



FY2017/3

Financial Results Overview, Third Quarter

February 8, 2017

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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I Financial highlights

Consolidated Financial highlights for the Third Quarter of FY2017/3 (Year on Year)

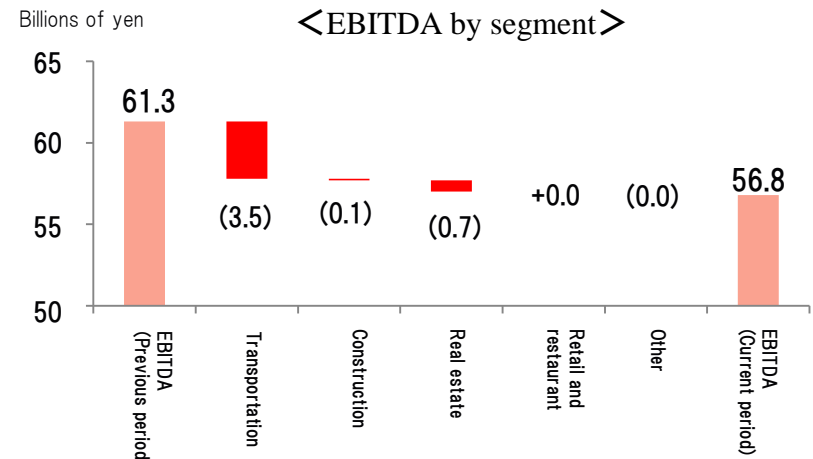
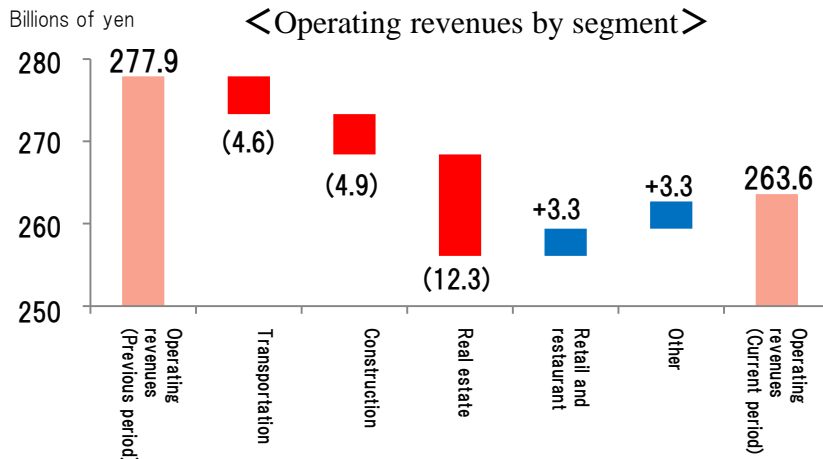


- Operating revenue fell due to a decrease in income from railway passenger traffic resulting from the impact of the 2016 Kumamoto earthquakes as well as the decline in sales of apartments.
- Net income attributable to owners of the parent decreased due to the recording of provisions for loss on disaster in response to the 2016 Kumamoto earthquakes.
- EBITDA fell due to a decrease in revenue from railway traffic passengers resulting from the impact of the 2016 Kumamoto earthquakes.

(Billions of yen)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2016	YoY	
Operating revenues	277.9	263.6	(14.3)	94.8%
Operating income	23.9	46.2	22.3	193.5%
Ordinary income	33.8	47.6	13.7	140.7%
Net income attributable to owners of the parent	49.6	33.8	(15.8)	68.1%
EBITDA	61.3	56.8	(4.5)	92.6%

Note: EBITDA for the current period = operating income + cost of depreciation, EBITDA for the previous period = operating income + cost of depreciation + earnings from use of the Management Stabilization Fund



II Financial results for the third quarter of FY2017/3

Consolidated Income Statements

(Billions of yen)

	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	277.9	263.6	(14.3)	94.8%	Decrease in revenue from apartment sales (14.5) Decrease in revenue from railway passenger traffic (3.6)
Operating expenses	254.0	217.3	(36.6)	85.6%	Decrease in depreciation cost (JR Kyushu) (16.7) Decrease in apartment selling costs (11.6)
Operating income	23.9	46.2	22.3	193.5%	—
Non-operating income and expenses	9.9	1.4	(8.5)	14.3%	Decrease in earnings from use of the Management Stabilization Fund (9.9)
Ordinary income	33.8	47.6	13.7	140.7%	—
Extraordinary gains and losses	40.6	(5.4)	(46.0)	—	Decrease in gain on sales of the Management Stabilization Fund assets (40.8) Increase in disaster expenses due to the 2016 Kumamoto earthquakes (9.1)
Net income attributable to owners of the parent	49.6	33.8	(15.8)	68.1%	—
EBITDA	61.3	56.8	(4.5)	92.6%	Decrease in revenue from railway passenger traffic (3.6)

Note 1: Figures prior to the third quarter of FY 2016/3 have not been reviewed by an auditing corporation.

Note 2: EBITDA for the current period = operating income + depreciation cost, EBITDA for the previous period = operating income + depreciation cost + earnings from use of the Management Stabilization Fund

The same applies hereafter.

Segment Information (Summary)



(Billions of yen)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2016	YoY	
			Increase/ (decrease)	%
	A	B	B-A	B/A
Operating revenues	277.9	263.6	(14.3)	94.8%
Transportation	133.5	128.9	(4.6)	96.5%
Construction	47.7	42.7	(4.9)	89.7%
Real Estate	48.7	36.3	(12.3)	74.6%
(Retail and Restaurant)	32.3	34.4	2.1	106.7%
Other	72.0	75.4	3.3	104.7%
Other	41.2	44.5	3.3	108.0%
EBITDA	61.3	56.8	(4.5)	92.6%
Transportation	30.8	27.2	(3.5)	88.5%
Construction	2.6	2.5	(0.1)	95.2%
Real Estate	22.5	21.7	(0.7)	96.7%
(Retail and Restaurant)	20.3	22.3	1.9	109.4%
Other	3.7	3.7	0.0	100.6%
Other	2.5	2.4	(0.0)	97.1%

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, 2015	9 months ended Dec 31, 2016	YoY	
			Increase/ (decrease)	%
	A	B	B-A	B/A
Operating revenues	133.5	128.9	(4.6)	96.5%
Operating income	1.3	25.3	24.0	—
EBITDA	30.8	27.2	(3.5)	88.5%

◆ Construction Segment

(Billions of yen)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2016	YoY	
			Increase/ (decrease)	%
	A	B	B-A	B/A
Operating revenues	47.7	42.7	(4.9)	89.7%
Operating income	2.0	1.9	(0.1)	92.4%
EBITDA	2.6	2.5	(0.1)	95.2%

Segment Information ②



◆ Real Estate Segment

(Billions of yen)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2016	YoY	
			Increase/ (decrease)	%
	A	B	B-A	B/A
Operating revenues	48.7	36.3	(12.3)	74.6%
(Real Estate Lease)	32.3	34.4	2.1	106.7%
Operating income	16.5	15.4	(1.0)	93.5%
(Real Estate Lease)	14.4	16.0	1.5	110.9%
EBITDA	22.5	21.7	(0.7)	96.7%
(Real Estate Lease)	20.3	22.3	1.9	109.4%

Segment Information ③



◆ Retail and Restaurant Segment

(Billions of yen)

	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	72.0	75.4	3.3	104.7%
Operating income	2.6	2.5	(0.1)	95.4%
EBITDA	3.7	3.7	0.0	100.6%

◆ Other Segments

(Billions of yen)

	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	41.2	44.5	3.3	108.0%
Operating income	1.8	1.8	0.0	100.1%
EBITDA	2.5	2.4	(0.0)	97.1%

Financial Position (consolidated)



(Billions of yen)

	As of March 31, 2016 A	As of Dec 31, 2016 B	Increase/ (decrease) B-A
Assets	646.6	657.8	11.2
<u>Current assets</u>	165.8	200.1	34.3
Non-current assets	480.8	457.7	(23.1)
Liabilities	340.9	319.3	(21.5)
<u>Current liabilities</u>	146.3	120.5	(25.8)
Non-current liabilities	194.5	198.8	4.2
Net assets	305.7	338.5	32.7
Equity ratio	46.4%	50.7%	4.2%
Net assets per share (yen)	1,876.72	2,083.31	206.59

Non-consolidated Income Statements

(Billions of yen)

	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	158.5	141.9	(16.5)	89.6%	Decrease in revenue from apartment sales (14.5) Decrease in revenue from railway passenger traffic (3.6)
(Revenue from railway passenger traffic)	112.9	109.2	(3.6)	96.8%	Impact of the 2016 Kumamoto earthquakes, etc. (3.6)
Operating expenses	144.8	105.2	(39.6)	72.6%	—
Personnel expenses	40.5	40.2	(0.2)	99.3%	
Non-personnel expenses	77.6	54.9	(22.7)	70.7%	Decrease in apartment selling costs (11.6) Decrease in Shinkansen track usage fees (7.7)
Taxes	4.8	4.9	0.1	102.3%	
Depreciation costs	21.8	5.0	(16.7)	23.3%	Decrease in depreciation cost of Railway business (17.1)
Operating income	13.6	36.7	23.1	269.0%	—
Non-operating income and expenses	11.4	3.5	(7.8)	31.3%	Decrease in earnings from use of the Management Stabilization Fund (9.9)
Ordinary income	25.1	40.3	15.2	160.7%	—
Extraordinary gains and losses	40.8	(5.2)	(46.1)	—	Decrease in gain on sales of the Management Stabilization Fund assets (40.8) Increase in disaster expenses due to the 2016 Kumamoto earthquakes (9.2)
Net income	44.8	29.9	(14.8)	66.9%	—

Non-consolidated Income Statements (Reprint)



(Billions of yen)

		9 months ended Dec 31, 2015	9 months ended Dec 31, 2016	YoY	
				Increase/ (decrease)	%
				B-A	B/A
		A	B		
Railway business	Operating revenues	124.7	120.6	(4.1)	96.7%
	Operating expenses	124.2	95.6	(28.6)	77.0%
	Operating income	0.5	24.9	24.4	—
Related businesses	Operating revenues	33.7	21.3	(12.3)	63.3%
	Operating expenses	20.6	9.5	(11.0)	46.4%
	Operating income	13.1	11.8	(1.3)	89.8%

Income from Railway Passenger Traffic and Performance of Transportation Volume



(Billions of yen)

Transportation Revenues	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	112.9	109.2	(3.6)	96.8%
Shinkansen	38.9	37.2	(1.7)	95.6%
Commuter pass	2.0	2.0	0.0	101.6%
Non-commuter pass	36.9	35.2	(1.7)	95.3%
Conventional Lines	73.9	72.0	(1.8)	97.4%
Commuter pass	22.6	22.5	(0.0)	99.7%
Non-commuter pass	51.3	49.4	(1.8)	96.4%

(Millions of passenger-kilometers)

Passenger-Kilometers	9 months ended Dec 31, 2015 A	9 months ended Dec 31, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	7,119	6,973	(145)	98.0%
Shinkansen	1,456	1,381	(74)	94.9%
Commuter pass	148	150	2	101.6%
Non-commuter pass	1,307	1,230	(77)	94.1%
Conventional Lines	5,663	5,592	(71)	98.7%
Commuter pass	3,111	3,118	6	100.2%
Non-commuter pass	2,552	2,474	(77)	96.9%

III Forecasts for FY2017/3

Consolidated Financial Forecasts



(Billions of yen)

	Results FY2016/3 A	Entire FY2017/3		YoY		Forecast increase/ decrease C-B
		Previous forecast (11/10) B	Current forecast (2/8) C	Increase/ (decrease) C-A	% C/A	
Operating revenues	377.9	378.8	381.4	3.4	100.9%	2.6
Operating income	20.8	51.8	54.4	33.5	260.4%	2.6
Ordinary income	32.0	53.5	56.3	24.2	175.7%	2.8
Net income attributable to owners of the parent	(433.0)	38.2	40.7	473.7	—	2.5
Net income per share (yen)	(2,706.81)	238.75	254.38	—	—	15.63
EBITDA	69.1	67.0	69.5	0.3	100.4%	2.5

Consolidated Financial Forecasts (By segment)



(Billions of yen)

	Results FY2016/3 A	Entire FY2017/3		YoY		Forecast increase/ decrease C-B
		Previous forecast (11/10) B	Current forecast (2/8) C	Increase/ (decrease) C-A	% C/A	
Operating revenues	377.9	378.8	381.4	3.4	100.9%	2.6
Transportation	180.9	173.6	175.9	(5.0)	97.2%	2.3
Construction	88.4	80.8	78.2	(10.2)	88.5%	(2.6)
Real Estate	62.0	64.3	67.1	5.0	108.2%	2.8
Retail and Restaurant	96.2	98.3	100.1	3.8	104.0%	1.8
Other	58.1	58.6	60.6	2.4	104.3%	2.0
Operating income	20.8	51.8	54.4	33.5	260.4%	2.6
Transportation	(10.5)	23.0	23.1	33.6	—	0.1
Construction	6.1	3.7	4.6	(1.5)	75.4%	0.9
Real Estate	20.4	21.1	22.4	1.9	109.6%	1.3
Retail and Restaurant	3.4	3.0	3.1	(0.3)	91.1%	0.1
Other	2.4	1.7	2.0	(0.4)	80.0%	0.3
EBITDA	69.1	67.0	69.5	0.3	100.4%	2.5
Transportation	27.0	26.2	26.3	(0.7)	97.4%	0.1
Construction	6.8	4.3	5.4	(1.4)	78.3%	1.1
Real Estate	28.4	29.7	30.9	2.4	108.7%	1.2
Retail and Restaurant	4.9	4.6	4.9	(0.0)	99.6%	0.3
Other	3.3	2.5	2.8	(0.5)	82.5%	0.3

Non-consolidated Financial Forecasts



(Billions of yen)

	Results FY2016/3 A	Entire FY2017/3		YoY		Forecast increase/ decrease C-B
		Previous forecast (11/10) B	Current forecast (2/8) C	Increase/ (decrease) C-A	% C/A	
Operating revenues	211.1	208.6	211.8	0.6	100.3%	3.2
(Revenue from railway passenger travel)	150.1	143.5	146.0	(4.1)	97.3%	2.5
Operating expenses	205.6	168.2	170.8	(34.8)	83.0%	2.6
Personnel expenses	54.2	—	53.4	(0.8)	98.5%	—
Non-personnel expenses	116.2	—	103.8	(12.4)	89.3%	—
Taxes	5.8	—	6.1	0.2	104.4%	—
Depreciation costs	29.3	—	7.5	(21.8)	25.5%	—
Operating income	5.4	40.4	41.0	35.5	757.9%	0.6
Non-operating income and expenses	12.8	4.0	4.1	(8.7)	31.8%	0.1
Ordinary income	18.2	44.4	45.1	26.8	246.7%	0.7
Extraordinary gains and losses	(481.9)	(5.3)	(4.9)	477.0	—	0.4
Net income	(444.4)	34.3	35.0	479.4	—	0.7

Non-consolidated Financial Forecasts (Reprint)



(Billions of yen)

		Results FY2016/3 A	Entire FY2017/3		YoY		Forecast increase/ decrease C-B
			Previous forecast (11/10) B	Current forecast (2/8) C	Increase/ (decrease) C-A	% C/A	
Railway business	Operating revenues	169.1	162.3	164.7	(4.4)	97.3%	2.4
	Operating expenses	180.7	139.7	142.0	(38.7)	78.6%	2.3
	Operating income	(11.5)	22.6	22.7	34.2	—	0.1
Related businesses	Operating revenues	41.9	46.3	47.1	5.1	112.4%	0.8
	Operating expenses	24.9	28.5	28.8	3.8	115.4%	0.3
	Operating income	16.9	17.8	18.3	1.3	107.9%	0.5

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/