



FY19.3

Financial Results Overview, Third Quarter

February 4, 2019

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



Contents



I	Financial Results for the Nine-month Period Ended December 31, 2018	3
II	Forecasts for FY19.3	11

I . Financial Results for the Nine-month Period Ended December 31, 2018

Consolidated Financial Highlights for the Nine-Month Period Ended December 31, 2018 (Year on Year)



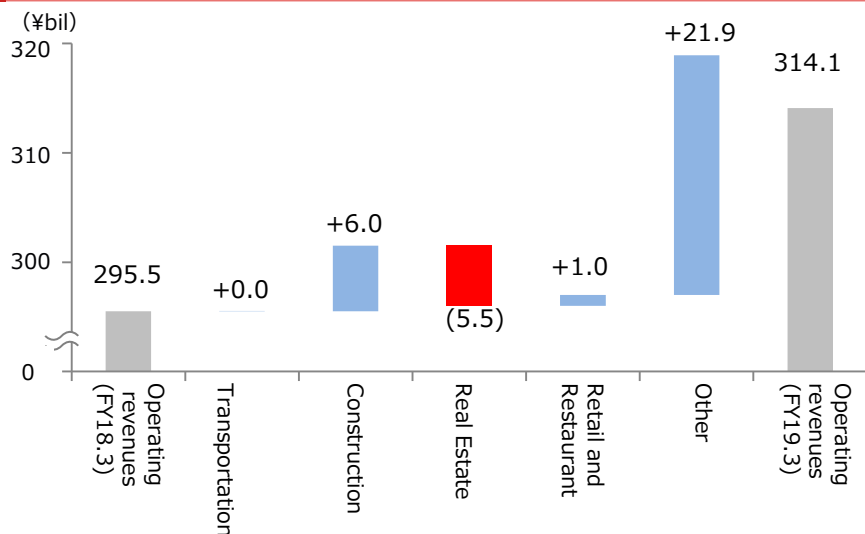
- Operating revenues up for the second consecutive year (record high)
- Operating income down for the first time in six years
- Net income attributable to owners of the parent down for the first time in two years
- EBITDA up for the second consecutive year (record high)

(¥bil)

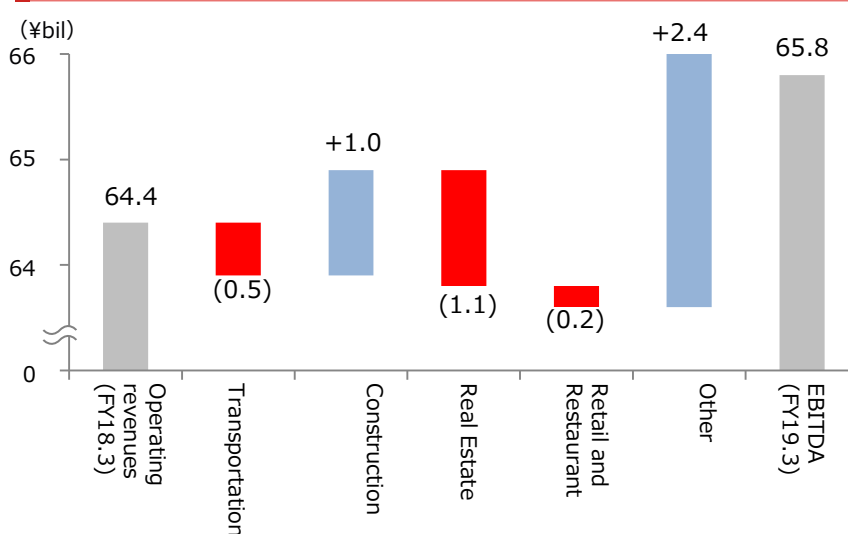
	9 months ended December 31, 2017	9 months ended December 31, 2018	YoY	
Operating revenue	295.5	314.1	18.6	106.3%
Operating income	51.7	50.2	(1.4)	97.1%
Ordinary income	54.2	52.6	(1.6)	97.0%
Net income attributable to owners of the parent	39.9	39.4	(0.4)	98.8%
EBITDA ^(※)	64.4	65.8	1.4	102.2%

Note: EBITDA = operating income + depreciation expense (excluding depreciation of leased assets held for subleasing purposes). The same applies hereafter

Change in operating revenue by segment



Change in EBITDA by segment



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



(¥bil)

	9 months ended December, 31 2017	9 months ended December, 31 2018	YoY		Major factors
Operating revenues	295.5	314.1	18.6	106.3%	Increase due to consolidation of Caterpillar Kyushu
Operating expenses	243.8	263.9	20.1	108.2%	Increase due to consolidation of Caterpillar Kyushu Increase in depreciation costs (JR Kyushu)
Operating income	51.7	50.2	(1.4)	97.1%	
Non-operating income and expenses	2.5	2.4	(0.1)	94.2%	
Ordinary income	54.2	52.6	(1.6)	97.0%	
Extraordinary gains and losses	(2.9)	(1.2)	1.6	-	Increase in extraordinary gains (insurance income associated with disasters, etc.) - Decrease in extraordinary losses (lower disaster expenses, etc.)
Net income attributable to owners of the parent	39.9	39.4	(0.4)	98.8%	
EBITDA	64.4	65.8	1.4	102.2%	

Segment Information [Summary]



(¥bil)

	9 months ended December, 31 2017	9 months ended December, 31 2018	YoY		Major factors
Operating revenues	295.5	314.1	18.6	106.3%	
Transportation	135.3	135.4	0.0	100.0%	Increase in railway transportation revenues, etc.
Construction	46.2	52.2	6.0	113.0%	Increase in Shinkansen-related construction, etc.
Real Estate	53.6	48.1	(5.5)	89.7%	Decrease in revenue from sales of condominiums, etc.
(Real Estate Lease)	36.2	38.7	2.4	106.8%	Increase due to serviced apartment business in Thailand, to Ropponmatsu 421, and to Higo Yokamon Ichiba, etc.
Retail and Restaurant	77.5	78.5	1.0	101.3%	
Other	43.0	64.9	21.9	150.9%	Consolidation of Caterpillar Kyushu, full nine-month contribution from JR Kyushu Hotel Blossom Naha, etc.
Operating income	51.7	50.2	(1.4)	97.1%	
Transportation	27.4	25.5	(1.9)	93.0%	Increase in depreciation costs, etc.
Construction	1.5	2.5	0.9	163.8%	
Real Estate	18.8	17.3	(1.4)	92.2%	
(Real Estate Lease)	16.3	16.7	0.3	102.4%	
Retail and Restaurant	2.7	2.5	(0.2)	91.5%	Increase in personnel costs, etc.
Other	1.4	2.7	1.3	190.1%	Consolidation of Caterpillar Kyushu, full nine-month contribution from JR Kyushu Hotel Blossom Naha, etc.
EBITDA	64.4	65.8	1.4	102.2%	
Transportation	31.1	30.6	(0.5)	98.2%	
Construction	2.1	3.2	1.0	150.9%	
Real Estate	25.4	24.2	(1.1)	95.6%	
(Real Estate Lease)	22.8	23.6	0.7	103.3%	
Retail and Restaurant	4.0	3.7	(0.2)	94.0%	
Other	2.3	4.7	2.4	204.8%	

Balance Sheet



(¥bil)

	FY18.3	9 months ended December 31, 2018	Increase/ (decrease)	Major Factors
Total Assets	749.3	751.8	2.4	
Cash and time deposits	15.0	17.5	2.4	
Short-tem securities	65.0	33.7	(31.3)	Decrease in negotiable certificates of deposit
Money held in trust	55.7	57.0	1.2	
Property, plant and equipment	390.6	429.2	38.5	Acquisition of land in Kyoto, etc.
Railway business assets	47.2	52.7	5.4	
Interest-bearing debt	87.3	86.9	(0.4)	
Net assets	383.2	410.8	27.6	
Paid-in capital	250.2	250.2	(0.0)	
Capital and retained earnings	124.9	150.7	25.7	

Non-consolidated Income Statements



(¥bil)

	9 months ended December 31, 2017	9 months ended December 31, 2018	YoY		Majour Factors
Operating revenues	164.3	157.5	(6.8)	95.9%	
Railway transportation revenues	113.9	114.2	0.3	100.3%	
Other revenues	50.4	43.2	(7.1)	85.8%	Decrease in revenue from sales of condominiums, etc.
Operating expenses	122.6	118.8	(3.7)	96.9%	
Personnel expenses	38.1	37.3	(0.7)	97.9%	
Non-personnel expenses	71.1	66.2	(4.8)	93.1%	
Energy costs	6.6	7.0	0.4	106.4%	
Maintenance costs	20.2	20.6	0.4	102.1%	
Other	44.2	38.5	(5.7)	87.0%	Decrease in cost of sales of condominiums, etc.
Taxes	6.2	6.6	0.3	105.3%	
Depreciation costs	7.0	8.6	1.5	122.6%	
Operating income	41.7	38.7	(3.0)	92.7%	
Non-operating income and expenses	4.5	8.4	3.8	185.8%	Increase in dividend income, etc.
Ordinary income	46.2	47.1	0.8	101.8%	
Extraordinary gains and losses	(3.6)	(0.7)	2.8	-	Increase in proceeds from insurance income, decrease in disaster expenses associated with heavy rain in northern Kyushu in 2017 and typhoon No. 18, increase in disaster expenses associated with heavy rain in July 2018, etc.
Net income	34.9	38.4	3.5	110.2%	

Non-consolidated Income Statements (Reprint)



(¥bil)

		9 months ended December 31, 2017	9 months ended December 31, 2018	YoY	
Railway business	Operating revenues	126.1	125.9	(0.2)	99.8%
	Operating expenses	99.2	100.7	1.4	101.5%
	Operating income	26.8	25.2	(1.6)	93.7%
Related businesses	Operating revenues	38.2	31.6	(6.6)	82.7%
	Operating expenses	23.3	18.1	(5.2)	77.5%
	Operating income	14.8	13.5	(1.3)	90.9%

Railway business



Transportation Revenues

(¥bil)

	9 months ended December, 2017	9 months ended December, 2018	YoY		Majour Factors
Total	113.9	114.2	0.3	100.3%	
Commuter pass	24.7	24.8	0.1	100.4%	
Non-commuter pass	89.1	89.4	0.2	100.3%	
Shinkansen	41.0	41.7	0.7	101.9%	<ul style="list-style-type: none"> • Basic trend (approx. 101%) • Increase due to broadcast of Segodon period drama • Increase due to consecutive holidays in September 2018
Commuter pass	2.0	2.0	0.0	101.9%	
Non-commuter pass	38.9	39.7	0.7	101.9%	
Conventional Lines	72.9	72.5	(0.4)	99.4%	<ul style="list-style-type: none"> • Basic trend (approx. 100%) • Decrease due to heavy rain in July 2018 • Decrease due to rebound from favorable weather in 2017 rainy season
Commuter pass	22.7	22.7	0.0	100.3%	
Non-commuter pass	50.2	49.7	(0.4)	99.0%	

Passenger-Kilometers

(Millions of passenger-kilometers)

	9 months ended December, 2017	9 months ended December, 2018	YoY	
Total	7,115	7,080	(35)	99.5%
Commuter pass	3,265	3,267	1	100.0%
Non-commuter pass	3,850	3,813	(36)	99.0%
Shinkansen	1,516	1,545	28	101.9%
Commuter pass	150	151	1	101.2%
Non-commuter pass	1,366	1,393	26	102.0%
Conventional Lines	5,599	5,535	(63)	98.9%
Commuter pass	3,115	3,115	(0)	99.9%
Non-commuter pass	2,483	2,419	(63)	97.4%

II. Forecasts for FY19.3

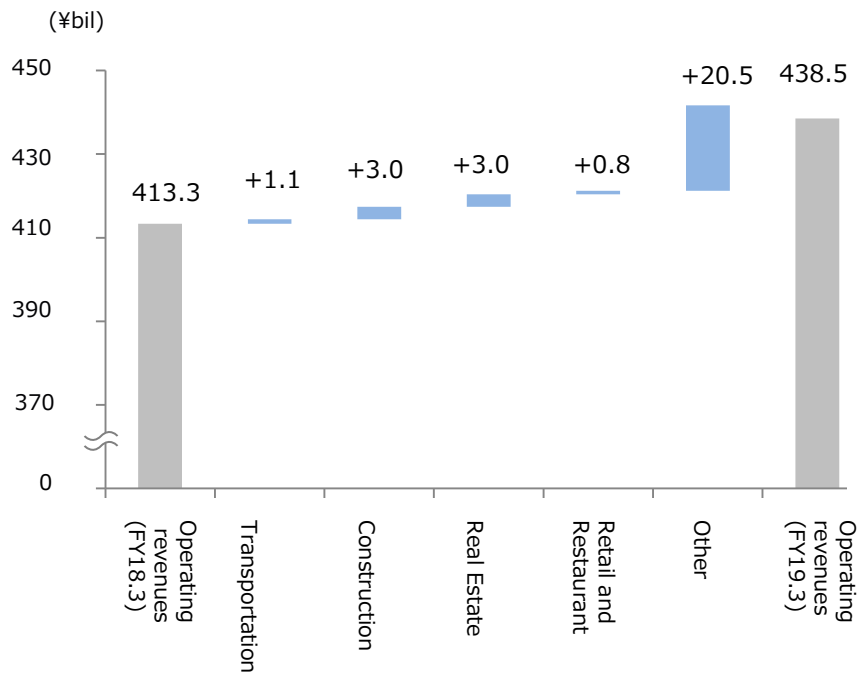
Consolidated Financial Highlights for FY19.3



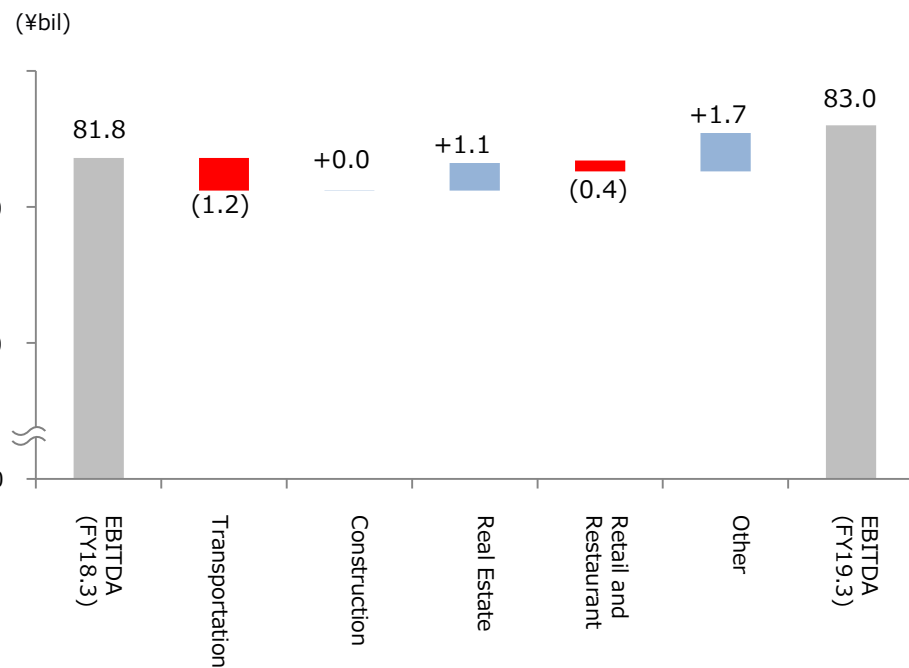
(¥bil)

	Results FY18.3	Forecasts FY19.3 (12/13)	Forecasts FY19.3 (2/4)	YoY		Difference from previous forecast
Operating revenue	413.3	439.7	438.5	25.1	106.1%	(1.2)
Operating income	63.9	60.7	61.9	(2.0)	96.8%	1.2
Ordinary income	67.0	62.6	64.4	(2.6)	96.1%	1.8
Net income attributable to owners of the parent	50.4	47.5	48.2	(2.2)	95.6%	0.7
Net income per share (yen)	315.07	296.88	301.25	(13.82)	95.6%	4.38
EBITDA	81.8	82.0	83.0	1.1	101.4%	1.0

Change in operating revenue by segment



Change in EBITDA by segment



Consolidated Financial Forecasts (By segment)



(¥bil)

	Results FY18.3	Forecasts FY19.3		YoY		Difference from previous forecast
		(12/13)	(2/4)			
Operating revenue	413.3	439.7	438.5	25.1	106.1%	(1.2)
Transportation	183.7	186.9	184.9	1.1	100.6%	(2.0)
Construction	88.0	88.6	91.1	3.0	103.5%	2.5
Real Estate	69.4	70.6	72.5	3.0	104.4%	1.9
(Real Estate Lease)	49.0	51.6	52.6	3.5	107.3%	1.0
Retail and Restaurant	103.1	105.4	104.0	0.8	100.8%	(1.4)
Other	67.4	87.2	88.0	20.5	130.5%	0.8
Operating income	63.9	60.7	61.9	(2.0)	96.8%	1.2
Transportation	29.2	27.5	26.1	(3.1)	89.3%	(1.4)
Construction	6.2	5.1	6.2	(0.0)	98.9%	1.1
Real Estate	23.2	22.6	23.9	0.6	103.0%	1.3
(Real Estate Lease)	20.6	20.6	21.5	0.8	104.1%	0.9
Retail and Restaurant	3.6	3.6	3.2	(0.4)	87.7%	(0.4)
Other	2.4	2.7	3.3	0.8	136.9%	0.6
EBITDA	81.8	82.0	83.0	1.1	101.4%	1.0
Transportation	34.3	34.4	33.1	(1.2)	96.2%	(1.3)
Construction	7.0	5.9	7.1	0.0	100.4%	1.2
Real Estate	32.0	32.1	33.2	1.1	103.6%	1.1
(Real Estate Lease)	29.4	30.0	30.8	1.3	104.5%	0.8
Retail and Restaurant	5.3	5.3	4.9	(0.4)	91.8%	(0.4)
Other	3.9	5.1	5.7	1.7	143.9%	0.6

Non-consolidated Financial Forecasts



(¥bil)

	Results FY18.3	Forecasts FY19.3		YoY		Difference from previous forecast
		(12/13)	(2/4)			
Operating revenue	219.7	222.8	222.2	2.4	101.1%	(0.6)
Railway transportation revenues	151.1	151.5	151.5	0.3	100.2%	-
Shinkansen	54.1	55.0	55.0	0.8	101.6%	-
Conventional Lines	97.0	96.5	96.5	(0.5)	99.5%	-
Other revenues	68.5	71.3	70.7	2.1	103.1%	(0.6)
Operating expenses	172.9	178.0	177.4	4.4	102.6%	(0.6)
Personnel expenses	51.3	49.8	49.8	(1.5)	96.9%	-
Non-personnel expenses	104.3	108.0	107.6	3.2	103.1%	(0.4)
Energy costs	8.8	9.0	9.5	0.6	107.2%	0.5
Maintenance costs	36.3	38.9	38.2	1.8	105.0%	(0.7)
Other	59.0	60.1	59.9	0.8	101.4%	(0.2)
Taxes	7.5	8.2	8.1	0.5	106.8%	(0.1)
Depreciation costs	9.6	12.0	11.9	2.2	122.8%	(0.1)
Operating income	46.7	44.8	44.8	(1.9)	95.8%	-
Non-operating income and expenses	5.5	5.5	8.4	2.8	152.0%	2.9
Ordinary income	52.2	50.3	53.2	0.9	101.8%	2.9
Extraordinary gains and losses	(2.3)	-	(0.1)	2.2	-	(0.1)
Net income	41.6	41.7	44.6	2.9	107.1%	2.9

Non-consolidated Financial Forecasts (Reprint)



(¥bil)

		Results FY18.3	Forecasts FY19.3		YoY		Difference from previous forecast
			(12/13)	(2/4)			
Railway business	Operating revenues	171.3	174.0	172.3	0.9	100.6%	(1.7)
	Operating expenses	143.0	147.5	146.6	3.5	102.5%	(0.9)
	Operating income	28.2	26.5	25.7	(2.5)	91.1%	(0.8)
Related businesses	Operating revenues	48.4	48.8	49.9	1.4	103.0%	1.1
	Operating expenses	29.9	30.5	30.8	0.8	103.0%	0.3
	Operating income	18.5	18.3	19.1	0.5	103.1%	0.8

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 may 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.

IR materials can be viewed on our corporate website:

http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/