

(Translation)

Consolidated Financial Results
for the Nine-Month Period Ended December 31, 2020
(Japanese GAAP)

February 9, 2021

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
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Scheduled date for filing of quarterly report: February 12, 2021
Planned Date of dividend payment commencement: —
Preparation of supplementary explanations for financial results: Yes
Holding of a briefing on quarterly financial results: None

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

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2020
(From April 1, 2020 to December 31, 2020)

(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	%
Nine months ended December 31, 2020	202,405	(36.7)	(18,601)	—	(16,153)	—	(11,662)	—
December 31, 2019	319,669	1.7	45,886	(8.6)	46,971	(10.7)	35,332	(10.4)

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥(13,547) million (—%)
Nine months ended December 31, 2019: ¥37,840 million [(8.5%)]

	Net income per share — basic	Net income per share — diluted
Nine months ended December 31, 2020	Yen (74.23)	Yen —
December 31, 2019	221.46	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2020	908,560	397,415	43.2
As of March 31, 2020	828,590	418,298	49.9

(Reference) Shareholders' equity: As of December 31, 2020: ¥392,493 million
As of March 31, 2020: ¥413,293 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, 2020	—	46.50	—	46.50	93.00
Year ending March 31, 2021	—	0.00	—		
Year ending March 31, 2021 (Forecast)				93.00	93.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	291,700	(32.6)	(32,300)	—	(31,400)	—	(28,400)	—	(180.76)

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

Notes

(1) Changes in significant subsidiaries during the six months ended December 31, 2020 (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 December 31, 2020	157,301,600 shares	As of March 31, 2020	157,301,600 shares
ii Number of shares of treasury stock at end of period	As of December 31, 2020	184,600 shares	As of March 31, 2020	186,100 shares
iii Average number of shares during the period	As of December 31, 2020	157,116,500 shares	As of December 31, 2019	159,546,722 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) (Third quarter of FY2021/3, 184,600 shares; FY2020/3, 186,100 shares). 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 (Third quarter of FY2021/3, 185,100 shares; Third quarter of FY2020/3, 103,389 shares).

* 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.

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Financial Results for the Third Quarter of FY21.3 (Cumulative total for the nine-month period from April to December)

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information on Consolidated Operating Results

In the nine-month period ended December 31, 2020, Japan's economy faced downward pressure on business conditions due to the influence of the COVID-19 infection in Japan and overseas. After the government lifted the state of emergency in May 2020, economic activity gradually began to restart. In this setting, consumer spending has shown signs of improvement. However, the outlook for the resolution of the COVID-19 crisis is unclear, and in this environment the timing, extent, etc., of a recovery in economic activity remain highly uncertain. Challenging conditions are expected to continue for the time being.

Looking at the Group's results, due to spread of the COVID-19 infection, the railway and other businesses were affected by declining mobility demand, sluggish consumer spending, etc. In these conditions, we steadily invested in railway safety in accordance with our recognition that our most important mission is safety in the railway business, which is our mainstay business. In addition, as part of our implementation of strategic city-building initiatives in the regions around our bases, we opened Amu Plaza Miyazaki in November 2020, and we advanced preparations for the opening of the Kumamoto station building in spring 2021. On the other hand, the future course of trends in the management environment is unclear, and in preparation for changes in the management environment, we took necessary countermeasures, such as implementing aggressive, accelerated fund-raising; taking steps to reduce costs, including temporary leave for employees; and reevaluating investment plans.

As a result, operating revenue was down 36.7% year on year, to ¥202,405 million; operating loss was ¥18,601 million (compared with operating income of ¥45,886 million in the same period of the previous fiscal year); EBITDA was down 97.3% year on year, to ¥1,728 million; ordinary loss was ¥16,153 million (compared with ordinary income of ¥46,971 million in the same period of the previous fiscal year); and net loss attributable to owners of the parent was ¥11,662 million (compared with net income attributable to owners of the parent of ¥35,332 million in the same period of the previous fiscal year).

(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).

The Group's business performance by segment is as follows.

(Millions of Yen)

	Operating revenue			Operating income			EBITDA (Note 2)		
	FY2021/3, consolidated cumulative third quarter (nine months ended December 31, 2020)	YoY		FY2021/3, consolidated cumulative third quarter (nine months ended December 31, 2020)	YoY		FY2021/3, consolidated cumulative third quarter (nine months ended December 31, 2020)	YoY	
Transportation	70,297	(65,637)	(48.3%)	(24,844)	(50,671)	—	(16,569)	(49,225)	—
Construction	58,298	1,009	1.8%	2,646	759	40.3%	3,407	686	25.2%
Real Estate and Hotels	49,073	(13,394)	(21.4%)	5,424	(9,631)	(64.0%)	14,528	(8,880)	(37.9%)
Real estate lease	36,400	(5,057)	(12.2%)	8,806	(4,539)	(34.0%)	16,128	(4,076)	(20.2%)
Real estate sale	7,301	(499)	(6.4%)	99	(369)	(78.8%)	108	(378)	(77.7%)
Hotel	5,371	(7,836)	(59.3%)	(3,481)	(4,722)	—	(1,708)	(4,426)	—
Retail and Restaurant	41,194	(38,532)	(48.3%)	(1,978)	(4,415)	—	(935)	(4,587)	—
Other	44,311	(8,358)	(15.9%)	886	(502)	(36.2%)	2,268	(642)	(22.1%)
Total	263,174	(124,912)	(32.2%)	(17,864)	(64,461)	—	2,699	(62,649)	(95.9%)
Adjustment (Note 1)	(60,769)	7,648	—	(736)	(25)	—	(970)	(65)	—
Amount on the consolidated financial statements	202,405	(117,264)	(36.7%)	(18,601)	(64,487)	—	1,728	(62,714)	(97.3%)

(Notes) 1. Adjustments reflect the elimination of intersegment transactions.

2. Consolidated EBITDA = operating income + depreciation (after elimination of intersegment transactions, excluding depreciation of leased assets held for subleasing purposes), segment EBITDA = segment operating income + segment depreciation (after elimination of intersegment transactions, excluding depreciation of leased assets held for subleasing purposes)

a. Transportation Group

In the railway business, we worked to secure safety and implemented measures to prevent the spread of COVID-19. On that basis, we worked to secure revenues and advanced measures to control investment and reduce costs.

In terms of safety initiatives, we steadily implemented safety investment, such as updating rolling stock and replacing aging facilities. In addition, from April 2020, we installed train inspection support systems and train track monitoring equipment on certain trains used to carry passengers. We commenced initiatives to increase efficiency of inspection operations, enhance equipment quality, and increase safety for employees.

In regard to services, with consideration for prevention of the COVID-19 infection, we worked to facilitate comfortable usage by understanding the attitudes of customers and aggressively taking action. In addition, on trains we expanded the introduction of the “JR-KYUSHU FREE Wi-Fi,” a free, public wireless LAN service. Also, we posted notices regarding the Help Mark system on priority seating. In these ways, we worked to provide diverse, customer-focused services.

In marketing, from May 2020, on the Kōrimoto—Kiire segment of the Ibusuki Makurazaki Line, we introduced the Smart Support Station system. In addition, we rolled out a project under the title “Until the day the state of emergency is lifted, let’s stay strong together.” Through this project, we worked with a commitment to supporting the resolution of COVID-19 and took steps to promote the vitality of Kyushu. Furthermore, we worked to expand usage of Internet train reservation services, such as through sales of Minna no Kyushu Kippu, a product available only through the Internet. Moreover, we implemented such measures as a campaign to promote registration and use of the JR KYUPO app. We also worked to increase customer convenience and took steps to encourage customers to patronize multiple Group businesses, including the railway business and other businesses. In October 2020, we started operation of a new D&S train, the "36+3."

In transportation, while implementing infection prevention measures at stations and on trains, we worked to maintain the transportation network, which is social infrastructure. On the other hand, with consideration for the decline in mobility demand, we reduced the number of trains operated. As one part of measures to increase operational efficiency while securing safety, from December 2020 we commenced verification testing of self-driving train operational equipment on the Kashii Line. Furthermore, the heavy rains in July 2020, which occurred in July 2020, caused damage to railway facilities on the Kyudai Main Line and the Hisatsu Line, and we provided substitute forms of transportation on certain sections. 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. For this line, we have reached agreement with related local governments about the restoration of service through the introduction of a bus rapid transit (BRT) system, and we are moving ahead with preparations for the restoration of service. With regard to the segment between Higo-Ozu Station and Aso Station on the Houhi Main Line, which was impassable due to the impacts of the 2016 Kumamoto earthquakes, we completed restoration work and resumed service on the entire route in August 8, 2020.

In our passenger ship business, as a part of protection measures at ports and airports in order to prevent the spread of the COVID-19 infection, we received an order from the Japanese government to halt passenger transportation, and regular service has been suspended on all routes since March 9, 2020. On the other hand, as special domestic routes we offered service to Tsushima in August and to Hirado and Yobuko in September.

In our bus business, through measures to prevent the spread of infection, we worked to create an environment in which customers can use bus services with peace of mind, and at the same time we halted or reduced service in line with usage conditions.

In the field of new mobility services (MaaS), we advanced initiatives targeting the establishment of a sustainable public transportation network, centered on collaboration with

DAIICHI KOUTSU SANGYO Co., Ltd., and Nishi-Nippon Railroad Co., Ltd. At Moji Station and Mojikō Station on the Kagoshima Main Line, we worked to improve connections between buses and trains. Our model for these initiatives was our collaboration with Nishitetsu Bus at Shimosone Station on the Nippo Main Line, which began in March 2020. In these types of ways, we worked to increase the convenience of public transportation. Moreover, in November 2020 we commenced MaaS verification testing operations in Miyazaki Prefecture, which were selected by the Ministry of Land, Infrastructure, Transport and Tourism as a 2020 Japan-style MaaS promotion/support enterprise. Through this verification testing, we are advancing measures aimed at supporting the realization of seamless transportation services through collaboration among multiple transportation modes; promoting visits through cooperation among tourism facilities and commercial facilities, such as Amu Plaza Miyazaki; and enhancing the central urban district's suitability for excursions.

Despite the above efforts, due to the influence of COVID-19, revenues declined significantly in the railway, passenger ship, and bus businesses, and the Transportation Group recorded operating revenue of ¥70,297 million, down 48.3% year on year; an operating loss of ¥24,844 million (compared with operating income of ¥25,826 million in the same period of the previous fiscal year); and negative EBITDA of ¥16,569 million (compared with EBITDA of ¥32,655 million in the same period of the previous fiscal year).

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 ¥58,298 million, up 1.8% year on year; operating income of ¥2,646 million, up 40.3% year on year; and EBITDA of ¥3,407 million, an increase of 25.2% year on year.

c. Real Estate and Hotels Group

In the real estate business, we worked to create an environment in which customers can use services with peace of mind, and we advanced preparations for new openings. In November 2020, we opened Amu Plaza Miyazaki. In addition, from May 2020, we started accepting tenants at RJR Precia Tenjin South, a rental apartment facility. However, revenues were lower as a result of the influence of measures implemented due to the spread of the COVID-19 infection, such as station building closures and operating hour reductions, as well as rent reductions to support tenants that operate stores.

In the real estate sale business, while temporarily closing model rooms and instituting infection prevention measures, we recorded sales from “MJR Chihaya Branchera,” “MJR the Garden Kagoshima-Chuo,” and other condominium buildings, and we sought to promote sales of “MJR Sakaisuji Hommachi Tower,” “MJR the Garden Shimoori,” etc.

In the hotel business, due to the influence of COVID-19, we closed 8 of the 16 facilities in Japan. After reopening, we utilized the tourism support measures of the national government and local governments, created a plan for teleworking, etc. In these ways, we worked to

capture limited demand. However, due to self-restraint in mobility, the cancellation of events, lower inbound demand, etc., revenues recorded a significant decline.

As a result, the Real Estate and Hotels Group posted operating revenue of ¥49,073 million, down 21.4% year on year; operating income of ¥5,424 million, down 64.0% year on year; and EBITDA of ¥14,528 million, down 37.9% year on year.

d. Retail and Restaurant Group

In our retail business, we moved forward with the opening of new convenience stores. In addition, we focused on taking steps to limit the decline in demand, such as renovating the Oita Souvenir Shop and establishing a premium corner. In May 2020, we transferred to TSURUHA Holdings, Inc. a portion of our holdings of the shares of JR Kyushu Drug Eleven Inc. Accompanying this transfer, from the end of the first quarter of the fiscal year ending March 31, 2021, JR Kyushu Drug Eleven Inc. has been excluded from the scope of consolidation and included in the scope of application of the equity-method.

In the restaurant business, we advanced new openings, such as the opening in July of Meinohama Marché at the Fukuoka City Subway's Meinohama Station, as well as the opening in September of a premium bread shop and a restaurant that is a collaborative venture between a pizza restaurant and a chicken specialty restaurant. In November, a restaurant specializing in beef tongue was opened at Amu Plaza Miyazaki. On the other hand, we took steps to further increase management efficiency, such as closing unprofitable restaurants.

Nonetheless, due to the influence of COVID-19, revenues at station stores and existing restaurants declined substantially. As a result of this significant decline in revenues, the Retail and Restaurant Group recorded operating revenue of ¥41,194 million, down 48.3% year on year; an operating loss of ¥1,978 million (compared with operating income of ¥2,437 million in the same period of the previous fiscal year); and negative EBITDA of ¥935 million (compared with EBITDA of ¥3,651 million in the same period of the previous fiscal year).

e. Other Groups

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

Other Groups posted operating revenue of ¥44,311 million, down 15.9% year on year; operating income of ¥886 million, down 36.2% year on year; and EBITDA of ¥2,268 million, down 22.1% year on year.

(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

Total assets as of December 31, 2020, increased 9.7% compared with the previous fiscal year-end, to ¥908,560 million. Current assets increased 34.2%, to ¥216,457 million, due to an increase in securities and other factors. Non-current assets increased 3.7%, to ¥692,103 million, due principally to the acquisition of property, plant and equipment, etc.

Meanwhile, total liabilities increased 24.6% compared with the previous fiscal year-end, to ¥511,145 million. Current liabilities fell 20.6%, to ¥159,034 million, due to payment of payables. Non-current liabilities were up 67.6%, to ¥352,111 million, as a result of the issuance of bonds and an increase in long-term debt and other factors.

Furthermore, total equity decreased 5.0% compared with the previous fiscal year-end, to ¥397,415 million, due primarily to a decrease in retained earnings resulting from the recording of a net loss attributable to owners of the parent and the payment of dividends, etc.

(3) Qualitative Information on Consolidated Performance Outlook

In regard to the full-year performance forecasts for FY2021.3, there are no changes to the announcement made on November 4, 2020.

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 2020/3 (As of March 31, 2020)	FY 2021/3, Third Quarter (As of December 31, 2020)
ASSETS		
Current assets		
Cash and time deposits	23,817	57,107
Notes and accounts receivable–trade	38,707	34,659
Fares receivable	4,126	1,672
Securities	—	42,967
Merchandise and finished goods	19,702	9,958
Work in process	28,364	36,858
Raw materials and supplies	7,574	9,751
Other	39,082	23,574
Allowance for doubtful accounts	(82)	(90)
Total current assets	161,293	216,457
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	268,654	285,662
Machinery, rolling stock and vehicles (net)	32,578	34,575
Land	147,736	151,994
Lease assets (net)	19,953	18,842
Construction in progress	40,133	43,228
Other (net)	8,935	8,259
Net property, plant and equipment	517,992	542,562
Intangible assets	6,280	4,142
Investments and other assets		
Investment securities	38,835	41,800
Deferred tax assets	51,768	53,319
Net defined benefit assets	720	824
Other	52,537	50,257
Allowance for doubtful accounts	(838)	(804)
Total investments and other assets	143,024	145,398
Total noncurrent assets	667,297	692,103
Total assets	828,590	908,560

(Millions of Yen)

	FY 2020/3 (As of March 31, 2020)	FY 2021/3, Third Quarter (As of December 31, 2020)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	32,460	19,534
Short-term loans	10,572	9,830
Current portion of long-term debt	30,421	22,171
Payables	63,841	42,975
Accrued income taxes	3,666	760
Fare deposits received with regard to railway connecting services	1,175	1,199
Railway fares received in advance	4,720	4,510
Accrued bonuses	8,922	2,756
Other	44,467	55,294
Total current liabilities	200,248	159,034
Non-current liabilities		
Corporate bonds	40,000	80,000
Long-term debt	60,556	157,899
Allowance for safety and environmental measures	1,609	1,602
Allowance for disaster-damage losses	1,732	5,564
Liability for retirement benefits	53,801	51,329
Asset retirement obligations	1,690	1,322
Other	50,653	54,392
Total noncurrent liabilities	210,043	352,111
Total liabilities	410,291	511,145
EQUITY		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	224,024	224,021
Retained earnings (Deficit)	176,329	157,292
Treasury stock	(599)	(594)
Total common stock	415,754	396,719
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,422	1,971
Gain (loss) on deferred hedges	15	–
Foreign currency translation adjustments	158	110
Defined retirement benefit plans	(7,057)	(6,309)
Total accumulated other comprehensive income	(2,461)	(4,226)
Non-controlling interests	5,004	4,921
Total equity	418,298	397,415
TOTAL LIABILITIES AND EQUITY	828,590	908,560

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative Third Quarter

(Millions of Yen)

	FY 2020/3, Third Quarter (Nine months ended December 31, 2019)	FY 2021/3, Third Quarter (Nine months ended December 31, 2020)
OPERATING REVENUE	319,669	202,405
OPERATING EXPENSE		
Transportation, other services and cost of sales	192,390	152,553
Selling, general and administrative expense	81,392	68,453
Total operating expense	273,783	221,006
OPERATING INCOME (LOSS)	45,886	(18,601)
NON-OPERATING INCOME		
Interest income	50	59
Dividend income	440	608
Gain on assets held in trust	1,003	1,379
Subsidies for employment adjustment	-	1,498
Other	705	552
Total non-operating income	2,199	4,099
NON-OPERATING EXPENSE		
Interest expense	939	1,306
Other	175	344
Total non-operating expense	1,114	1,651
ORDINARY INCOME (LOSS)	46,971	(16,153)
EXTRAORDINARY GAINS		
Construction grants received	1,943	997
Gain on sales of shares of subsidiaries and associates	764	9,144
Gain on sales of trusts	574	-
Other	174	620
Total extraordinary gains	3,457	10,762
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	1,915	954
Provision for loss on disaster	1,071	5,194
Disaster-damage losses	317	585
Other	289	1,521
Total extraordinary losses	3,593	8,254
INCOME (LOSS) BEFORE INCOME TAXES	46,835	(13,646)
INCOME TAXES		
Current	6,156	765
Deferred	5,161	(2,668)
Total income taxes	11,318	(1,902)
NET INCOME (LOSS)	35,517	(11,743)
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	184	(81)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	35,332	(11,662)

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Third Quarter

(Millions of Yen)

	FY 2020/3, Third Quarter (Nine months ended December 31, 2019)	FY 2021/3, Third Quarter (Nine months ended December 31, 2020)
NET INCOME (LOSS)	35,517	(11,743)
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	1,751	(2,458)
Gain (loss) on deferred hedges	(113)	(15)
Foreign currency translation adjustments	28	(72)
Defined retirement benefit plans	656	742
Total other comprehensive income	2,323	(1,803)
COMPREHENSIVE INCOME	37,840	(13,547)
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	37,650	(13,436)
Non-controlling interests	189	(111)

(3) 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)

(Restoration of the Hitahikosan Line)

Due to the influence of the heavy rains in northern Kyushu in July 2017, we are implementing substitute forms of transportation on the Soeda-Yoake segment of the Hitahikosan Line. At the sixth meeting regarding the restoration of the Hitahikosan Line, which was held on July 16, it was decided that service on the line would be restored and an agreement was reached on the method of restoration.

Accordingly, in the consolidated cumulative third quarter, expenses related to removal and repair of railway facilities and were rationally estimated, and provision for loss on disaster of ¥2,153 million and disaster-damage losses of ¥28 million were recorded under extraordinary losses in the quarterly consolidated income statements.

(Accounting estimates related to the influence of the spread of the COVID-19 infection)

With consideration for the most recent circumstances, the Company has made changes to assumptions, including the timing of the resolution of the COVID-19 situation, that were included in the Annual Securities Report (Yuho) for the previous fiscal year under "Additional information, Accounting estimates related to the influence of the spread of the COVID-19 infection." The Company's approach after the changes is as follows.

In regard to the influence of COVID-19 in FY2021.3, with consideration for revenue trends following the lifting of the state of emergency, and based on information available at this point, the Company assumes that there will be a certain degree of recovery by the end of the fiscal year, but that the influence of COVID-19 will continue for a certain period of time in the next fiscal year. The Company has made accounting estimates for fixed-asset impairment accounting, recoverability of deferred tax assets, etc.

The effect of these changes on the quarterly consolidated financial statements is insignificant.

(Occurrence of damage due to heavy rains in July 2020)

Due to the influence of the heavy rains in July 2020, which occurred throughout Kyushu in July 2020, damage occurred on multiple routes, including the Kyudai Main Line and the Hisatsu Line. This damage included bridges being washed away and damage to tracks. Among the recovery expenses, etc., resulting from this damage, in regard to recovery expenses, etc., that can be reasonably estimated at this point, extraordinary losses were recorded in the quarterly consolidated income statements for the consolidated cumulative third quarter. Recovery expenses, etc., for the consolidated cumulative third quarter were recorded as "disaster-damage losses" and a reasonable estimate of the amount of recovery expenses, etc., anticipated in the consolidated cumulative fourth quarter and thereafter was recorded as "provision for loss on disaster."

In regard to the Hisatsu Line, expenses could occur, but expenses, etc., that are difficult to reasonably estimate are not included in "provision for loss on disaster."

(Segment Information)

FY 2020/3, Third Quarter (Nine-Month Period Ended December 31, 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	130,348	23,044	59,167	79,492	27,616	319,669	—	319,669
Inside Group	5,587	34,243	3,300	233	25,053	68,417	(68,417)	—
Total	135,935	57,288	62,467	79,726	52,669	388,087	(68,417)	319,669
Segment income	25,826	1,886	15,056	2,437	1,389	46,597	(710)	45,886

(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 ¥710 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 2021/3, Third Quarter (Nine-Month Period Ended December 31, 2020)

1. Information Related to Operating Revenue and Income (Loss) 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	65,349	25,070	46,488	41,074	24,422	202,405	—	202,405
Inside Group	4,948	33,227	2,585	119	19,888	60,769	(60,769)	—
Total	70,297	58,298	49,073	41,194	44,311	263,174	(60,769)	202,405
Segment income (loss)	(24,844)	2,646	5,424	(1,978)	886	(17,864)	(736)	(18,601)

(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 ¥736 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

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

2 Information related to assets for each reportable segment

(Significant decrease in assets due to decline in the number of subsidiaries)

Due to the exclusion from the scope of consolidation of JR Kyushu Drug Eleven, in comparison with the previous fiscal year, assets in the Retail and Restaurant segment were down ¥16,167 million.

(Significant Subsequent Events)

None