equity

Total assets as of September 30, 2019, increased 0.7% compared with the previous fiscal year-end, to ¥806,932 million. Current assets decreased 3.9%, to ¥174,496 million, following the collection of accounts receivable–trade. Non-current assets increased 2.0%, to ¥632,435 million, due to the acquisition of property, plant and equipment.

Meanwhile, total liabilities decreased 2.9% compared with the previous fiscal year-end, to ¥369,856 million. Current liabilities were down 0.0%, to ¥172,259 million, due to payment of payables and accounts payable–trade. Non-current liabilities were down 5.2%, to ¥197,596 million, as a result of a decrease in liability for retirement benefits and other factors.

Furthermore, total equity increased 3.9% compared with the previous fiscal year-end, to ¥437,075 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 ¥39,129 million, up ¥9,806 million year on year, due to such factors as payment of payables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥22,431 million, up ¥5,516 million year on year, due to such factors as payments for purchases of fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥9,013 million, up ¥1,677 million year on year, due primarily to cash dividends paid.

As a result of the above, cash and cash equivalents at end of the period increased ¥7,686 million year on year, to ¥44,552 million.

(3) Qualitative Information on Consolidated Performance Outlook

In regard to our full-year forecasts for the fiscal year ending March 31, 2020, there have been no revisions to the forecasts for operating revenue, operating income, ordinary income, or net income attributable to owners of the parent announced on August 5, 2019.

Performance forecasts by segment for operating revenue, operating income, and EBITA in regard to the Construction segment, Retail and Restaurant segment, and Other segment have been revised as follows.

Construction Segment

Operating revenue	¥98.0 billion (up 4.5% year on year)
Operating income	¥6.6 billion (up 4.9% year on year)
EBITA	¥7.4 billion (up 1.8% year on year)

Retail and Restaurant Segment

Operating revenue	¥106.6 billion (up 2.5% year on year)
Operating income	¥2.9 billion (down 15.0% year on year)
EBITA	¥4.7 billion (down 7.5% year on year)

Other Segment

Operating revenue	¥69.9 billion (down 3.9% year on year)
Operating income	¥2.1 billion (down 4.6% year on year)
EBITA	¥4.5 billion (up 7.4% year on year)

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 2019/3 (As of March 31, 2019)	FY 2020/3, Second Quarter (As of September 30, 2019)
ASSETS		
Current assets		
Cash and time deposits	16,971	18,378
Notes and accounts receivable–trade	52,275	44,667
Fares receivable	2,732	2,105
Securities	19,926	26,189
Merchandise and finished goods	21,809	21,500
Work in process	22,703	33,879
Raw materials and supplies	6,819	9,080
Other	38,485	18,798
Allowance for doubtful accounts	(95)	(103)
Total current assets	181,627	174,496
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	241,558	257,160
Machinery, rolling stock and vehicles (net)	31,607	32,679
Land	129,344	132,290
Lease assets (net)	14,909	14,239
Construction in progress	35,843	44,309
Other (net)	8,057	9,729
Net property, plant and equipment	461,321	490,409
Intangible assets	5,215	4,807
Investments and other assets		
Investment securities	24,403	25,108
Deferred tax assets	55,086	52,210
Net defined benefit assets	882	788
Money held in trust	56,901	42,803
Other	17,461	17,713
Allowance for doubtful accounts	(1,416)	(1,405)
Total investments and other assets	153,318	137,219
Total noncurrent assets	619,855	632,435
Total assets	801,483	806,932

(Millions of Yen)

	FY 2019/3 (As of March 31, 2019)	FY 2020/3, Second Quarter (As of September 30, 2019)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	33,132	29,707
Short-term loans	9,002	10,220
Current portion of long-term debt	3,845	11,821
Payables	57,139	34,035
Accrued income taxes	5,573	4,830
Fare deposits received with regard to railway connecting services	1,731	1,960
Railway fares received in advance	5,821	8,858
Accrued bonuses	8,996	9,378
Other	47,072	61,445
Total current liabilities	172,314	172,259
Non-current liabilities		
Corporate bonds	20,000	20,000
Long-term debt	75,119	66,770
Allowance for safety and environmental measures	1,879	1,879
Allowance for disaster-damage losses	4,613	4,825
Liability for retirement benefits	58,803	56,472
Asset retirement obligations	1,603	1,623
Other	46,405	46,025
Total noncurrent liabilities	208,425	197,596
Total liabilities	380,739	369,856
EQUITY		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	233,983	233,985
Retained earnings (Deficit)	160,558	175,343
Treasury stock	—	(599)
Total common stock	410,541	424,729
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	11,677	13,562
Gain (loss) on deferred hedges	129	30
Foreign currency translation adjustments	112	132
Defined retirement benefit plans	(7,608)	(7,208)
Total accumulated other comprehensive income	4,312	6,516
Non-controlling interests	5,890	5,829
Total equity	420,743	437,075
TOTAL LIABILITIES AND EQUITY	801,483	806,932

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2019/3, Second Quarter (Six months ended September 30, 2018)	FY 2020/3, Second Quarter (Six months ended September 30, 2019)
OPERATING REVENUE	210,220	212,861
OPERATING EXPENSE		
Transportation, other services and cost of sales	127,371	129,006
Selling, general and administrative expense	49,621	53,637
Total operating expense	176,992	182,644
OPERATING INCOME	33,227	30,217
NON-OPERATING INCOME		
Interest income	34	34
Dividend income	236	262
Gain on assets held in trust	913	714
Other	1,143	489
Total non-operating income	2,327	1,500
NON-OPERATING EXPENSE		
Interest expense	450	609
Other	52	81
Total non-operating expense	503	691
ORDINARY INCOME	35,052	31,026
EXTRAORDINARY GAINS		
Construction grants received	605	1,904
Gain on sales of trusts	—	574
Insurance proceeds related to natural disasters	1,000	—
Other	63	138
Total extraordinary gains	1,669	2,616
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	599	1,877
Provision for loss on disaster	1,605	1,299
Disaster-damage losses	107	176
Other	405	137
Total extraordinary losses	2,719	3,491
INCOME BEFORE INCOME TAXES	34,003	30,152
INCOME TAXES		
Current	5,907	5,123
Deferred	1,803	1,993
Total income taxes	7,711	7,116
NET INCOME	26,292	23,035
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	58	9
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	26,233	23,025

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2019/3, Second Quarter (Six months ended September 30, 2018)	FY 2020/3, Second Quarter (Six months ended September 30, 2019)
NET INCOME	26,292	23,035
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	981	1,885
Gain (loss) on deferred hedges	276	(99)
Foreign currency translation adjustments	(44)	26
Defined retirement benefit plans	500	397
Total other comprehensive income	1,713	2,208
COMPREHENSIVE INCOME	28,005	25,244
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	27,972	25,229
Non-controlling interests	33	14

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2019/3, Second Quarter (Six months ended September 30, 2018)	FY 2020/3, Second Quarter (Six months ended September 30, 2019)
OPERATING ACTIVITIES		
Income before income taxes	34,003	30,152
Depreciation	10,407	12,505
Gain on sales of trusts	—	(574)
Losses from provision for cost reduction of fixed assets	599	1,877
Disaster-damage losses	107	176
Provision for loss on disaster	1,605	1,299
Net change in allowance for doubtful accounts	(76)	(3)
Net change in net defined benefit liabilities	(1,596)	(1,676)
Interest and dividend income	(271)	(296)
Interest expense	450	609
Construction grants received	(605)	(1,904)
Insurance proceeds related to natural disasters	(1,000)	—
Net change in major receivables	7,253	8,238
Net change in inventories	(9,334)	(11,946)
Net change in major payables	(13,956)	(158)
Gain on assets held in trust	(913)	(714)
Other	10,629	8,768
Sub-total	37,302	46,352
Insurance proceeds received	1,000	—
Proceeds from interest and dividends	282	296
Payments of interest	(414)	(540)
Proceeds from gain on assets held in trust	908	773
Payments of disaster-damage losses	(1,245)	(1,939)
Income taxes paid or refunded (paid listed in parentheses)	(8,510)	(5,812)
Net cash provided by operating activities	29,322	39,129
INVESTING ACTIVITIES		
Payments for purchases of fixed assets	(47,735)	(59,799)
Proceeds from redemption of securities	15,600	—
Purchases of investment securities	(351)	(1,600)
Proceeds from sales of trusts	—	12,259
Proceeds from construction grants	14,502	19,058
Other	1,069	7,649
Net cash used in investing activities	(16,914)	(22,431)
FINANCING ACTIVITIES		
Net change in short-term loans	100	963
Payments of long-term loans	(396)	(599)
Repayments of long-term liabilities	(170)	(172)
Proceeds from deposits and guarantees	723	552
Redemption of deposits and guarantees	(308)	(474)
Purchase of treasury shares	—	(599)
Cash dividends paid	(7,040)	(8,240)
Cash dividends paid to non-controlling interests	(54)	(72)
Other	(189)	(371)
Net cash used in financing activities	(7,336)	(9,013)
Translation differences for cash and cash equivalents	(28)	2
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,043	7,686
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	64,379	36,865
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	69,422	44,552

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(Additional Information)

Occurrence of damage due to seasonal rain front heavy rains in 2019, etc.

Railway facilities were damaged by the seasonal rain front heavy rains in 2019, etc. Among the recovery expense, etc., resulting from this damage, extraordinary losses were recorded in the quarterly consolidated income statements for the consolidated cumulative second quarter. Recovery expense, etc., for the consolidated cumulative second quarter were recorded as “disaster-damage losses” and a reasonable estimate of the amount of recovery expense, etc., anticipated in the consolidated cumulative third quarter and thereafter was recorded as “provision for loss on disaster.”

(Segment Information)

FY 2019/3, Second Quarter (Six-Month Period Ended September 30, 2019)

Information Related to Operating Revenue 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 and Hotels	Retail and Restaurant				
Operating Revenue								
Outside Customers	85,604	12,490	40,780	52,171	19,172	210,220	—	210,220
Inside Group	2,565	20,087	2,205	152	15,166	40,177	(40,177)	—
Total	88,170	32,578	42,986	52,323	34,339	250,397	(40,177)	210,220
Segment income	16,830	958	13,167	1,776	897	33,631	(403)	33,227

(Notes) 1. “Others” represents categories of business that are not included in reportable segments and includes the construction machinery sales and rental business, etc.

2. The ¥403 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 2020/3, Second Quarter (Six-Month Period Ended September 30, 2019)

1. Information Related to Operating Revenue 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 and Hotels	Retail and Restaurant				
Operating Revenue								
Outside Customers	86,913	14,076	39,984	52,868	19,017	212,861	—	212,861
Inside Group	3,604	20,532	2,171	154	17,579	44,041	(44,041)	—
Total	90,517	34,609	42,155	53,023	36,596	256,903	(44,041)	212,861
Segment income	17,369	276	10,116	1,715	1,141	30,619	(402)	30,217

(Notes) 1. “Others” represents categories of business that are not included in reportable segments and includes hotel operations, the construction machinery sales and rental business, etc.

2. The ¥402 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.

2. Matters Related to Changes in Reportable Segments

From the three-month period ended June 30, 2019, the segment categories have been changed in order to recognize segment sales and profits in a more practical manner and to steadily advance segment management. As a result, the previous segment classifications, the Transportation segment, the Construction segment, the Real Estate segment, the Retail and Restaurant segment, and the Other segment, have been changed to the Transportation segment,

the Construction segment, the Real Estate and Hotels segment, the Retail and Restaurant segment, and the Other segment.

Segment information for the six-month period ended September 30, 2019, has been prepared based on the segment classifications after the change.

(Significant Subsequent Events)

The Company adopted a resolution at a meeting of the Board of Directors held on November 5, 2019, to repurchase its own shares based on a revision of its shareholder returns policy and on Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3. For more details, please refer to the Notice regarding matters related to a change in the Company's shareholder return policy and the implementation of share repurchases, which was released today.