



FY2018/3 Financial Results Overview, Third Quarter

February 9, 2018
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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I Financial results for the third quarter of FY2018/3

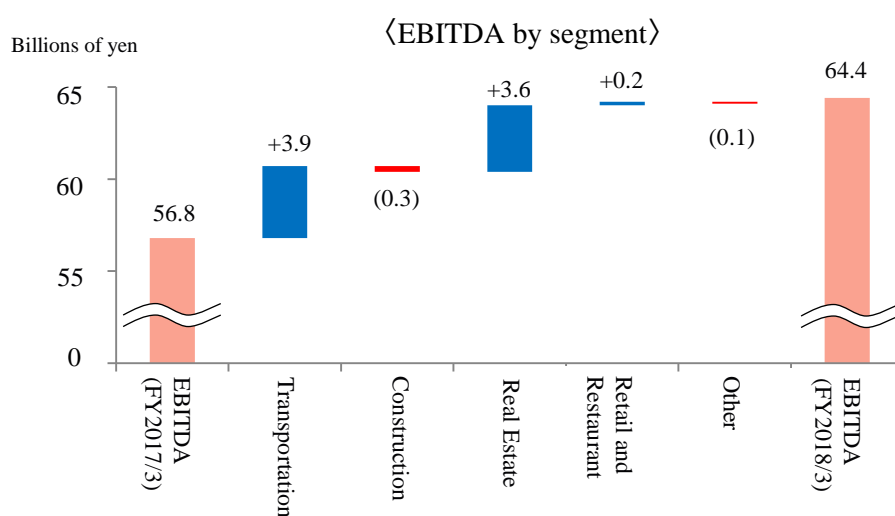
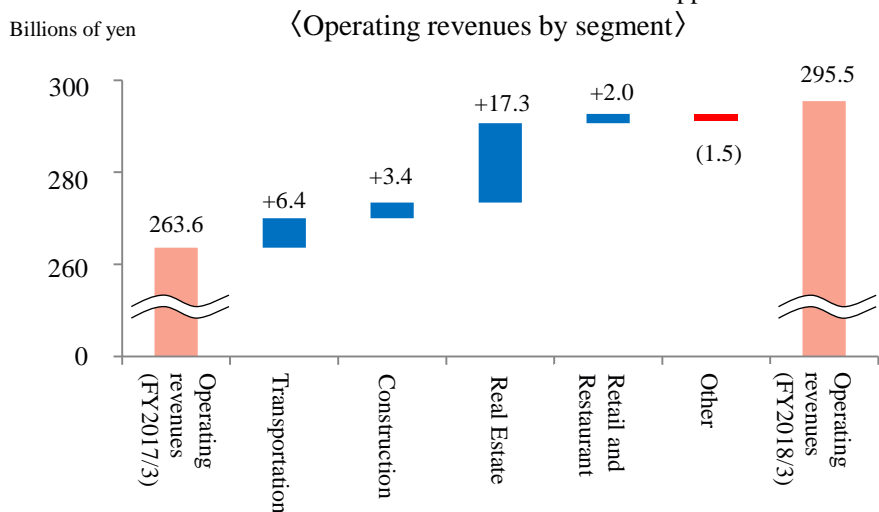
Consolidated Financial highlights (Year on Year)



- Operating revenues **increased** due to a rise in railway transportation revenues owing to the dissipating impacts from the 2016 Kumamoto earthquakes, among other factors, as well as to higher revenues from condominium sales.
- Net income attributable to owners of the parent **increased** due to a decline in extraordinary losses associated with the 2016 Kumamoto earthquakes, despite the recording of extraordinary losses stemming from the heavy rain in northern Kyushu and typhoon No. 18.
- EBITDA **increased** due to a rise in railway transportation revenues.

	(Billions of yen)			
	FY2017/3	FY2018/3	YoY	
Operating revenues	263.6	295.5	31.9	112.1%
Operating income	46.2	51.7	5.4	111.8%
Ordinary income	47.6	54.2	6.5	113.8%
Net income attributable to owners of the parent	33.8	39.9	6.1	118.1%
EBITDA	56.8	64.4	7.6	113.4%

Note: EBITDA = operating income + cost of depreciation
The same applies hereafter.



Note: Figures for changes in operating revenues and EBITDA by segment are prior to eliminating intersegment transactions and therefore do not coincide with consolidated figures.

Consolidated Income Statements



(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	263.6	295.5	31.9	112.1%	Railway transportation revenues +4.6 Revenues from condominium sales +15.5
Operating expenses	217.3	243.8	26.4	112.2%	Condominium selling costs +12.1 Depreciation costs (JR Kyushu) +1.9
Operating income	46.2	51.7	5.4	111.8%	—
Non-operating income and expenses	1.4	2.5	1.1	178.0%	—
Ordinary income	47.6	54.2	6.5	113.8%	—
Extraordinary gains and losses	(5.4)	(2.9)	2.4	—	Decrease in disaster expenses due to the 2016 Kumamoto earthquakes, etc. +9.1 Increase in disaster expenses due to heavy rain in northern Kyushu and typhoon No. 18 (4.0) Decrease in gain on sales of trusts (3.0)
Net income attributable to owners of the parent	33.8	39.9	6.1	118.1%	—
EBITDA	56.8	64.4	7.6	113.4%	Railway transportation revenues +4.6

Segment Information (Summary)



(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	263.6	295.5	31.9	112.1%
Transportation	128.9	135.3	6.4	105.0%
Construction	42.7	46.2	3.4	108.0%
Real Estate	36.3	53.6	17.3	147.7%
(Real Estate Lease)	34.4	36.2	1.7	105.2%
Retail and Restaurant	75.4	77.5	2.0	102.7%
Other	44.5	43.0	(1.5)	96.6%
EBITDA	56.8	64.4	7.6	113.4%
Transportation	27.2	31.1	3.9	114.3%
Construction	2.5	2.1	(0.3)	85.3%
Real Estate	21.7	25.4	3.6	116.6%
(Real Estate Lease)	22.3	22.8	0.5	102.6%
Retail and Restaurant	3.7	4.0	0.2	106.4%
Other	2.4	2.3	(0.1)	94.6%

Note: Figures by segment are prior to eliminating intersegment transactions.
The same applies hereafter.

Segment Information ①



◆ Transportation Segment

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	128.9	135.3	6.4	105.0%
Operating income	25.3	27.4	2.1	108.4%
EBITDA	27.2	31.1	3.9	114.3%

◆ Construction Segment

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	42.7	46.2	3.4	108.0%
Operating income	1.9	1.5	(0.3)	81.0%
EBITDA	2.5	2.1	(0.3)	85.3%

Segment Information ②



◆ Real Estate Segment

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	36.3	53.6	17.3	147.7%
Operating income	15.4	18.8	3.3	121.7%
EBITDA	21.7	25.4	3.6	116.6%

(Reprint) Real Estate Lease

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	34.4	36.2	1.7	105.2%
Operating income	16.0	16.3	0.3	102.0%
EBITDA	22.3	22.8	0.5	102.6%

Segment Information ③



◆ Retail and Restaurant Segment

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	75.4	77.5	2.0	102.7%
Operating income	2.5	2.7	0.2	111.2%
EBITDA	3.7	4.0	0.2	106.4%

◆ Other Segments

(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	44.5	43.0	(1.5)	96.6%
Operating income	1.8	1.4	(0.3)	79.4%
EBITDA	2.4	2.3	(0.1)	94.6%

Financial Position (consolidated)



(Billions of yen)

	As of March 31, 2017 A	As of Dec 31, 2017 B	Increase/ (decrease) B-A
Assets	676.6	716.5	39.8
Current assets	198.6	195.0	(3.5)
Non-current assets	478.0	521.4	43.3
Liabilities	328.2	339.7	11.5
Current liabilities	134.9	140.0	5.1
Non-current liabilities	193.2	199.6	6.3
Net assets	348.4	376.7	28.3
Equity ratio	50.7%	51.8%	1.1%
Net assets per share (yen)	2,144.00	2,320.49	176.50

Non-consolidated Income Statements



(Billions of yen)

	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	141.9	164.3	22.3	115.8%	Revenues from condominium sales +15.5
(Railway transportation revenues)	109.2	113.9	4.6	104.2%	Dissipating impact from the 2016 Kumamoto earthquakes, etc. +4.6
Operating expenses	105.2	122.6	17.4	116.6%	—
Personnel expenses	40.2	38.1	(2.0)	94.9%	Decrease in number of employees, etc.
Non-personnel expenses	54.9	71.1	16.1	129.5%	—
Energy costs	5.9	6.6	0.6	110.5%	—
Maintenance costs	19.9	20.2	0.3	101.6%	—
Other	29.0	44.2	15.2	152.6%	Condominium selling costs +12.1
Taxes	4.9	6.2	1.3	127.3%	Abolition of Inheritance Exception, lessened rate of tax reduction from Three Island Exception, etc.
Depreciation costs	5.0	7.0	1.9	138.2%	—
Operating income	36.7	41.7	4.9	113.5%	—
Non-operating income and expenses	3.5	4.5	0.9	126.5%	—
Ordinary income	40.3	46.2	5.9	114.7%	—
Extraordinary gains and losses	(5.2)	(3.6)	1.6	—	Decrease in disaster expenses due to the 2016 Kumamoto earthquakes, etc. +9.2 Increase in disaster expenses due to heavy rain in northern Kyushu and typhoon No. 18 (4.0) Decrease in gain on sales of trusts (3.0)
Net income	29.9	34.9	4.9	116.4%	—

Non-consolidated Income Statements (Reprint)



(Billions of yen)

		9 months ended Dec 31, 2016	9 months ended Dec 31, 2017	YoY	
				Increase/ (decrease)	%
		A	B	B-A	B/A
Railway business	Operating revenues	120.6	126.1	5.5	104.6%
	Operating expenses	95.6	99.2	3.6	103.8%
	Operating income	24.9	26.8	1.9	107.7%
Related businesses	Operating revenues	21.3	38.2	16.8	178.8%
	Operating expenses	9.5	23.3	13.7	243.9%
	Operating income	11.8	14.8	3.0	126.0%

Railway Transportation Revenues and Performance of Transportation Volume

(Billions of yen)

Transportation Revenues	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Total	109.2	113.9	4.6	104.2%	—
Shinkansen	37.2	41.0	3.7	110.0%	Dissipating impact from the 2016 Kumamoto earthquakes +2.3
Commuter pass	2.0	2.0	(0.0)	99.9%	
Non-commuter pass	35.2	38.9	3.7	110.6%	
Conventional Lines	72.0	72.9	0.9	101.3%	Dissipating impact from the 2016 Kumamoto earthquakes +1.1
Commuter pass	22.5	22.7	0.1	100.8%	
Non-commuter pass	49.4	50.2	0.7	101.5%	

(Millions of passenger-kilometers)

Passenger-Kilometers	9 months ended Dec 31, 2016 A	9 months ended Dec 31, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	6,973	7,115	142	102.0%
Shinkansen	1,381	1,516	135	109.8%
Commuter pass	150	150	(0)	99.5%
Non-commuter pass	1,230	1,366	136	111.1%
Conventional Lines	5,592	5,599	6	100.1%
Commuter pass	3,118	3,115	(2)	99.9%
Non-commuter pass	2,474	2,483	9	100.4%

II Forecasts for FY2018/3

Consolidated Financial Forecasts



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/(Decrease) C-B
		As of November 9 B	As of February 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	382.9	405.3	409.6	26.6	107.0%	4.3
Operating income	58.7	59.1	60.1	1.3	102.3%	1.0
Ordinary income	60.5	61.0	63.1	2.5	104.2%	2.1
Net income attributable to owners of the parent	44.7	45.0	48.1	3.3	107.5%	3.1
Net income per share (yen)	279.70	281.25	300.63	20.93	107.5%	19.38
EBITDA	73.2	77.4	77.9	4.6	106.3%	0.5

Consolidated Financial Forecasts (By segment)



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/(Decrease) C-B
		As of November 9 B	As of February 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	382.9	405.3	409.6	26.6	107.0%	4.3
Transportation	176.4	182.1	182.7	6.2	103.6%	0.6
Construction	79.3	84.4	87.0	7.6	109.7%	2.6
Real Estate	67.4	68.0	68.7	1.2	101.8%	0.7
Retail and Restaurant	100.4	102.9	102.9	2.4	102.4%	—
Other	60.9	67.5	66.9	5.9	109.8%	(0.6)
Operating income	58.7	59.1	60.1	1.3	102.3%	1.0
Transportation	25.7	27.2	27.8	2.0	108.1%	0.6
Construction	5.9	4.4	5.1	(0.8)	85.7%	0.7
Real Estate	22.6	22.6	22.8	0.1	100.6%	0.2
Retail and Restaurant	3.4	3.6	3.4	(0.0)	97.8%	(0.2)
Other	2.5	1.8	1.8	(0.7)	70.8%	—
EBITDA	73.2	77.4	77.9	4.6	106.3%	0.5
Transportation	28.5	32.8	32.9	4.3	115.3%	0.1
Construction	6.7	5.1	5.8	(0.9)	85.6%	0.7
Real Estate	31.1	31.6	31.8	0.6	102.1%	0.2
Retail and Restaurant	5.1	5.4	5.2	0.0	100.2%	(0.2)
Other	3.3	3.3	3.3	(0.0)	98.5%	—

Non-consolidated Financial Forecasts



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of November 9 B	As of February 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	212.2	218.1	218.7	6.4	103.1%	0.6
(Railway transportation revenues)	146.4	149.5	150.3	3.8	102.6%	0.8
Operating expenses	168.7	173.3	173.4	4.6	102.8%	0.1
Personnel expenses	53.1	51.0	51.0	(2.1)	96.0%	—
Non-personnel expenses	102.5	104.1	104.9	2.3	102.3%	0.8
Energy costs	8.0	8.8	8.8	0.7	109.3%	—
Maintenance costs	37.8	35.6	36.5	(1.3)	96.5%	0.9
Other	56.6	59.7	59.6	2.9	105.2%	(0.1)
Taxes	6.0	7.9	7.7	1.6	127.8%	(0.2)
Depreciation costs	7.0	10.3	9.8	2.7	138.9%	(0.5)
Operating income	43.4	44.8	45.3	1.8	104.2%	0.5
Non-operating income and expenses	4.0	4.3	5.5	1.4	136.1%	1.2
Ordinary income	47.5	49.1	50.8	3.2	106.9%	1.7
Extraordinary gains and losses	(4.2)	(3.0)	(2.3)	1.9	—	0.7
Net income	37.6	39.0	40.9	3.2	108.7%	1.9

Non-consolidated Financial Forecasts (Reprint)



(Billions of yen)

		Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/(Decrease) C-B
			As of November 9 B	As of February 9 C	Increase/ (decrease) C-A	%	
Railway business	Operating revenues	164.9	170.2	170.6	5.6	103.4%	0.4
	Operating expenses	139.8	143.7	143.6	3.7	102.6%	(0.1)
	Operating income	25.0	26.5	27.0	1.9	107.7%	0.5
Related businesses	Operating revenues	47.2	47.9	48.1	0.8	101.8%	0.2
	Operating expenses	28.8	29.6	29.8	0.9	103.4%	0.2
	Operating income	18.4	18.3	18.3	(0.1)	99.4%	—

Forward-Looking Statements



These materials contain forward-looking statements concerning business forecasts, targets, etc. of the JR Kyushu Group.

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance can vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

These materials can be viewed on our corporate website.
http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/