

Consolidated Financial Results
for the Six-Month Period Ended September 30, 2018
(Japanese GAAP)

December 13, 2018

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: December 14, 2018
 Date of dividend payment commencement: December 5, 2018
 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, 2018
(From April 1, 2018 to September 30, 2018)

(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	%
Six months ended September 30, 2018	210,220	11.0	33,227	1.3	35,052	3.1	26,233	14.4
September 30, 2017	189,401	10.1	32,785	15.8	33,993	15.4	22,933	15.2

(Note) Comprehensive income: Six months ended September 30, 2018: ¥28,005 million (21.6%)
 Six months ended September 30, 2017: ¥23,023 million (30.3%)

	Net income per share — basic	Net income per share — diluted
Six months ended	Yen	Yen
September 30, 2018	163.96	—
September 30, 2017	143.34	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	747,092	404,112	53.3
As of March 31, 2018	749,391	383,201	50.3

(Reference) Shareholders' equity: As of September 30, 2018: ¥398,096 million
 As of March 31, 2018: ¥377,163 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, 2018	—	39.00	—	44.00	83.00
Year ending March 31, 2019	—	41.50			
Year ending March 31, 2019 (Forecast)			—	41.50	83.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Percentages for the full year 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	439,700	6.4	60,700	(5.1)	62,600	(6.6)	47,500	(5.8)	296.88

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

Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018 (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, 2018	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 September 30, 2018	—	As of March 31, 2018	—
iii Average number of shares during the period	As of September 30, 2018	160,000,000 shares	As of September 30, 2017	160,000,000 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.

Kyushu Railway Company plans to hold a quarterly financial results presentation meeting for analysts on Tuesday, December 18, 2018. The Company plans to publish the presentation materials distributed at this meeting on its website immediately after the meeting is concluded.

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Financial Results for the Second Quarter of FY2019/3 (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, 2018, Japan's economy continued on a modest growth trend amid a rise in exports and production stimulated by steady growth in the global economy as well as the increasingly solid consumer spending arising from steady improvements in the job market and wages.

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

As a result, operating revenues in the six-month period ended September 30, 2018, increased 11.0% year on year, to ¥210,220 million. Operating income was up 1.3%, to ¥33,227 million; EBITDA rose 5.8%, to ¥43,473 million; ordinary income was up 3.1%, to ¥35,052 million; and net income attributable to owners of the parent was up 14.4%, to ¥26,233 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).

In addition, 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 construction contracting amounts that exceeded the actual amounts in order to receive excessive loans from financial institutions (hereinafter, “this activity”).

JR Kyushu established a third-party committee to work from an independent standpoint in order to determine the presence or absence of similar activities, including this activity, and to provide advice regarding measures to prevent a recurrence, etc. The investigation report was received from the third-party committee on November 30, 2018. With consideration for the content of this investigation report, the JR Kyushu Group will continue to do its utmost to rigorously implement the recurrence prevention measures that were announced on December 10, 2018.

Note that the influence of this activity on the results in the six-month period ended September 30, 2018, was insignificant.

Business performance by segment is as follows.

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 revenues 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, we engaged in activities that promoted safety under the slogan of “confirming safety from all aspects” in order to create a safety-oriented corporate culture for the entire JR Kyushu Group. For safety investments, we steadily carried out the replacement of aging facilities and

implemented Shinkansen derailment countermeasures. 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 made efforts to welcome customers with a smile and through pleasant 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. Such products 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, we carried out the promotional campaign “The Answer Is in Kagoshima,” which runs in conjunction with the NHK Taiga Drama *Segodon*. As for our “JR Kyushu Internet Reservation Service,” we enhanced our lineup of products available only online and encouraged sales through a promotion to receive *JR Kyupo* loyalty points when making Internet reservations. 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 commenced new routes as of March 2018, and our 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, we promoted the direct sale of the “JR Kyushu Rail Pass,” a mainstay product geared toward customers from overseas, via our corporate website as well as our advanced seat reservation service. 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 and made concerted efforts to establish an efficient transportation organization that meets the demand for each train line. At the same time, we promoted the use of our railways by further enhancing our transportation network, which is centered on the Kyushu Shinkansen. In addition, due to the impacts of the heavy rains that occurred in northern Kyushu in July 2017, etc., we implemented substitute forms of transportation on certain sections of the Kyudai Main Line and the Hitahikosan Line, and due to the heavy rains that occurred in July 2018, we implemented substitute forms of transportation on certain sections of the Chikuho Main Line. On the Kyudai Main Line, operation was restarted from July 2018. 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, centered on the Houhi Main Line Repair Office, we are making coordinated efforts with relevant organizations to help advance erosion control, reforestation, and road repair measures of the central and local governments.

In our passenger ship business, from July 2018 we started operation of Japan’s first “mixed-boarding” ferries, with a certain number of our Beetle hydrofoil ferries operating on a domestic route between Fukuoka City and Tsushima City. In this way, we worked to expand demand for travel via hydrofoil ferry.

For our bus business, we rolled out limited-time discount campaigns for the high-speed bus

B&S Miyazaki, which connects with the Kyushu Shinkansen, and other high-speed bus routes, thereby securing profits.

As a result of the above efforts, the Transportation Group recorded operating revenues of ¥89,738 million, up 0.2% year on year; operating income of ¥16,832 million, down 6.8%; and EBITDA of ¥20,115 million, down 1.3%.

b. Construction Group

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

As a result, the Construction Group recorded operating revenues of ¥31,564 million, up 13.4% year on year; operating income of ¥1,096 million, up 72.6%; and EBITDA of ¥1,563 million, up 51.6%.

c. Real Estate Group

In the real estate lease business, we worked to create a lively atmosphere at Higo Yokamon Ichiba, a commercial facility located under elevated railway tracks at Kumamoto Station that opened in March 2018. Furthermore, in September 2018, we renovated Amu Plaza Kokura and Amu Plaza Nagasaki, and we worked to expand earnings by actively holding events that utilized the station squares of each station building.

In the real estate sale business, sales were recorded from MJR the Garden Kagoshima-Chuo, MJR Kuhonji Terrace, and other condominiums, and we sought to promote sales of MJR the Garden Oita Ekimae and other condominiums.

As a result, the Real Estate Group posted operating revenues of ¥34,225 million, up 10.7% year on year; operating income of ¥12,189 million, up 3.8%; and EBITDA of ¥16,767 million, up 4.4%.

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 made proactive efforts to pursue new areas of business, including the opening of our first Starbucks Coffee store, which commenced operations under a license agreement in April 2018, and the opening of Kyushu's first Komeraku store, which specializes in original *ochazuke* (rice with green tea poured over it) dishes.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥52,323 million, up 1.6% year on year; operating income of ¥1,776 million, down 4.5%; and EBITDA of ¥2,595 million, down 2.7%.

e. Other Groups

In the hotel business, we actively engaged in sales activities at JR Kyushu Hotel Blossom Naha, and Okuhita Onsen UMEHIBIKI, which opened in 2017,. In addition, we worked to

expand earnings by bolstering revenue management at existing hotels. In the seniors business, we commenced the provision of visiting nursing care services at the residence-style private retire home SJR Takatori. We also worked to enhance our services with the aim of having our facilities be continuously selected by our customers. For the construction machinery sales and rental business, we strived to acquire new orders through such means as holding exhibitions on construction machinery that utilizes information and communication technologies.

As a result, Other Groups posted operating revenues of ¥42,912 million, up 53.0% year on year; operating income of ¥1,731 million, up 166.1%; and EBITDA of ¥2,939 million, up 147.9%.

(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, 2018, decreased 0.3% compared with the previous fiscal year-end, to ¥747,092 million. Current assets decreased 10.9%, to ¥178,652 million, following the collection of other accounts receivable and accounts receivable–trade. Non-current assets increased 3.5%, to ¥568,440 million, due to the acquisition of property, plant and equipment.

Meanwhile, total liabilities decreased 6.3% compared with the previous fiscal year-end, to ¥342,980 million. Current liabilities fell 12.3%, to ¥144,437 million, due to payment of payables and accounts payable–trade. Non-current liabilities were down 1.5%, to ¥198,542 million, as a result of a decrease in liability for retirement benefits and other factors.

Furthermore, total equity increased 5.5% compared with the previous fiscal year-end, to ¥404,112 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 ¥29,322 million, down ¥17,627 million year on year, due to such factors as a decrease related to the collection of trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥16,914 million, down ¥22,923 million year on year, due to such factors as the recording of purchases of marketable securities in the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥7,336 million, up ¥634 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 ¥5,043 million year on year, to ¥69,422 million.

(3) Qualitative Information on Consolidated Performance Outlook

In regard to our full-year forecasts for the fiscal year ending March 31, 2019, there have been no revisions to the forecasts announced on August 6, 2018.

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 2018/3 (As of March 31, 2018)	FY 2019/3, Second Quarter (As of September 30, 2018)
ASSETS		
Current assets		
Cash and time deposits	15,064	14,986
Notes and accounts receivable–trade	42,833	35,296
Fares receivable	2,294	2,575
Securities	65,077	54,595
Merchandise and finished goods	15,024	18,427
Work in process	23,364	28,462
Raw materials and supplies	6,586	8,112
Other	30,272	16,276
Allowance for doubtful accounts	(115)	(81)
Total current assets	200,400	178,652
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	222,772	222,797
Machinery, rolling stock and vehicles (net)	20,928	21,303
Land	105,153	115,883
Lease assets (net)	10,726	9,668
Construction in progress	23,551	34,335
Other (net)	7,557	7,048
Net property, plant and equipment	390,690	411,037
Intangible assets	5,908	5,601
Investments and other assets		
Investment securities	22,687	23,228
Deferred tax assets	61,184	58,580
Net defined benefit assets	819	816
Money held in trust	55,783	56,872
Other	12,770	13,114
Allowance for doubtful accounts	(854)	(810)
Total investments and other assets	152,391	151,801
Total noncurrent assets	548,990	568,440
Total assets	749,391	747,092

(Millions of Yen)

	FY 2018/3 (As of March 31, 2018)	FY 2019/3, Second Quarter (As of September 30, 2018)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	38,480	23,425
Short-term loans	4,528	4,472
Current portion of long-term debt	5,793	5,795
Payables	52,632	37,112
Accrued income taxes	8,047	5,351
Fare deposits received with regard to railway connecting services	1,597	1,743
Railway fares received in advance	5,319	6,270
Accrued bonuses	9,260	8,982
Other	39,065	51,285
Total current liabilities	164,724	144,437
Non-current liabilities		
Long-term debt	77,001	76,386
Allowance for safety and environmental measures	3,198	3,198
Allowance for disaster-damage losses	7,125	8,168
Liability for retirement benefits	63,426	61,104
Asset retirement obligations	1,545	1,589
Other	49,167	48,094
Total noncurrent liabilities	201,465	198,542
Total liabilities	366,190	342,980
EQUITY		
Common stock		
authorized, 640,000,000 shares; issued, 160,000,000 shares in FY 2018/3 and FY 2019/3	16,000	16,000
Capital surplus	234,270	234,270
Retained earnings (Deficit)	124,997	144,191
Total common stock	375,268	394,461
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	9,981	10,976
Gain (loss) on deferred hedges	(47)	229
Foreign currency translation adjustments	133	97
Defined retirement benefit plans	(8,171)	(7,669)
Total accumulated other comprehensive income	1,895	3,634
Non-controlling interests	6,037	6,015
Total equity	383,201	404,112
TOTAL LIABILITIES AND EQUITY	749,391	747,092

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2018/3, Second Quarter (Six months ended September 30, 2017)	FY 2019/3, Second Quarter (Six months ended September 30, 2018)
OPERATING REVENUES	189,401	210,220
OPERATING EXPENSES		
Transportation, other services and cost of sales	111,142	127,371
Selling, general and administrative expenses	45,473	49,621
Total operating expenses	156,616	176,992
OPERATING INCOME	32,785	33,227
NON-OPERATING INCOME		
Interest income	28	34
Dividend income	152	236
Gains on investment securities	340	849
Gain on assets held in trust	753	913
Other	350	294
Total non-operating income	1,625	2,327
NON-OPERATING EXPENSES		
Interest expense	341	450
Other	76	52
Total non-operating expenses	418	503
ORDINARY INCOME	33,993	35,052
EXTRAORDINARY GAINS		
Construction grants received	822	605
Insurance proceeds related to natural disasters	—	1,000
Other	219	63
Total extraordinary gains	1,041	1,669
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	757	599
Provision for loss on disaster	4,819	1,605
Disaster-damage losses	73	107
Other	297	405
Total extraordinary losses	5,948	2,719
INCOME BEFORE INCOME TAXES	29,086	34,003
INCOME TAXES		
Current	4,958	5,907
Deferred	1,175	1,803
Total income taxes	6,133	7,711
NET INCOME	22,952	26,292
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	58
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	22,933	26,233

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2018/3, Second Quarter (Six months ended September 30, 2017)	FY 2019/3, Second Quarter (Six months ended September 30, 2018)
NET INCOME	22,952	26,292
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(282)	981
Gain (loss) on deferred hedges	—	276
Foreign currency translation adjustments	(1)	(44)
Defined retirement benefit plans	355	500
Total other comprehensive income	70	1,713
COMPREHENSIVE INCOME	23,023	28,005
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	22,970	27,972
Non-controlling interests	52	33

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2018/3, Second Quarter (Six months ended September 30, 2017)	FY 2019/3, Second Quarter (Six months ended September 30, 2018)
OPERATING ACTIVITIES		
Income before income taxes	29,086	34,003
Depreciation	8,285	10,407
Losses from provision for cost reduction of fixed assets	757	599
Disaster-damage losses	73	107
Provision for loss on disaster	4,819	1,605
Net change in allowance for doubtful accounts	(38)	(76)
Net change in net defined benefit liabilities	(2,085)	(1,596)
Interest and dividend income	(181)	(271)
Interest expense	341	450
Construction grants received	(822)	(605)
Insurance proceeds related to natural disasters	—	(1,000)
Net change in major receivables	17,941	7,253
Net change in inventories	(12,168)	(9,334)
Net change in major payables	(13,551)	(13,956)
Gain on assets held in trust	(753)	(913)
Other	9,999	10,629
Sub-total	41,704	37,302
Insurance proceeds received	—	1,000
Proceeds from interest and dividends	199	282
Payments of interest	(299)	(414)
Proceeds from gain on assets held in trust	753	908
Payments of disaster-damage losses	(1,287)	(1,245)
Income taxes paid or refunded (paid listed in parentheses)	5,879	(8,510)
Net cash provided by operating activities	46,950	29,322
INVESTING ACTIVITIES		
Payments for purchases of fixed assets	(45,506)	(47,735)
Payments for purchases of investments in securities	(26,600)	—
Proceeds from redemption of securities	17,500	15,600
Purchases of investment securities	(3,629)	(351)
Proceeds from construction grants	16,646	14,502
Other	1,752	1,069
Net cash used in investing activities	(39,838)	(16,914)
FINANCING ACTIVITIES		
Net change in short-term loans	(65)	100
Payments of long-term loans	(394)	(396)
Repayments of long-term liabilities	(167)	(170)
Proceeds from deposits and guarantees	388	723
Redemption of deposits and guarantees	(218)	(308)
Cash dividends paid	(6,160)	(7,040)
Cash dividends paid to non-controlling interests	(48)	(54)
Other	(35)	(189)
Net cash used in financing activities	(6,702)	(7,336)
Translation differences for cash and cash equivalents	1	(28)
NET CHANGE IN CASH AND CASH EQUIVALENTS	411	5,043
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	54,263	64,379
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	54,675	69,422

(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)

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting

As of the first quarter of FY2019/3, the Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018). As a result, deferred tax assets are now included under "Investments and other assets," and deferred tax liabilities are now included in the "Non-current liabilities" category for liabilities.

(Occurrence of damage due to heavy rains in July 2018)

Railway facilities were damaged by the heavy rains in July 2018. Among the recovery expenses, etc., resulting from this damage, extraordinary losses were recorded in the quarterly consolidated income statements for the consolidated cumulative second quarter. Recovery expenses, etc., for the consolidated cumulative second quarter were recorded as "disaster-damage losses" and a reasonable estimate of the amount of recovery expenses, etc., anticipated in the consolidated cumulative third quarter and thereafter was recorded as "provision for loss on disaster."

(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 construction contracting amounts that exceeded the actual amounts in order 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 Quarterly Consolidated Income Statements for the Consolidated Cumulative Second Quarter. Note that the influence of this activity on the Company's profit/loss in the six-month period ended September 30, 2018, was insignificant.

(Segment Information)

FY 2018/3, Second Quarter (Six-Month Period Ended September 30, 2017)

Information Related to Operating Revenues 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	Retail and Restaurant				
Operating Revenues								
Outside Customers	87,057	9,233	27,803	51,362	13,943	189,401	—	189,401
Inside Group	2,463	18,612	3,118	141	14,109	38,446	(38,446)	—
Total	89,520	27,846	30,922	51,504	28,053	227,848	(38,446)	189,401
Segment income	18,056	635	11,744	1,861	650	32,948	(163)	32,785

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

2. The ¥163 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 2019/3, Second Quarter (Six-Month Period Ended September 30, 2018)

Information Related to Operating Revenues 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	Retail and Restaurant				
Operating Revenues								
Outside Customers	87,165	12,468	30,529	52,171	27,885	210,220	—	210,220
Inside Group	2,573	19,096	3,696	152	15,026	40,544	(40,544)	—
Total	89,738	31,564	34,225	52,323	42,912	250,765	(40,544)	210,220
Segment income	16,832	1,096	12,189	1,776	1,731	33,626	(398)	33,227

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

2. The ¥398 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.

(Significant Subsequent Events)

None