

Consolidated Financial Results
for the Three-Month Period Ended June 30, 2017
(Japanese GAAP)

August 10, 2017

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 Stock exchange listings: Tokyo and Fukuoka
 Securities code: 9142
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 Scheduled 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 Three-Month Period Ended June 30, 2017
(From April 1, 2017 to June 30, 2017)

(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	%
Three months ended June 30, 2017	94,619	19.1	16,731	35.3	17,187	32.4	13,502	88.5
June 30, 2016	79,456	—	12,364	—	12,983	—	7,164	—

(Note) Comprehensive income: Three months ended June 30, 2017: ¥13,208 million (154.4%).
 Three months ended June 30, 2016: ¥5,191 million (—%)

	Net income per share — basic	Net income per share — diluted
Three months ended June 30, 2017	Yen 84.39	Yen —
June 30, 2016	44.78	—

(Note) On August 18, 2016, the Company conducted a stock split at a ratio of 500 shares for each share of common stock. Calculations of quarterly income per share were made under the assumption that the stock split would occur at the beginning of previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	661,032	355,447	53.0
As of March 31, 2017	676,669	348,447	50.7

(Reference) Shareholders' equity: As of June 30, 2017: ¥350,075 million
 As of March 31, 2017: ¥343,039 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Year ended March 31, 2017	Yen —	Yen 0.00	Yen —	Yen 38.50	Yen 38.50
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		39.00	—	39.00	78.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	396,300	3.5	56,200	(4.3)	57,600	(4.9)	45,000	0.6	281.25

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

Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2016 (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 June 30, 2017	160,000,000 shares	As of March 31, 2017	160,000,000 shares
ii Number of shares of treasury stock at end of period	As of June 30, 2017	—	As of March 31, 2017	—
iii Average number of shares during the period	As of June 30, 2017	160,000,000 shares	As of June 30, 2016	160,000,000 shares

(Note) On August 18, 2016, the Company conducted a stock split at a ratio of 500 shares for each share of common stock.

Calculations for the number of shares issued and outstanding (common stock) were made under the assumption that the stock split would occur at the beginning of the previous consolidated fiscal year.

* This summary of consolidated financial results is not subject to quarterly reviews.

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, declines 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information on Consolidated Operating Results

In the three-month period ended June 30, 2017, Japan's economy began to display a modest growth trend amid a rise in exports and production stimulated by the upturn in the global economy as well as the increasingly solid consumer spending arising from steady improvements in the job market and wages. Meanwhile, the trend toward recovery from the impacts of the Kumamoto earthquakes, which occurred in April 2016, continued, with overall conditions improving on the back of full-fledged restoration and reconstruction demand combined with demand in the tourism industry and other types of inbound travel demand.

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. Also, we have been advancing a coordinated effort with the national government and local communities to move ahead with the restoration and reconstruction following the 2016 Kumamoto earthquakes.

As a result, operating revenues in the three-month period ended June 30, 2017, increased 19.1% year on year, to ¥94,619 million. Furthermore, operating income was up 35.3%, to ¥16,731 million; EBITDA rose 31.4%, to ¥20,794 million; ordinary income grew 32.4%, to ¥17,187 million; and net income attributable to owners of the parent increased 88.5%, to ¥13,502 million.

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation.

Business performance by segment is as follows.

1. Transportation Group

In the railway business, we engaged in activities that promoted safety under the slogan “feeling empowered to deliver the best possible performance in one’s position,” in order to create a safety-oriented corporate culture for the entire JR Kyushu Group. In addition, we implemented such activities as comprehensive disaster response drills at Kanmon Railway tunnel in an effort to improve our ability to respond to abnormal conditions. For safety investments, we steadily carried out the replacement of aging facilities and, as a disaster prevention measure, enhanced our heavy-rain countermeasures. At the same time, we continued efforts to set up Shinkansen derailment prevention guards. In regard to services, we promoted initiatives to welcome customers by exercising the 5S (sort, set in order, shine, standardize, sustain) methodology as a basic part of daily operations and the foundation for all our services, and made conscious efforts to greet customers with a smile and in a manner that leaves an impression on them.

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.” As for our “JR Kyushu Internet Reservation Service,” we enhanced our lineup of products available only online and worked to improve the service’s convenience through collaboration with train transfer search engines and other means. In addition, we promoted sales through the “Internet Reservations for Trains Too!” campaign. Also, to recover demand for tourism from the impacts of the 2016 Kumamoto earthquakes, 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” as well as the Kawasemi Yamasemi special express train, which commenced service in March 2017, and 10 other “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 communicated information on and encouraged sales of the “JR Kyushu Rail Pass,” a mainstay product geared toward customers from overseas, in a manner that catered to specific countries and regions, primarily South Korea, Taiwan, Hong Kong, China, and Thailand.

Turning to transportation, we implemented detailed transportation-oriented initiatives, including increasing the number of trains to bolster our transportation capacity. We also 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. 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, centered on the Houhi Main Line Repair Office established in April 2017, 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 travel business, we enhanced our lineups of products for domestic travel via railways centered on Kyushu, an area of strength for the Company, as well as products sold online. In addition, we promoted sales of products for travel to and from South Korea that make use of the hydrofoil ferry service Beetle and products for overseas travel that leverage our alliance with JTB Corporation.

In our passenger ship business, we renovated another one of our Beetle hydrofoil ferries, which joined the ferry renovated in March 2017, to provide service on routes between Fukuoka and Busan as well as between Tsushima and Busan. Through such initiatives, we sought to provide high-quality transportation services.

For our bus business, we sought to secure earnings by introducing Internet-exclusive discount tickets for the high-speed bus B&S Miyazaki, which connects with the Kyushu Shinkansen, and by starting up joint campaigns with Nishi-Nippon Railroad Co., Ltd., for routes from Fukuoka to Kagoshima and Miyazaki.

As a result of the above efforts, the Transportation Group recorded operating revenues of ¥43,674 million, up 12.6% year on year; operating income of ¥9,789 million, up 35.7%; and EBITDA of ¥10,913 million, up 40.7%.

2. 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 ¥11,046 million, up 19.5% year on year; operating loss of ¥295 million, down ¥161 million; and negative EBITDA of ¥98 million, an improvement of ¥161 million over the previous equivalent period.

3. Real Estate Group

In the real estate lease business, we opened Amu Plaza Kokura in April 2016 and made renovations to Amu Plaza Nagasaki in June. At the same time, we proactively held events at various station buildings as we sought to secure earnings. Moreover, rental units at RJR Precia Hakata were made available for move-in in February 2017 and we acquired Higashi Jujo Rental Apartments in June. In the real estate sale business, sales were recorded from MJR Kyudai-Gakkentoshi Residences and we sought to promote sales of MJR the Garden Oe and MJR the Garden Kagoshima-Chuo.

As a result, the Real Estate Group posted operating revenues of ¥18,507 million, up 61.3% year on year; operating income of ¥6,301 million, up 30.6%; and EBITDA of ¥8,434 billion, up 21.2%.

4. Retail and Restaurant Group

In the retail business, we worked to open new convenience stores and drugstores to grow profits. In the restaurant business, we made efforts to expand profits through the opening of new restaurants and the renovation of existing restaurants. In the agriculture business, we continued to build on our initiatives targeting the integration of agriculture, processing, and sales.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥24,913 million, up 4.6% year on year; operating income of ¥857 million, up 12.7%; and EBITDA of ¥1,248 million, up 6.7%.

5. Other Groups

In the hotel business, we undertook marketing initiatives to improve our services with the aim of having our hotels be continuously selected by customers. One such initiative was the opening of JR Kyushu Hotel Blossom Naha in June 2017. In the seniors business, we moved forward with marketing initiatives in preparation for the opening of the SJR Ropponmatsu residence-style private retirement home in September 2017.

As a result, Other Groups posted operating revenues of ¥13,312 million, down 4.6% year on year; operating income of ¥196 million, up 36.0%; and EBITDA of ¥454 million, up 28.9%.

(Note) Segment EBITDA is the numerical value (before elimination of transactions between segments) of operating income for each segment plus the cost of depreciation.

(2) Qualitative Information on Consolidated Financial Position

Total assets as of June 30, 2017, decreased 2.3% compared with the previous fiscal year-end, to ¥661,032 million. Current assets decreased 11.4%, to ¥176,042 million, following the collection of notes and accounts receivable. Non-current assets increased 1.4%, to ¥484,990 million, due to the acquisition of property, plant and equipment.

Meanwhile, total liabilities decreased 6.9% compared with the previous fiscal year-end, to ¥305,585 million. Current liabilities declined 15.5%, to ¥114,048 million, due to settlements of notes and accounts payable and other payables. Non-current liabilities were down 0.9%, to ¥191,536 million, as a result of a decrease in liability for retirement benefits.

Furthermore, total equity increased 2.0% compared with the previous fiscal year-end, to ¥355,447 million, due to increases in retained earnings and other factors.

(3) Qualitative Information on Consolidated Performance Outlook

The performance outlook for the fiscal year ending March 31, 2018, has not been changed from the outlook presented on May 11, 2017.

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 2017/3 (As of March 31, 2017)	FY 2018/3, First Quarter (As of June 30, 2017)
ASSETS		
Current assets		
Cash and time deposits	7,337	7,791
Notes and accounts receivable—trade	45,843	23,403
Fares receivable	1,625	1,474
Securities	64,849	76,123
Merchandise and finished goods	13,945	9,164
Work in process	16,248	23,589
Raw materials and supplies	5,978	7,420
Deferred tax assets	5,661	4,466
Income taxes receivable	9,746	9,764
Other	27,403	12,874
Allowance for doubtful accounts	(34)	(28)
Total current assets	198,606	176,042
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	195,506	195,316
Machinery, rolling stock and vehicles (net)	11,794	11,722
Land	89,622	94,615
Construction in progress	21,907	23,873
Other (net)	7,251	7,362
Net property, plant and equipment	326,081	332,890
Intangible assets	5,824	5,594
Investments and other assets		
Investment securities	17,063	21,273
Deferred tax assets	58,102	56,936
Net defined benefit assets	667	713
Money held in trust	60,109	57,181
Other	10,610	10,794
Allowance for doubtful accounts	(395)	(393)
Total investments and other assets	146,157	146,505
Total noncurrent assets	478,063	484,990
Total assets	676,669	661,032

(Millions of Yen)

	FY 2017/3 (As of March 31, 2017)	FY 2018/3, First Quarter (As of June 30, 2017)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	37,089	24,783
Short-term loans	490	488
Current portion of long-term debt	791	791
Payables	45,573	29,179
Accrued income taxes	3,817	1,053
Fare deposits received with regard to railway connecting services	1,513	1,319
Railway fares received in advance	5,191	6,171
Accrued bonuses	8,607	5,813
Other	31,868	44,447
Total current liabilities	134,945	114,048
Non-current liabilities		
Long-term debt	77,034	76,842
Allowance for safety and environmental measures	5,368	5,368
Allowance for disaster-damage losses	6,012	5,883
Liability for retirement benefits	62,504	61,104
Asset retirement obligations	1,324	1,348
Other	41,032	40,990
Total noncurrent liabilities	193,276	191,536
Total liabilities	328,222	305,585
EQUITY		
Common stock		
authorized, 640,000,000 shares; issued, 160,000,000 shares in 2016, 2015 and 2014	16,000	16,000
Capital surplus	234,263	234,263
Retained earnings (Deficit)	86,987	94,329
Total common stock	337,250	344,592
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	10,312	9,825
Foreign currency translation adjustments	132	128
Defined retirement benefit plans	(4,655)	(4,471)
Total accumulated other comprehensive income	5,789	5,483
Non-controlling interests	5,408	5,371
Total equity	348,447	355,447
TOTAL LIABILITIES AND EQUITY	676,669	661,032

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2017/3, First Quarter (Three months ended June 30, 2016)	FY 2018/3, First Quarter (Three months ended June 30, 2017)
OPERATING REVENUES	79,456	94,619
OPERATING EXPENSES		
Transportation, other services and cost of sales	46,140	55,663
Selling, general and administrative expenses	20,951	22,223
Total operating expenses	67,091	77,887
OPERATING INCOME	12,364	16,731
NON-OPERATING INCOME		
Interest income	123	13
Dividend income	48	138
Gain on assets held in trust	574	376
Other	190	135
Total non-operating income	937	665
NON-OPERATING EXPENSES		
Interest expense	165	163
Other	153	45
Total non-operating expenses	318	209
ORDINARY INCOME	12,983	17,187
EXTRAORDINARY GAINS		
Construction grants received	601	822
Gain on sales of trusts	3,014	—
Other	214	127
Total extraordinary gains	3,829	949
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	4	757
Provision for loss on disaster	8,423	—
Disaster-damage losses	378	—
Other	82	49
Total extraordinary losses	8,889	807
INCOME BEFORE INCOME TAXES	7,923	17,329
INCOME TAXES		
Current	695	1,258
Deferred	106	2,576
Total income taxes	802	3,835
NET INCOME	7,120	13,494
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(43)	(7)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	7,164	13,502

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Third Quarter

(Millions of Yen)

	FY 2017/3, First Quarter (Three months ended June 30, 2016)	FY 2018/3, First Quarter (Three months ended June 30, 2017)
NET INCOME	7,120	13,494
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(2,099)	(470)
Foreign currency translation adjustments	(8)	(3)
Defined retirement benefit plans	178	188
Total other comprehensive income	(1,929)	(286)
COMPREHENSIVE INCOME	5,191	13,208
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	5,269	13,196
Non-controlling interests	(77)	12

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(Segment Information)

FY 2017/3, First Quarter (Three-Month Period Ended June 30, 2016)

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	37,693	2,165	10,015	23,757	5,823	79,456	—	79,456
Inside Group	1,107	7,074	1,461	69	8,134	17,847	(17,847)	—
Total	38,801	9,240	11,476	23,826	13,958	97,303	(17,847)	79,456
Segment income (loss)	7,213	(457)	4,825	760	144	12,486	(122)	12,364

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

2. The ¥122 million deduction from segment income reflects the elimination of intersegment transactions.

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

FY 2018/3, First Quarter (Three-Month Period Ended June 30, 2017)

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	42,501	3,894	16,986	24,837	6,399	94,619	—	94,619
Inside Group	1,173	7,152	1,520	76	6,912	16,834	(16,834)	—
Total	43,674	11,046	18,507	24,913	13,312	111,453	(16,834)	94,619
Segment income (loss)	9,789	(295)	6,301	857	196	16,849	(118)	16,731

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

2. The ¥118 million deduction from segment income reflects the elimination of intersegment transactions.

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

(Significant Subsequent Events)

Damage was sustained by railway and other facilities due to the heavy rain that occurred in northern Kyushu on July 5 and 6, 2017. It is expected that repair expenses will be incurred as a result of this disaster. However, this situation is currently under investigation and it is difficult to rationally estimate the exact amount of these expenses at this point in time.