

(Translation)

**Consolidated Financial Results
for the Year Ended March 31, 2019
(Japanese GAAP)**

May 13, 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
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Scheduled date of Ordinary General Meeting of Shareholders: June 21, 2019
Scheduled date of dividend payment commencement: June 24, 2019
Scheduled date of release of annual securities report: June 21, 2019
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, 2019
(From April 1, 2018 to March 31, 2019)**

(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, 2019	440,358	6.5	63,885	(0.1)	66,539	(0.8)	49,240	(2.3)
Year ended March 31, 2018	413,371	8.0	63,963	8.9	67,045	10.7	50,410	12.6

(Note) Comprehensive income: Year ended March 31, 2019: ¥52,105 million (11.0%),
Year ended March 31, 2018: ¥46,957 million (9.6%)

	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, 2019	307.75	—	12.4	8.6	14.5
Year ended March 31, 2018	315.07	—	14.0	9.4	15.5

(Reference) Equity in net income (losses) of affiliated companies: Year ended March 31, 2019: ¥26 million,
Year ended March 31, 2018: ¥35 million

(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, 2019	801,483	420,743	51.8	2,592.83
As of March 31, 2018	749,391	383,201	50.3	2,357.27

(Reference) Shareholders' equity: As of March 31, 2019: ¥414,853 million,
As of March 31, 2018: ¥377,163 million

(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, 2019	41,473	(74,619)	5,644	36,865
Year ended March 31, 2018	87,689	(68,379)	(9,197)	64,379

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	Millions of yen	%	%
Year ended March 31, 2018	—	39.00	—	44.00	83.00	13,280	26.3	3.7
Year ended March 31, 2019	—	41.50	—	51.50	93.00	14,880	30.2	3.8
Year ended March 31, 2020 (Forecast)	—	46.50	—	46.50	93.00		35.0	

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

(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	442,300	0.4	56,600	(11.4)	57,200	(14.0)	42,500	(13.7)	265.63

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018 (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: No
- ii Changes in accounting policies other than the above: No
- iii Changes in accounting estimates: No
- iv Restatement of revisions: No

(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, 2019	160,000,000 shares	As of March 31, 2018	160,000,000 shares
ii Number of shares of treasury stock at end of period	As of March 31, 2019	—	As of March 31, 2018	—
iii Average number of shares during the period	As of March 31, 2019	160,000,000 shares	As of March 31, 2018	160,000,000 shares

(Reference)

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

(April 1, 2018–March 31, 2019)

(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, 2019	221,917	1.0	45,728	(2.2)	53,782	2.9	44,254	6.2
Year ended March 31, 2018	219,725	3.5	46,746	7.5	52,270	10.0	41,654	10.7

	Net income per share — basic	Net income per share — diluted
	Yen	Yen
Year ended March 31, 2019	276.59	—
Year ended March 31, 2018	260.34	—

(2) 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, 2019	632,935	358,720	56.7	2,242.00
As of March 31, 2018	581,351	326,388	56.1	2,039.93

(Reference) Shareholders' equity:

As of March 31, 2019: ¥358,720 million,
As of March 31, 2018: ¥326,388 million

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019–March 31, 2020)

(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	220,400	(0.7)	38,900	(14.9)	43,700	(18.7)	36,200	(18.2)	226.25

* This summary of financial results is not subject to audits by certified public accountants or accounting 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 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 14, 2019 (Tuesday). 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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(Explanatory Materials) Financial results for the fiscal year ended March 31, 2019

1. Qualitative Information on Consolidated Financial Performance

(1) Qualitative Information on Consolidated Operating Results

[1] Overview of the fiscal year ended March 31, 2018

In the fiscal year ended March 31, 2019, Japan's exports and manufacturing were affected by slowdowns in overseas economies. Nonetheless, Japan's economy recorded gradual expansion due to increasingly solid consumer spending supported by improvements in the job market and wages.

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 Medium-Term Business Plan 2016–2018. We have been working to further improve our services with safety as the foundation in all of our businesses and have been making efforts to increase revenues through active project development in each business. At the same time, we have been promoting more efficient business operations and intensive cost reductions.

As a result, operating revenues in the fiscal year ended March 31, 2019, were ¥440,358 million, up 6.5% year on year. Furthermore, the Company recorded operating income of ¥63,885 million, down 0.1%; EBITDA of ¥85,402 million, up 4.4%; ordinary income of ¥66,539 million, down 0.8%; and net income attributable to owners of the parent of ¥49,240 million, down 2.3%.

(Note) EBITDA in the fiscal year ended March 31, 2019, is the numerical value of operating income plus the cost of depreciation (excluding depreciation of leased assets held for subleasing purposes).

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.

In regard to safety, to foster a safety culture throughout the entire JR Kyushu Group, we started safety creation activities with a slogan of "Is this safe? Is that safe?" Looking at safety investment, we steadily implemented initiatives in the areas of new rolling stock, rolling stock upgrades, and replacement of aging facilities.

In service, we continued to implement the 5S methodology (sort, set in order, shine, standardize, sustain). We also advanced initiatives to facilitate the welcoming of customers with smiles and greetings.

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. These efforts included the discount ticket campaign "Kyushu Shinkansen Nimai Kippu," which involves train coupon books, and the Shinkansen commuter pass "Shinkansen Excel Pass." At the same time, in line

with the NHK Taiga drama *Sego-don* we carried out a promotion with the slogan “The answer is in Kagoshima.” As for our “JR Kyushu Internet Reservation Service,” we enhanced our lineup of products available only online and implemented the “Internet Reservation Chance! JR Kyupo Chance!” promotion. In addition, we started the “JR Kyushu Internet Train Reservation Business” for corporate members. In these ways, we worked to promote usage.

Also, we undertook initiatives to boost the recognition level of Kyushu-based brands and to encourage visitors to Kyushu. These initiatives included the cruise train “Seven Stars in Kyushu,” which started operation on a new route in March 2018, as well as 11 “Design & Story” trains, in addition to the promotion of Kyushu’s natural environment, food, hot springs, and historical culture and the hospitality of local community members. Furthermore, we cooperated with local community members to establish attractive walking courses for our “Station Manager Recommends JR Kyushu Walking” initiative, which aims to invigorate local communities in Kyushu. A large number of customers took part in this initiative.

Moreover, through “JR KYUSHU RAIL PASS Online Booking,” a specialized reservation site, we offered direct sales and advance seat reservation for the “JR Kyushu Rail Pass,” a mainstay product geared toward customers from overseas. 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.

Turning to transportation, we implemented detailed transportation-oriented initiatives, making 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.

On the other hand, substitute forms of transportation were implemented on certain sections of the Kyudai Main Line and the Hitahikosan Line due to the influence of heavy rain that occurred in northern Kyushu in July 2017 and on certain sections of the Chikuho Main Line due to the influence of heavy rain in July 2018. Train service resumed on the Kyudai Main Line in July 2018 and on the Chikuho Main Line in March 2019. Moreover, with regard to operations between Higo-Ozu Station and Aso Station on the Hohi Main Line, which were suspended due to the impacts of the 2016 Kumamoto earthquakes, we are making coordinated efforts with relevant organizations to help advance erosion control, reforestation, and road repair measures of the central and local governments centered on the Hohi Main Line Repair Office.

In our passenger ship business, in July 2018, we began to operate Japan’s first ferries combining passengers and cargo. This service is available on some of our Beetle hydrofoil ferries on a domestic route between Fukuoka and Tsushima. In this way, we worked to expand travel demand for hydrofoil ferries.

For our bus business, we rolled out limited-time discount campaigns, such as for the high-speed bus B&S Miyazaki. In addition, we worked to improve earnings by revising certain routes.

As a result of the above efforts, the Transportation Group recorded operating revenues of ¥185,047 million, up 0.7% year on year; operating income of ¥27,468 million, down 6.0%; and

EBITDA of ¥34,491 million, up 0.3%.

b. Construction Group

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

As a result, the Construction Group recorded operating revenues of ¥91,751 million, up 4.3% year on year; operating income of ¥6,526 million, up 4.1%; and EBITDA of ¥7,502 million, up 6.1%.

c. Real Estate Group

As for the real estate lease business, we worked to create a lively atmosphere at Kumamoto Station through the Higo Yokamon market, a commercial facility underneath the elevated tracks that was opened in March 2018. In addition, we renovated Amu Plaza Kokura and Amu Plaza Nagasaki, and we worked to increase revenues through proactive events utilizing station squares, etc., at various station buildings.

In the real estate sale business, sales were recorded from MJR the Garden Kagoshima-Chuo and MJR Oita Ekimae The Residence, which are condominiums, and we sought to promote sales of MJR the Garden Kamikumamoto Ekimae.

As a result, the Real Estate Group posted operating revenues of ¥72,692 million, up 4.7% year on year; operating income of ¥23,784 million, up 2.5%; and EBITDA of ¥33,129 million, up 3.4%.

d. Retail and Restaurant Group

In the retail business, we opened new drugstores and convenience stores.

In the restaurant business, we worked to expand our area. For example, in October 2018 we opened our first café in the Hiroshima region. Additionally, we worked to develop new business formats in station buildings, etc.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥104,050 million, up 0.8% year on year; operating income of ¥3,412 million, down 6.5%; and EBITDA of ¥5,081 million, down 4.8%.

e. Other Groups

In the hotel business, we renovated the JR Kyushu Station Hotel Kokura in December 2018. In addition, we worked to increase profits by strengthening revenue management at existing hotels.

In the seniors business, we began to offer home nursing care services at SJR Takatori, a residence-style private retirement home. We also worked to enhance our services with the aim of having our facilities be continuously selected by our customers.

In addition, in the construction equipment sales and rental business, we took steps to acquire

new orders, such as exhibiting construction equipment utilizing ICT.

As a result, Other Groups posted operating revenues of ¥89,885 million, up 33.3% year on year; operating income of ¥3,569 million, up 48.1%; and EBITDA of ¥6,303 million, up 59.1%.

(Note) Segment EBITDA is the numerical value (excluding depreciation of leased assets held for subleasing purposes and 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, 2020

From fiscal year 2019, we started the “JR Kyushu Group Medium-Term Business Plan 2019–2021: Toward the Next Growth Stage.” Moving forward, we will advance three priority initiatives — Further Strengthen Our Management Foundation, Further Strengthen Our Earnings Power in Key Businesses, and Growth and Evolution in New Areas — and we will implement initiatives in the areas that are the foundation of all of our businesses: ESG, safety and service, and development of human resources,

For the fiscal year ending March 31, 2020, operating revenues are forecast to increase 0.4% year on year, to ¥442,300 million, as a result of an increase in railway transportation revenues and new hotel openings. Conversely, operating income is slated to decrease 11.4%, to ¥56,600 million; ordinary income is anticipated to decline 14.0%, to ¥57,200 million; and net income attributable to owners of the parent is projected be down 13.7%, to ¥42,500 million. These income movements will be due to higher expenses resulting from the elimination of special tax measures, higher depreciation costs in the railway business, etc. Meanwhile, EBITDA is forecast to decline 3.6%, to ¥82,300 million.

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

(Millions of yen)

	FY2019/3 (Results)			FY 2020/3 (Forecasts)		
	Operating revenues	Operating income	EBITDA	Operating revenues	Operating income	EBITDA
Transportation	181,863	27,433	34,352	180,400	25,700	35,400
Construction	93,817	6,289	7,266	96,000	6,300	7,300
Real Estate and Hotels	90,094	25,436	35,631	93,100	20,100	31,100
Retail and Restaurant	104,050	3,412	5,081	107,700	3,200	5,100
Other	72,699	2,201	4,189	71,500	2,200	4,300

(Note) Figures for the fiscal year ended March 31, 2019 (results), have been reclassified in accordance with the new segment categories, which took effect on April 1, 2019.

(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 7.0% compared to the

previous fiscal year-end, to 801,483million. Due to a decrease in securities and other factors, current assets were down 9.4%, to 181,627 million. In addition, non-current assets rose 12.9%, to 619,855 million, as a result of an increase in property, plant and equipment and other factors.

Meanwhile, total liabilities increased 4.0% compared to the previous fiscal year-end, to 380,739 million. Due to increases in short-term loans and payables and to other factors, current liabilities rose 4.6%, to 172,314 million. Non-current liabilities were up 3.5%, to 208,425 million, as a result of the issuance of bonds and other factors.

Furthermore, total net assets increased 9.8% compared to the previous fiscal year-end, to ¥420,743 million, 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 ¥41,473 million, down ¥46,215 million year on year, due to a decrease related to the collection of trade receivables and other factors.

(Cash flows from investing activities)

Net cash used in investing activities was ¥74,619 million, up ¥6,239 million year on year, due to purchases of fixed assets and other factors.

(Cash flows from financing activities)

Net cash provided by financing activities came to ¥5,644 million, up ¥14,842 million year on year, as a result of the issuance of bonds and other factors.

As a result of the above, cash and cash equivalents, end of year decreased ¥27,514 million year on year, to ¥36,865 million.

(3) Dividend Policies, Dividends in the Fiscal Year Ended March 31, 2019, and Forecast for Dividends in the Fiscal Year Ending March 31, 2020

The Company views shareholder returns as an important management task, and therefore places importance on providing stable returns over the long term.

Over the period up to the fiscal year ended March 31, 2019, the Company has aimed to make consistent per share dividend payments by targeting a consolidated dividend payout ratio of approximately 30%. Decisions regarding the amount of dividends for a fiscal year are made in a comprehensive manner, with a focus on future results trends.

In accordance with this policy and based on a comprehensive review of operating results and other factors, the Company is planning a year-end dividend of ¥51.50 per share for the fiscal year ended March 31, 2019. Including the interim dividend of ¥41.50 per share, the annual dividend will be ¥93.00 per share.

In addition, as indicated in the JR Kyushu Group Medium-Term Business Plan 2019–2021, which was announced in March 2019, over the period from the fiscal year ending March 31,

2020, to the fiscal year ending March 31, 2022, with a standard of a total payout ratio of 35%, we will aim to pay stable dividends and implement own-stock acquisitions in line with conditions.

For the fiscal year ending March 31, 2020, the Company plans to pay an annual dividend of ¥93.00 per share (interim dividend of ¥46.50 and year-end dividend of ¥46.50).

Furthermore, the Company intends to allocate internal reserves to investments for maintaining and upgrading railway facilities and to growth investments in order to contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe, secure mobility services.

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 2018/3 (As of March 31, 2018)	FY 2019/3 As of March 31, 2019)
ASSETS		
Current assets		
Cash and time deposits	15,064	16,971
Notes and accounts receivable–trade	42,833	52,275
Fares receivable	2,294	2,732
Securities	65,077	19,926
Merchandise and finished goods	15,024	21,809
Work in process	23,364	22,703
Raw materials and supplies	6,586	6,819
Other	30,272	38,485
Allowance for doubtful accounts	(115)	(95)
Total current assets	200,400	181,627
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	222,772	241,558
Machinery, rolling stock and vehicles (net)	20,928	31,607
Land	105,153	129,344
Leased assets, net	10,726	14,909
Construction in progress	23,551	35,843
Other (net)	7,557	8,057
Net property, plant and equipment	390,690	461,321
Intangible assets	5,908	5,215
Investments and other assets		
Investment securities	22,687	24,403
Deferred tax assets	61,184	55,086
Net defined benefit assets	819	882
Money held in trust	55,783	56,901
Other	12,770	17,461
Allowance for doubtful accounts	(854)	(1,416)
Total investments and other assets	152,391	153,318
Total noncurrent assets	548,990	619,855
Total assets	749,391	801,483

(Millions of Yen)

	FY 2018/3 (As of March 31, 2018)	FY 2019/3 (As of March 31, 2019)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	38,480	33,132
Short-term loans	4,528	9,002
Current portion of long-term debt	5,793	3,845
Payables	52,632	57,139
Accrued income taxes	8,047	5,573
Fare deposits received with regard to railway connecting services	1,597	1,731
Railway fares received in advance	5,319	5,821
Accrued bonuses	9,260	8,996
Other	39,065	47,072
Total current liabilities	164,724	172,314
Non-current liabilities		
Debt	-	20,000
Long-term debt	77,001	75,119
Allowance for safety and environmental measures	3,198	1,879
Allowance for earthquake-damage losses	7,125	4,613
Liability for retirement benefits	63,426	58,803
Asset retirement obligations	1,545	1,603
Other	49,167	46,405
Total noncurrent liabilities	201,465	208,425
Total liabilities	366,190	380,739
EQUITY		
Common stock		
authorized, 640,000,000 shares; issued, 160,000,000 shares in 2016, 2015 and 2014	16,000	16,000
Capital surplus	234,270	233,983
Retained earnings (Deficit)	124,997	160,558
Total common stock	375,268	410,541
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	9,981	11,677
Deferred gains or losses on hedges	(47)	129
Foreign currency translation adjustments	133	112
Defined retirement benefit plans	(8,171)	(7,608)
Total accumulated other comprehensive income	1,895	4,312
Non-controlling interests	6,037	5,890
Total equity	383,201	420,743
TOTAL LIABILITIES AND EQUITY	749,391	801,483

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

(Millions of Yen)

	FY 2018/3 (April 1, 2017 – March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
OPERATING REVENUES	413,371	440,358
OPERATING EXPENSES		
Transportation, other services and cost of sales	253,518	273,001
Selling, general and administrative expenses	95,889	103,471
Total operating expenses	349,408	376,473
OPERATING INCOME	63,963	63,885
NON-OPERATING INCOME		
Interest income	57	69
Dividend income	305	397
Gains on investment securities	1,085	831
Gain on assets held in trust	1,773	1,849
Other	688	670
Total non-operating income	3,910	3,817
NON-OPERATING EXPENSES		
Interest expense	698	945
Other	129	217
Total non-operating expenses	827	1,163
ORDINARY INCOME	67,045	66,539
EXTRAORDINARY GAINS		
Construction grants received	13,418	16,360
Other	3,253	2,199
Total extraordinary gains	16,672	18,560
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	13,317	16,176
Disaster-damage losses	1,212	847
Provision for loss on disaster	2,677	446
Other	1,676	3,191
Total extraordinary losses	18,883	20,661
INCOME BEFORE INCOME TAXES	64,834	64,438
INCOME TAXES	9,973	10,060
Current	4,036	4,666
Deferred	14,009	14,727
NET INCOME	50,824	49,711
NET INCOME ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	414	471
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	50,410	49,240

Consolidated Comprehensive Income Statements

(Millions of Yen)

	FY 2018/3 (April 1, 2017 – March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
NET INCOME	50,824	49,711
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(319)	1,678
Deferred gains or losses on hedges	(47)	176
Foreign currency translation adjustments	(2)	(23)
Defined retirement benefit plans	(3,499)	562
Total other comprehensive income	(3,867)	2,394
COMPREHENSIVE INCOME	46,957	52,105
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	46,516	51,657
Non-controlling interests	440	448

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2018

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total Shareholders' equity
Balance at beginning of current year	16,000	234,263	86,987	337,250
Changes of items during the year				
Dividends of surplus			(12,400)	(12,400)
Net income attributable to owners of the parent			50,410	50,410
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		7		7
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	7	38,010	38,017
Balance at end of current year	16,000	234,270	124,997	375,268

	Unrealized gain on available-for-sale securities	Accumulated other comprehensive income				Non-controlling interests	Total equity
		Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	10,312	—	132	(4,655)	5,789	5,408	348,447
Changes of items during the year							
Dividends of surplus							(12,400)
Net income attributable to owners of the parent							50,410
Changes in the ownership interest by purchases of shares of consolidates subsidiaries							7
Net changes of items other than shareholders' equity	(330)	(47)	0	(3,516)	(3,893)	629	(3,264)
Total changes of items during the year	(330)	(47)	0	(3,516)	(3,893)	629	34,753
Balance at end of current year	9,981	(47)	133	(8,171)	1,895	6,037	383,201

For the fiscal year ended March 31, 2019

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total Shareholders' equity
Balance at beginning of current year	16,000	234,270	124,997	375,268
Changes of items during the year				
Dividends of surplus			(13,680)	(13,680)
Net income attributable to owners of the parent			49,240	49,240
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		(287)		(287)
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	(287)	35,560	35,273
Balance at end of current year	16,000	233,983	160,558	410,541

	Accumulated other comprehensive income					Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	9,981	(47)	133	(8,171)	1,895	6,037	383,201
Changes of items during the year							
Dividends of surplus							(13,680)
Net income attributable to owners of the parent							49,240
Changes in the ownership interest by purchases of shares of consolidates subsidiaries							(287)
Net changes of items other than shareholders' equity	1,696	176	(20)	563	2,416	(147)	2,269
Total changes of items during the year	1,696	176	(20)	563	2,416	(147)	37,542
Balance at end of current year	11,677	129	112	(7,608)	4,312	5,890	420,743

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2018/3 (April 1, 2017– March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	64,834	64,438
Depreciation costs	17,914	21,928
Losses from provision for cost reduction of fixed assets	13,317	16,176
Earthquake-damage losses	1,212	847
Increase in provision for loss on disaster	2,677	446
Increase (Decrease) in allowance for doubtful accounts	141	542
Increase (Decrease) in liability for retirement benefits	(4,260)	(3,910)
Increase (Decrease) in allowance for safety and environmental measures	(2,170)	(1,318)
Interest and dividends income	(363)	(467)
Interest expense	698	945
Construction grants received	(13,418)	(16,360)
Insurance income accompanying disasters	—	(1,000)
(Increase) decrease in trade receivables	9,913	(9,881)
(Increase) decrease in inventories	(4,834)	(6,154)
Increase (Decrease) in trade payables	(1,882)	(4,709)
Gain on assets held in trust	(1,773)	(1,849)
Other	3,486	(5,060)
Subtotal	85,493	54,612
Proceeds from insurance income	—	1,000
Interest and dividends income received	383	476
Interest expense paid	(619)	(872)
Gain on assets held in trust received	1,780	1,853
Loss on disaster paid	(3,019)	(3,205)
Income taxes (paid) refund	3,672	(12,389)
Net cash provided by operating activities	87,689	41,473

(Millions of Yen)

	FY 2018/3 (April 1, 2017 – March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, and Intangible assets	(82,323)	(105,937)
Purchases of marketable securities	(41,600)	—
Proceeds from redemption of marketable securities	43,500	15,600
Purchases of investment securities	(4,386)	(2,552)
Proceeds from construction grants received	15,643	15,253
Other	786	3,016
Net cash provided by (used in) investing activities	(68,379)	(74,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(1,177)	4,544
Proceeds from long-term loans payable	5,739	2,051
Repayment of long-term loans payable	(791)	(5,793)
Payments for long-term accounts payable	(336)	(341)
Proceeds from issuance of bonds	—	20,000
Proceeds from lease and guarantee deposits received	947	1,420
Repayments of lease and guarantee deposits received	(1,256)	(1,104)
Cash dividends paid	(12,400)	(13,680)
Cash dividends paid to non-controlling shareholders	(48)	(54)
Other	126	(1,397)
Net cash used in financing activities	(9,197)	5,644
Effect of exchange rate change on cash and cash equivalents	4	(14)
Net increase (decrease) in cash and cash equivalents	10,116	(27,514)
Cash and cash equivalents, beginning of year	54,263	64,379
Cash and cash equivalents, end of year	64,379	36,865

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

No relevant events

(Segment Information, etc.)

(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, Assets, and Other Items by Reportable Segment

The accounting principles and procedures used for reportable segments are in conformance with accounting principles and procedures utilized in the preparation of consolidated financial statements.

Transactions between reportable segments are transactions between consolidated companies and are based on market prices, etc.

(3) Information on Sales, Income, Assets, and Other Items by Reportable Segment
For the fiscal year ended March 31, 2018

(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	178,715	31,164	62,955	102,878	37,657	413,371	—	413,371
Inside Group	5,034	56,837	6,464	301	29,761	98,399	(98,399)	—
Total	183,750	88,001	69,419	103,180	67,419	511,771	(98,399)	413,371
Segment income	29,216	6,271	23,205	3,650	2,410	64,754	(791)	63,963
Segment assets	237,934	68,122	318,366	47,223	108,742	780,389	(30,997)	749,391
Other items								
Depreciation costs	5,182	800	8,837	1,686	1,595	18,102	(187)	17,914
Increase in fixed assets	28,102	2,021	33,610	2,637	5,610	71,981	(298)	71,683

(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 ¥791 million deduction from segment income reflects the elimination of intersegment transactions.

(2) The ¥30,997 million deduction from segment assets includes a downward adjustment of ¥111,559 million in reflection of the elimination of intersegment liabilities and ¥80,561 million in corporate assets not allocated to reportable segments

(3) The ¥187 million deduction under depreciation costs reflects the elimination of intersegment transactions.

(4) The ¥298 million deduction under increase in fixed assets reflects the elimination of intersegment transactions.

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

For the fiscal year ended March 31, 2019

(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	179,829	33,634	65,193	103,749	57,951	440,358	—	440,358
Inside Group	5,218	58,117	7,499	300	31,934	103,069	(103,069)	—
Total	185,047	91,751	72,692	104,050	89,885	543,428	(103,069)	440,358
Segment income	27,468	6,526	23,784	3,412	3,569	64,760	(875)	63,885
Segment assets	248,521	66,132	375,205	48,336	104,404	842,600	(41,116)	801,483
Other items								
Depreciation costs	7,023	976	9,344	1,668	3,146	22,159	(230)	21,928
Increase in fixed assets	35,957	2,438	50,193	2,210	8,067	98,867	(380)	98,487

(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 ¥875 million deduction from segment income reflects the elimination of intersegment transactions.
 - (2) The ¥41,116 million deduction from segment assets includes a downward adjustment of ¥111,480 million in reflection of the elimination of intersegment liabilities and ¥70,364 million in corporate assets not allocated to reportable segments
 - (3) The ¥230 million deduction under depreciation costs reflects the elimination of intersegment transactions.
 - (4) The ¥380 million deduction under increase in fixed assets reflects the elimination of intersegment transactions.
3. Segment income has been adjusted for the operating income figure on the consolidated income statements.

(Per Share Information)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	¥2,357.27	¥2,592.83
Net income per share	¥315.07	¥307.75

(Notes) 1. Earnings per share–diluted is not shown because no applicable shares existed.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Total net assets (millions of yen)	383,201	420,743
Amount deducted from total net assets (millions of yen)	6,037	5,890
(Included non-controlling interests (millions of yen))	(6,037)	(5,890)
Net assets at end of year relating to common stock (millions of yen)	377,163	414,853
Amount of common stock at end of year used for calculating net assets per share (shares)	160,000,000	160,000,000

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income attributable to owners of the parent (millions of yen)	50,410	49,240
Amount not belonging to ordinary shareholders (millions of yen)	—	—
Net income attributable to common stock owners of the parent (millions of yen)	50,410	49,240
Weighted-average numbers of ordinary shares (shares)	160,000,000	160,000,000

(Significant Subsequent Events)

No relevant events

(Additional Information)

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

From the beginning of the fiscal year under review, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Deferred tax assets are presented in “investments and other assets,” and deferred tax liabilities are presented in “non-current liabilities.”

(Damage Caused by Heavy Rain in July 2018)

Damage was sustained by railway facilities due to heavy rain in July 2018. Under extraordinary losses in the consolidated income statements for the fiscal year ended March 31, 2018, the repair and other expenses that were incurred in the fiscal year under review as a result of this damage were recorded as disaster-damage losses. In addition, the repair and other expenses that we expect to incur due to this damage from the fiscal year ending March 31, 2020, onward were recorded as provision for loss on disaster based on rational estimations of their amounts.

(Occurrence of a loss related to the inappropriate handling of housing loans at JR Kyushu Housing)

It became clear that employees of JR Kyushu Housing, a consolidated subsidiary of JR Kyushu, encouraged facility owners to falsify documents to be submitted to financial institutions with regard to housing loans. Through this falsification, employees had facility owners apply for loans based on a construction contracting amounts that exceeded the actual amounts to receive excessive loans from financial institutions (hereinafter, “this activity”).

In regard to the loss related to this activity, etc., a reasonable estimate of the amount was recorded in “other” under extraordinary losses in the Consolidated Income Statements for the fiscal year under review.

The influence of this extraordinary loss on profit and loss in the fiscal year under review is insignificant.

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of Yen)

	FY 2018/3 (As of March 31, 2018)	FY 2019/3 (As of March 31, 2019)
ASSETS		
Current assets		
Cash and time deposits	1,223	1,673
Fares receivable	2,128	2,567
Accounts receivable-trade	25,905	41,985
Securities	46,176	11,226
Real estate for sale	3,531	8,434
Costs on uncompleted construction contracts	18,885	19,460
Supplies	6,188	6,428
Other	3,903	5,266
Allowance for doubtful accounts	(0)	(0)
Total current assets	107,943	97,042
Non-current assets		
Fixed assets for railway business		
Property, plant and equipment	647,448	668,960
Accumulated depreciation	(600,220)	(597,302)
Property, plant and equipment (net)	47,227	71,658
Intangible assets	909	827
Net fixed assets for railway operations	48,137	72,485
Fixed assets for other business		
Property, plant and equipment	257,050	292,401
Accumulated depreciation	(43,278)	(47,858)
Property, plant and equipment (net)	213,771	244,543
Intangible assets	525	440
Net fixed assets for other business	214,296	244,983
Fixed assets relating to both businesses		
Property, plant and equipment	37,407	36,466
Accumulated depreciation	(17,366)	(17,469)
Property, plant and equipment (net)	20,040	18,997
Intangible assets	132	143
Net fixed assets relating to both businesses	20,172	19,140
Construction in progress		
Railway business	19,340	23,381
Other business	1,761	6,091
Relating to both businesses	5	30
Total construction in progress	21,107	29,502
Investments and other assets		
Investment securities	17,619	19,254
Stocks of subsidiaries and affiliated companies	41,998	41,869
Long-term prepaid expenses	3,488	5,689
Deferred tax assets	52,687	46,429
Money held in trust	55,783	56,901
Other	1,003	1,670
Allowance for doubtful accounts	(77)	(72)
Provision for investment losses	(2,808)	(1,961)
Total investments and other assets	169,694	169,780
Total noncurrent assets	473,407	535,893
Total assets	581,351	632,935

(Millions of Yen)

	FY 2018/3 (As of March 31, 2018)	FY 2019/3 (As of March 31, 2019)
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	5,000	3,000
Payables	67,162	77,308
Accrued income taxes	3,526	727
Accrued consumption taxes	1,040	-
Fare deposits received with regard to railway connecting services	1,597	1,731
Deposits received	3,251	2,669
Railway fares received in advance	5,238	5,711
Advances received	19,591	25,832
Accrued bonuses	6,015	5,515
Provision for point card certificates	443	662
Other	4,338	4,825
Total current liabilities	117,203	127,983
Non-current liabilities		
Bonds	-	20,000
Long-term debt	68,000	65,000
Employees' severance and retirement benefits	47,695	43,557
Provision for exchange of travel vouchers	383	-
Allowance for safety and environmental measures	3,198	1,879
Allowance for earthquake-damage losses	7,125	4,613
Provision for guarantee obligations	38	806
Asset retirement obligations	128	131
Other	11,188	10,242
Total noncurrent liabilities	137,758	146,231
Total liabilities	254,962	274,215
EQUITY		
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	62,113	62,113
Total capital surplus	234,021	234,021
Retained earnings (Deficit)		
Other		
Reserve for deferred gain of fixed assets	5,480	5,951
Retained earnings carried forward	61,404	91,507
Total retained earnings (Deficit)	66,884	97,459
Total common stock	316,906	347,481
Valuation and translation adjustment		
Unrealized gain on available-for-sale securities	9,482	11,239
Net valuation and translation adjustment	9,482	11,239
Total equity	326,388	358,720
TOTAL LIABILITIES AND EQUITY	581,351	632,935

(2) Non-Consolidated Statements of Income

(Millions of Yen)

	FY 2018/3 (April 1, 2017 – March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
RAILWAY BUSINESS		
Operating revenues		
Income from railway passenger traffic	151,159	151,482
Trackage revenue	596	546
Miscellaneous income of transportation	19,544	20,181
Total operating revenues	171,300	172,209
Operating expenses		
Transportation expenses	120,901	121,323
General and administrative expenses	10,721	10,629
Taxes	7,100	7,413
Depreciation costs	4,355	6,075
Total operating expenses	143,078	145,442
Operating income	28,222	26,767
OTHER BUSINESSES		
Operating revenues		
Revenue from real estate sale	20,410	19,746
Revenue from real estate lease	24,439	26,157
Other	3,575	3,803
Total operating revenues	48,424	49,707
Operating expenses		
Cost of sales	23,496	23,664
Selling, general and administrative expenses	584	667
Taxes	485	652
Depreciation costs	5,334	5,762
Total operating expenses	29,901	30,746
Operating income	18,523	18,960
TOTAL OPERATING INCOME	46,746	45,728
NON-OPERATING INCOME		
Interest income	6	10
Dividend income	2,596	6,436
Gains on investment securities	1,085	806
Gain on assets held in trust	1,773	1,849
Provision for investment losses	442	255
Gains on sales of equipment	124	91
Other	189	167
Total non-operating income	6,219	9,617
NON-OPERATING EXPENSES		
Interest expense	642	640
Provision for loss on guarantees, etc.	-	768
Other	52	155
Total non-operating expenses	694	1,563
ORDINARY INCOME	52,270	53,782

(Millions of Yen)

	FY 2018/3 (April 1, 2017 – March 31, 2018)	FY 2019/3 (April 1, 2018 – March 31, 2019)
EXTRAORDINARY GAINS		
Construction grants received	13,366	16,350
Other	1,976	2,015
Total extraordinary gains	15,342	18,366
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	13,268	16,165
Disaster-damage losses	1,349	960
Provision for loss on disaster	2,677	446
Other	425	1,782
Total extraordinary losses	17,719	19,354
INCOME BEFORE INCOME TAXES	49,893	52,793
INCOME TAXES		
Current	3,716	3,050
Deferred	4,522	5,488
Total income taxes	8,238	8,539
NET INCOME	41,654	44,254

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

For the fiscal year ended March 31, 2018

(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	
					Provision of reserve for deferred gain of fixed assets	Retained Earnings Carried Forward		
Balance at beginning of current year	16,000	171,908	62,113	234,021	4,582	33,047	37,630	287,652
Changes of items during the year								
Dividends of surplus						(12,400)	(12,400)	(12,400)
Net income						41,654	41,654	41,654
Provision of reserve for deferred gain of fixed assets					897	(897)	—	—
Net changes of items other than shareholders' equity								
Total changes of items during the year	—	—	—	—	897	28,356	29,254	29,254
Balance at end of current year	16,000	171,908	62,113	234,021	5,480	61,404	66,884	316,906

	Valuation and Translation Adjustments	Total equity
	Net Unrealized Holding Gains (Losses) on Securities	
Balance at beginning of current year	9,858	297,510
Changes of items during the year		
Dividends of surplus		(12,400)
Net income		41,654
Provision of reserve for deferred gain of fixed assets		—
Net changes of items other than shareholders' equity	(376)	(376)
Total changes of items during the year	(376)	28,877
Balance at end of current year	9,482	326,388

For the fiscal year ended March 31, 2019

(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	
					Provision of reserve for deferred gain of fixed assets	Retained Earnings Carried Forward		
Balance at beginning of current year	16,000	171,908	62,113	234,021	5,480	61,404	66,884	316,906
Changes of items during the year								
Dividends of surplus						(13,680)	(13,680)	(13,680)
Net income						44,254	44,254	44,254
Provision of reserve for deferred gain of fixed assets					470	(470)	-	-
Net changes of items other than shareholders' equity								
Total changes of items during the year	-	-	-	-	470	30,103	30,574	30,574
Balance at end of current year	16,000	171,908	62,113	234,021	5,951	91,507	97,459	347,481

	Valuation and Translation Adjustments	Total equity
	Net Unrealized Holding Gains (Losses) on Securities	
Balance at beginning of current year	9,482	326,388
Changes of items during the year		
Dividends of surplus		(13,680)
Net income		44,254
Provision of reserve for deferred gain of fixed assets		-
Net changes of items other than shareholders' equity	1,756	1,756
Total changes of items during the year	1,756	32,331
Balance at end of current year	11,239	358,720