



FY20.3

Financial Results Overview, First Quarter

August 5, 2019

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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**I . Financial Results
for the Three-month
Period Ended June 30, 2019**

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2019 (Year on Year)



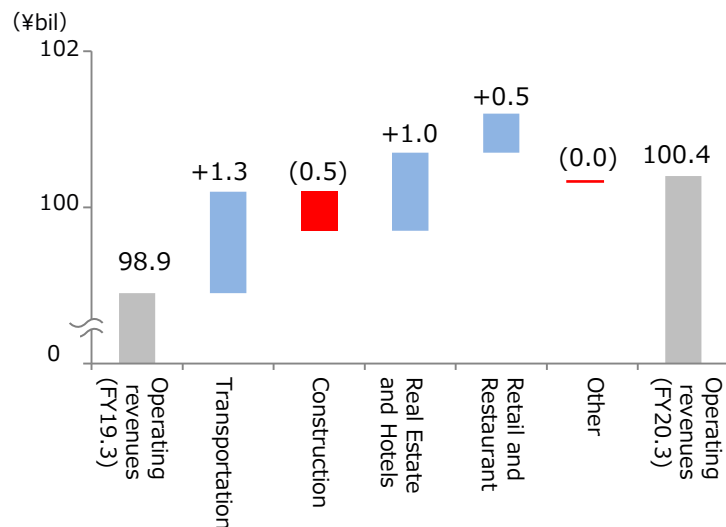
- Operating revenues up for the third consecutive year (record high)
- Operating income down for the second consecutive year
- Net income attributable to owners of the parent down for the second consecutive year
- EBITDA up for the third consecutive year

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY	
Operating revenues	98.9	100.4	1.5	101.6%
Operating income	16.0	15.4	(0.5)	96.4%
Ordinary income	17.2	16.0	(1.1)	93.1%
Net income attributable to owners of the parent	13.4	12.3	(1.0)	92.1%
EBITDA ^(*)	21.0	21.3	0.2	101.3%

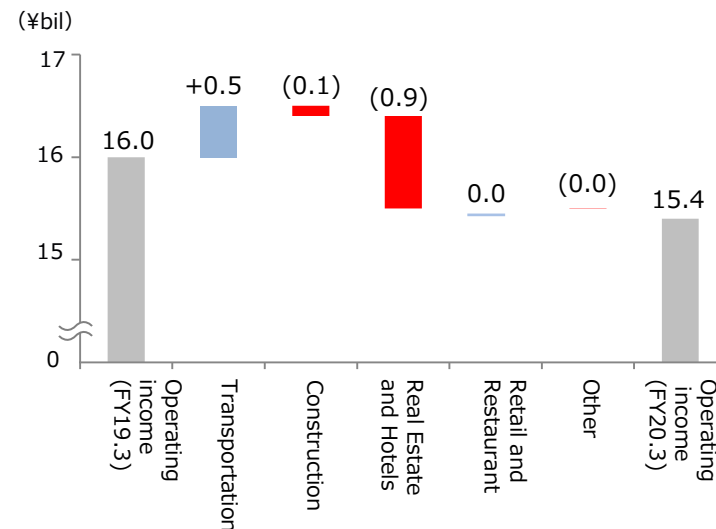
(¥bil)

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 (New Segments)



Change in operating income by segment (New Segments)



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)

	3 months ended June, 30 2018	3 months ended June, 30 2019	YoY		Major factors
Operating revenues	98.9	100.4	1.5	101.6%	Increase in revenue from railway transportation, Increase in revenue from condominium sales (JR Kyushu), etc.
Operating expenses	82.8	84.9	2.1	102.6%	Increase due to elimination of special tax measures (JR Kyushu) Increase in depreciation cost (JR Kyushu), etc.
Operating income	16.0	15.4	(0.5)	96.4%	
Non-operating income and expenses	1.2	0.6	(0.6)	49.5%	Decline in gains on investment securities (JR Kyushu), etc.
Ordinary income	17.2	16.0	(1.1)	93.1%	
Extraordinary gains and losses	(0.0)	0.1	0.1	-	
Net income attributable to owners of the parent	13.4	12.3	(1.0)	92.1%	
EBITDA	21.0	21.3	0.2	101.3%	

Segment Information 【Summary】 (New segments)



(¥bil)

	3 months ended June, 30 2018	3 months ended June, 30 2019	YoY		Major Factors
Operating revenues	98.9	100.4	1.5	101.6%	
Transportation	42.8	44.1	1.3	103.0%	
Railway Business (non-consolidated)	40.6	41.9	1.3	103.3%	Increase in revenues from railway transportation, increase due to change in revenue/expense classifications related to station buildings, etc.
Construction	12.9	12.4	(0.5)	95.9%	Decrease in Shinkansen-related construction, etc.
Real Estate and Hotels	18.6	19.7	1.0	105.7%	
Real Estate Lease	16.7	17.3	0.5	103.4%	
Condominium Sales	1.9	2.3	0.4	125.6%	Increase in revenue from sales of condominiums, etc.
Retail and Restaurant	25.4	26.0	0.5	102.0%	Increase due to new store openings, etc.
Other	16.1	16.1	(0.0)	99.9%	
Operating income	16.0	15.4	(0.5)	96.4%	
Transportation	9.3	9.9	0.5	106.2%	
Railway Business (non-consolidated)	9.2	9.8	0.6	106.9%	
Construction	(0.3)	(0.5)	(0.1)	-	
Real Estate and Hotels	6.0	5.0	(0.9)	83.5%	
Real Estate Lease	6.0	4.8	(1.1)	80.9%	Increase due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	0.0	0.1	0.1	743.4%	
Retail and Restaurant	0.7	0.7	0.0	106.2%	
Other	0.4	0.3	(0.0)	87.9%	
EBITDA	21.0	21.3	0.2	101.3%	
Transportation	10.9	12.1	1.2	111.0%	
Railway Business (non-consolidated)	10.6	11.9	1.2	111.9%	
Construction	(0.0)	(0.2)	(0.1)	-	
Real Estate and Hotels	8.5	7.6	(0.8)	90.0%	
Real Estate Lease	8.5	7.5	(1.0)	88.2%	
Condominium Sales	0.0	0.1	0.1	670.0%	
Retail and Restaurant	1.1	1.1	0.0	102.9%	
Other	0.7	0.8	0.0	113.3%	

Balance Sheet



(¥bil)

	FY19.3	3 months ended June 30, 2019	Increase/ (decrease)	Major Factors
Total Assets	801.4	784.0	(17.4)	
Cash and time deposits	16.9	27.5	10.5	
Short-term securities	19.9	22.0	2.0	
Money held in trust	56.9	51.1	(5.7)	Redemption of domestic bonds, etc.
Property, plant and equipment	461.3	469.2	7.9	
Railway business assets	72.4	69.7	(2.7)	Increase in depreciation cost (JR Kyushu), etc.
Interest-bearing debt	107.9	108.4	0.5	
Net assets	420.7	424.6	3.9	
Paid-in capital	249.9	249.9	-	
Capital and retained earnings	160.5	164.6	4.1	

Non-consolidated Income Statements



(¥bil)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY		Major Factors
Operating revenues	49.5	51.3	1.7	103.5%	
Railway transportation revenues	36.8	37.8	0.9	102.6%	Longer Golden Week holiday period, operations resumed on the Kyudai Main Line, etc.
Other revenues	12.6	13.4	0.7	106.2%	Increase in revenue from sales of condominiums, etc.
Operating expenses	36.0	38.0	2.0	105.7%	
Personnel expenses	12.4	12.4	(0.0)	99.5%	
Non-personnel expenses	18.7	19.4	0.6	103.7%	
Energy costs	2.2	2.3	0.0	102.7%	
Maintenance costs	5.5	5.2	(0.3)	94.4%	
Other	10.9	11.9	0.9	108.6%	Increase due to elimination of special tax measures, etc.
Taxes	1.9	2.6	0.7	135.9%	Increase due to elimination of special tax measures, etc.
Depreciation costs	2.7	3.4	0.7	125.3%	
Operating income	13.5	13.2	(0.3)	97.8%	
Non-operating income and expenses	7.3	4.8	(2.4)	66.1%	Decrease in dividend income, etc.
Ordinary income	20.8	18.0	(2.7)	86.7%	
Extraordinary gains and losses	0.0	0.1	0.1	735.8%	
Net income	17.8	15.1	(2.6)	84.9%	

Railway business



Transportation Revenues

(¥bil)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY		Major Factors
Total	36.8	37.8	0.9	102.6%	
Commuter pass	8.3	8.3	(0.0)	99.1%	
Non-commuter pass	28.4	29.5	1.0	103.7%	
Shinkansen	13.1	13.3	0.2	101.5%	• Basic trend (approx. 101%)
Commuter pass	0.6	0.7	0.0	102.8%	• Increase due to longer Golden Week holiday period
Non-commuter pass	12.4	12.6	0.1	101.5%	• Decrease due to rebound from broadcast of "Sego-don" period drama
Conventional Lines	23.7	24.4	0.7	103.3%	• Basic trend (approx. 100%)
Commuter pass	7.6	7.6	(0.0)	98.8%	• Increase due to longer Golden Week holiday period
Non-commuter pass	16.0	16.8	0.8	105.4%	• Operations resumed on Kyudai Main Line (resumed on July 14, 2018)

Passenger-Kilometers

(Millions of passenger-kilometers)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY	
Total	2,341	2,361	19	100.8%
Commuter pass	1,133	1,122	(10)	99.1%
Non-commuter pass	1,208	1,238	29	102.5%
Shinkansen	484	493	8	101.8%
Commuter pass	51	52	1	102.5%
Non-commuter pass	432	440	7	101.8%
Conventional Lines	1,857	1,867	10	100.6%
Commuter pass	1,081	1,070	(11)	98.9%
Non-commuter pass	775	797	21	102.8%

II. Forecasts for FY20.3

Consolidated Financial Highlights for FY20.3

(¥bil)

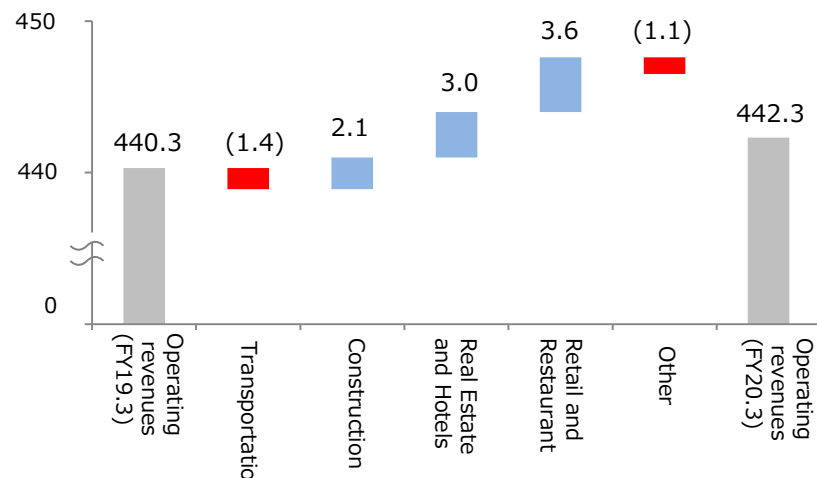
	Results	Forecasts	YoY	
	FY19.3	FY20.3		
Operating revenues	440.3	442.3	1.9	100.4%
Operating income	63.8	56.6	(7.2)	88.6%
Net income attributable to owners of the parent	66.5	57.2	(9.3)	86.0%
Net income attributable to owners of the parent	49.2	42.5	(6.7)	86.3%
EBITDA	85.4	82.3	(3.1)	96.4%

* From FY2020.3, the method of recording revenues/expenses related compensated construction work has changed.

* Forecasts for the fiscal year ending March 31, 2020, remain unchanged from those announced on May 13, 2019. The same applies hereafter.

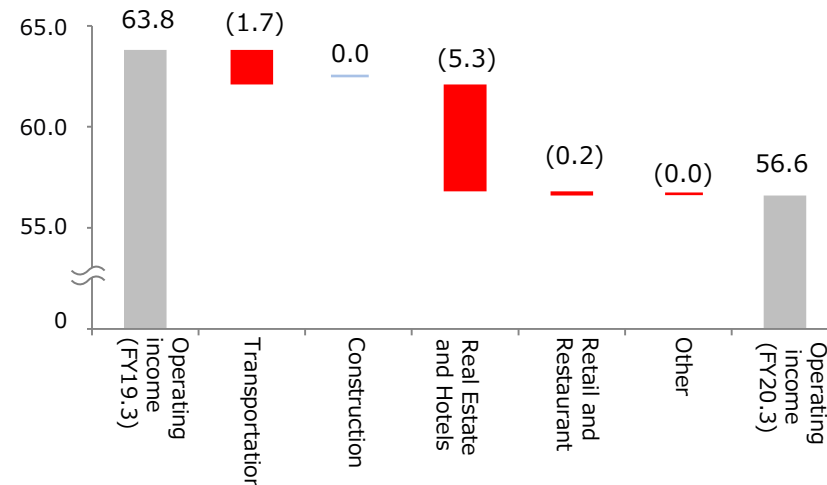
Change in operating revenue by segment (new segments)

(¥bil)



Change in EBITDA by segment (new segments)

(¥bil)



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 Financial Forecasts (By Segment) (New Segments)



(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Major Factors
Operating revenues	440.3	442.3	1.9	100.4%	
Transportation	181.8	180.4	(1.4)	99.2%	
Railway Business (non-consolidated)	172.2	170.4	(1.8)	98.9%	Decrease due to revision of method of recording revenues and expenses related to compensated construction work, increase due to change in revenue/expense classifications related to station buildings, etc.
Construction	93.8	96.0	2.1	102.3%	
Real Estate and Hotels	90.0	93.1	3.0	103.3%	
Real Estate Lease	70.3	73.3	2.9	104.2%	Increase due to opening of new hotels and condominium buildings, decrease due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	19.7	19.8	0.0	100.1%	
Retail and Restaurant	104.0	107.7	3.6	103.5%	Increase due to new store openings, etc.
Other	72.6	71.5	(1.1)	98.4%	
Operating income	63.8	56.6	(7.2)	88.6%	
Transportation	27.4	25.7	(1.7)	93.7%	
Railway Business (non-consolidated)	26.7	24.5	(2.2)	91.5%	Decrease due to elimination of special tax measures and increase in depreciation, increase due to change in method of revenue/expense classifications related to station buildings, etc.
Construction	6.2	6.3	0.0	100.2%	
Real Estate and Hotels	25.4	20.1	(5.3)	79.0%	
Real Estate Lease	23.0	18.2	(4.8)	79.0%	Decrease due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	2.3	1.9	(0.4)	79.4%	Decrease due to increase in cost rate, etc.
Retail and Restaurant	3.4	3.2	(0.2)	93.8%	Decrease due to increase in personnel expenses, etc.
Other	2.2	2.2	0.0	99.9%	
EBITDA	85.4	82.3	(3.1)	96.4%	
Transportation	34.3	35.4	1.0	103.1%	
Railway Business (non-consolidated)	32.8	33.0	0.1	100.5%	
Construction	7.2	7.3	0.0	100.5%	
Real Estate and Hotels	35.6	31.1	(4.5)	87.3%	
Real Estate Lease	33.2	29.2	(4.0)	87.9%	
Condominium Sales	2.4	1.9	(0.5)	79.0%	
Retail and Restaurant	5.0	5.1	0.0	100.4%	
Other	4.1	4.3	0.1	102.6%	

Non-consolidated Financial Forecasts

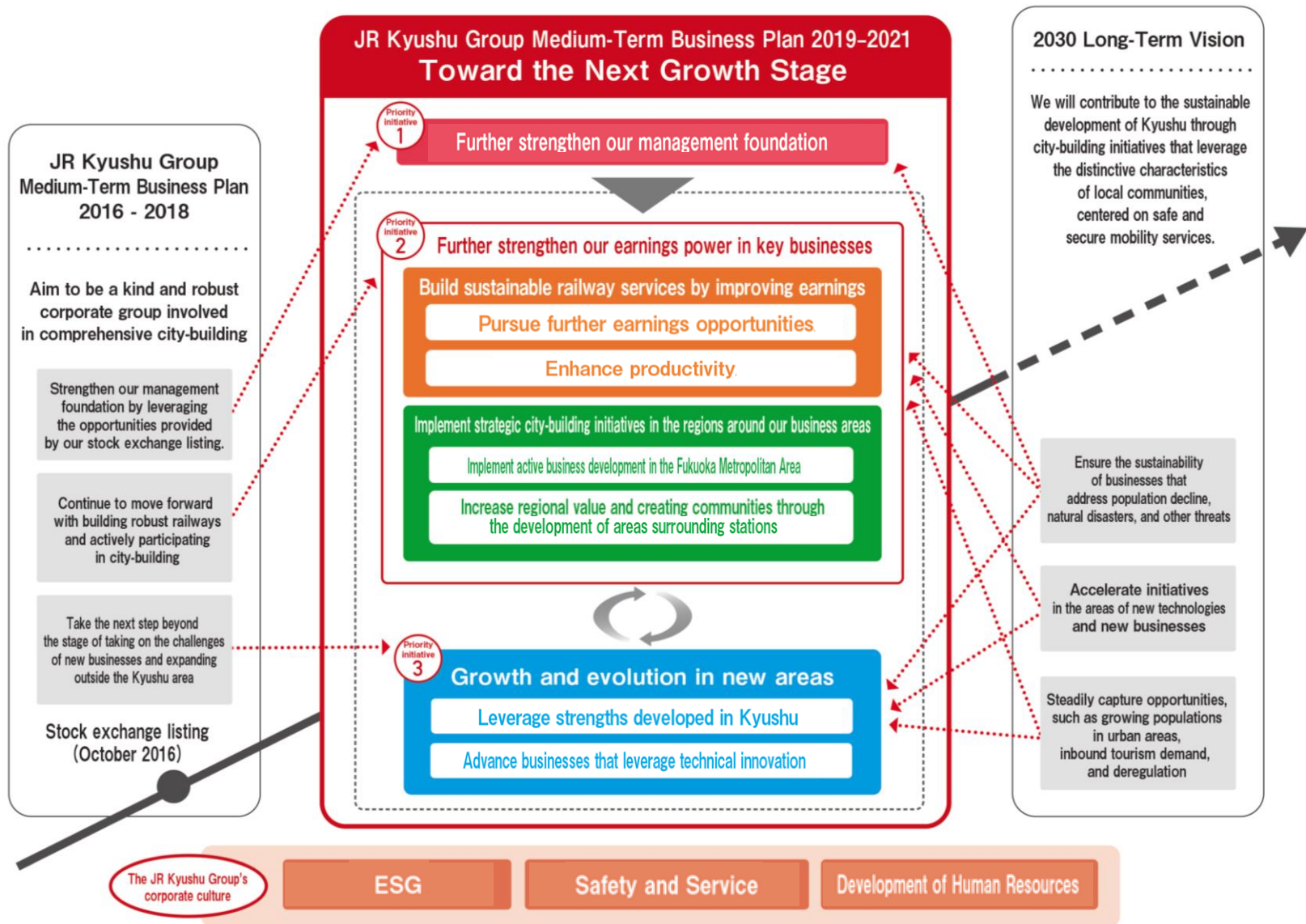


(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Major Factors
Operating revenues	221.9	220.4	(1.5)	99.3%	
Railway transportation revenues	151.4	152.8	1.3	100.9%	Increase due to leap year and rebound from heavy rain in July 2018, etc.
Shinkansen	54.9	55.7	0.7	101.3%	Basic trend (approx. 101%)
Conventional Lines	96.5	97.1	0.6	100.6%	Basic trend (approx. 100%)
Other revenues	70.4	67.6	(2.8)	96.0%	Decrease due to revision of recording of revenues and expenses related to compensated construction work, etc.
Operating expenses	176.1	181.5	5.3	103.0%	
Personnel expenses	49.7	49.1	(0.6)	98.7%	
Non-personnel expenses	106.5	106.1	(0.4)	99.6%	
Energy costs	9.4	9.6	0.1	101.8%	
Maintenance costs	37.2	32.6	(4.6)	87.5%	Decrease due to revision of recording of revenues and expenses related to compensated construction work, etc.
Other	59.8	63.9	4.0	106.7%	Increase due to elimination of special tax measures, etc.
Taxes	8.0	11.1	3.0	137.6%	Increase due to elimination of special tax measures, etc.
Depreciation costs	11.8	15.2	3.3	128.4%	
Operating income	45.7	38.9	(6.8)	85.1%	
Non-operating income and expenses	8.0	4.8	(3.2)	59.6%	
Ordinary income	53.7	43.7	(10.0)	81.3%	
Extraordinary gains and losses	(0.9)	(0.2)	0.7	-	
Net income	44.2	36.2	(8.0)	81.8%	

III. Status of Initiatives for the Medium-Term Business Plan

Position and Priority Initiatives of the JR Kyushu Group Medium-Term Business Plan 2019-2021



Build Sustainable Railway Services by Improving Earnings



Pursue further earnings opportunities

Promote tourism demand, advance city-building initiatives that leverage the appeal of railways

- Promotion of tourism demand through the “Go! Waku Waku Trip with MICKEY ” project
- Announcement of collaboration with ALL NIPPON AIRWAYS CO., LTD .
 - Conduct “Design & Story” train PR activities through “Japan Travel Planner”
 - Planned launch of “ANA & JR KYUSHU RAIL PASS” (September 2019)

Promoting “Design & Story” trains through “Japan Travel Planner”



Enhance productivity

Advance initiatives to reduce maintenance costs through the active use of new technologies

- Joint development with NIPPON SIGNAL CO, LTD., and Kyosan Electric Manufacturing Co., Ltd., targeting the use of CBM* for railway signal equipment.
- Joint development with A.L.I. Technologies Inc. to develop railway facility inspection solutions utilizing drones

*CMB (Condition Based Maintenance): Maintenance is implemented only when it is judged to be necessary based on condition.

Maintenance vision for railway signal facilities

Background

Acceleration of the decline in the working-age population

A major theme is the appropriate allocation of management resources through **increased efficiency, reduced maintenance expenses, etc.**

Development objectives

Phase(1) Mechanization of facility inspection operations

Utilization and application of data

Phase(2) CBM utilizing data

Through analysis of big data, implementation of safe yet efficient repairs that anticipate facility failures and the timing of facility aging.

Economizing labor

Failure analysis

Workability

Future extension

Implement Strategic City-Building Initiatives in the regions around our business areas



Implement active business development in the Fukuoka Metropolitan Area

Advance initiatives to maximize city value through further development in the Hakata Station area

- Planned opening of new hotel — THE BLOSSOM HAKATA Premier — near Hakata station (September 2019)
- Established Hakata Station Area Development Council, started Hakata Connected initiatives (May 2019)

THE BLOSSOM HAKATA Premier



Establishment of the Hakata Station Area Development Council



Increase regional value and create communities through the development of areas surrounding stations

Favorable progress with Miyazaki Station west entrance development and development in the area around Kumamoto Station

Miyazaki

- Selected the company that will open the cinema complex that will be the core facility at AMU PLAZA Miyazaki

Kumamoto

- Start of construction, tenant leasing, etc., for Kumamoto Building (provisional name; commercial facilities, hotel facilities, etc.) and Kumamoto Station North Building (provisional name; offices)

Miyazaki Station west entrance development



Development in the area around Kumamoto Station



Growth and Evolution in New Areas



Leverage strengths developed in Kyushu

In business areas that are expected to be competitive, implement business development initiatives outside of Kyushu

- Planned opening of new hotel — THE BLOSSOM HIBIYA — in Minato-ku, Tokyo (August 2019)
- Announced plan to open first hotel in Kansai region, in Shimogyo-ku, Kyoto City (planned open in Summer 2021)
- Currently developing tower condominium in Sakaisuji, Osaka City (planned completion in late February 2021)

Advance businesses that leverage technical innovation

Advance initiatives in the digital field

- CRM* Joint development, centered on Digital Garage, Inc., and also including other Digital Garage Group companies, to build platform and development smartphone app
- Start verification testing of system to reduce waiting time with advance orders, through the introduction of mobile ordering

* CRM (Customer Relationship Management)

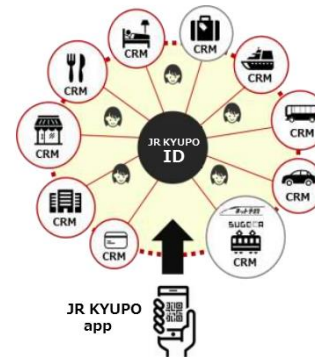
THE BLOSSOM HIBIYA



MJR/RJR Sakaisuji Hommachi Tower



Principal functions of the JR KYUPO app



Introduction of mobile ordering



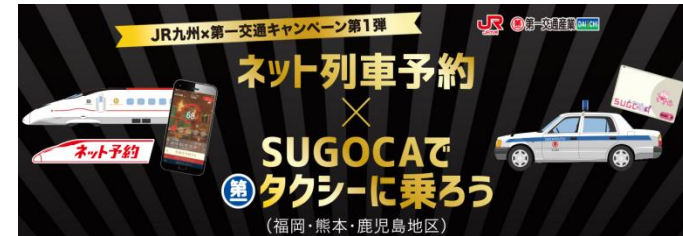
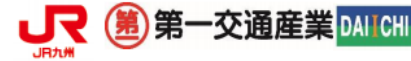
Growth and Evolution in New Areas



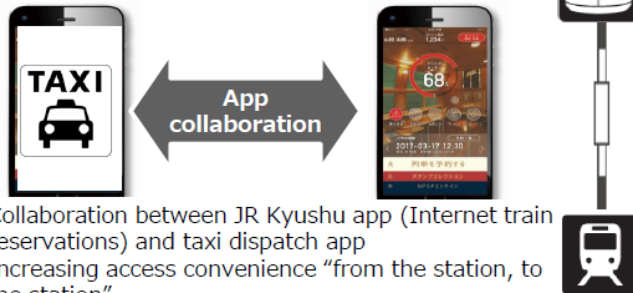
Take on the challenge of new mobility services (MaaS)

Advance initiatives with other transportation companies

- Concluded a business alliance agreement with DAIICHI KOUTSU SANGYO Co., Ltd., with a focus on the development of integrated mobility services based on the future of MaaS
- Collaboration with “MaaS Japan,” which is led by Odakyu Electric Railway Co., Ltd.



Urban-style MaaS



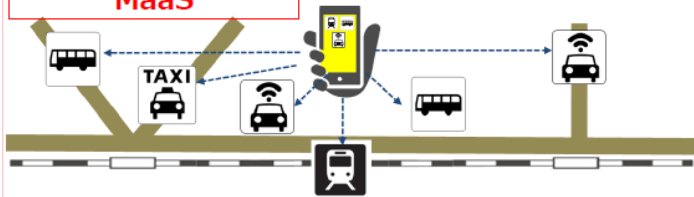
Collaboration between JR Kyushu app (Internet train reservations) and taxi dispatch app
Increasing access convenience “from the station, to the station”

Collaboration among a variety of transportation modes, such as railways, buses, taxis, and shared bicycles, and advancing city-building initiatives, centered on mobility services.



Leveraging new mobility technologies, such as on-demand transportation

Regional-style MaaS



Leveraging MaaS technologies to cooperate with other modes of transportation, such as buses, taxis, on-demand transportation, etc.
Taking on the challenge of sustainable mobility services, on a foundation of safety and peace of mind

Tourism-style MaaS



Aiming to utilize MaaS apps to increase the convenience of tourism by providing access from cities to tourism sites by railway, and collaborating with regional transportation, tourism, and commercial facilities at destination sites.

Further Strengthen Our Management Foundation



Establishment of the Nomination and Compensation Advisory Committee (announced March 19, 2019)

- The Compensation Advisory Committee was established in 2016 with the objective of enhancing the objectivity and transparency of procedures related to officer compensation.
- We determined that to advance the Medium-Term Business Plan 2019–2021, which was announced on March 19, 2019, it would be important to draw on the knowledge of the outside directors in considering officer skill sets, successor planning, etc. Accordingly, the area of nomination was added to the Compensation Advisory Committee to establish the Nomination and Compensation Advisory Committee.
- Appointment of outside director as chair to further enhance transparency and objectivity of nomination procedures

Clarification of Chief Financial Officer (CFO) position (June 21, 2019)

- We determined that, in conjunction with our core railway business, we must strengthen our earnings power in the real estate business, where we conduct strategic city-building initiatives, and we must bolster the appropriate allocation of management resources in order to form a strategic business portfolio, including M&A, etc. As a result, we decided to clarify the position of CFO.
- With consideration for a report from the Nomination and Compensation Advisory Committee, a newly appointed inside director, Toshihiro Mori, was appointed as CFO.
- Currently, Mr. Mori is focusing on bolstering financial strategy and IR activities.

Further increase in outside directors (June 21, 2019)

- To advance the Medium-Term Business Plan and strengthen the oversight function, with consideration for a report from the Nomination and Compensation Advisory Committee, the following two outside directors were newly appointed.
 1. Toshihide Ichikawa: Oversight of measures to increase earning power in the real estate business, which conducts strategic city-building initiatives
 2. Shinji Asatsuma: Oversight of measures to strengthen appropriate allocation of management resources in order to form a strategic business portfolio, including M&A, etc.
- Outside directors make up a majority of the Board of Directors (53.3%)

Introduction of a performance-based stock compensation plan (details announced on August 5, 2019)

- Introduction of a performance-based stock compensation plan in order to provide an incentive to executives with business execution duties and to strengthen the oversight function
- As key performance indicators (KPIs) — the plan uses a target management indicator in the Medium-Term Business Plan (consolidated operating income) as a short-term KPI, and total shareholder return (TSR) as a long-term KPI

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/