



# **(Supplementary Materials) Full-Year Performance Forecasts and Dividend Forecasts for FY21.3**

September 24, 2020  
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



# Performance Forecasts

---



- **Previously, the Company had not yet determined the full-year performance forecasts for the fiscal year ending March 31, 2021, because revenue trends were very unclear as a result of the COVID-19 infection, and it was difficult to make a rational calculation.**
- **The Company is still unable to forecast the timing of the resolution of the COVID-19 crisis. However, with consideration for revenue trends since the lifting of the state of emergency, and with certain assumptions based on information that is available at this point, the Company has calculated performance forecasts, and accordingly is making this announcement.**
- **Note that these forecasts do not anticipate large-scale limitations on social activities, such as another declaration of a state of emergency. Also, in regard to the recovery expenses for damages from the heavy rains in July 2020, which occurred throughout Kyushu in July 2020, those expenses for which it is difficult to make a rational estimate at this point are not included.**

# Consolidated Financial Highlights for FY21.3



	Results FY20.3	Forecasts FY21.3	YoY	(¥bil)
Operating revenue	432.6	291.7	(140.9)	67.4%
Operating income	49.4	(32.3)	(81.7)	-
Ordinary income	50.6	(31.4)	(82.0)	-
Net income attributable to owners of the parent	31.4	(28.4)	(59.8)	-
EBITDA <sup>(※)</sup>	75.0	(4.2)	(79.2)	-

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

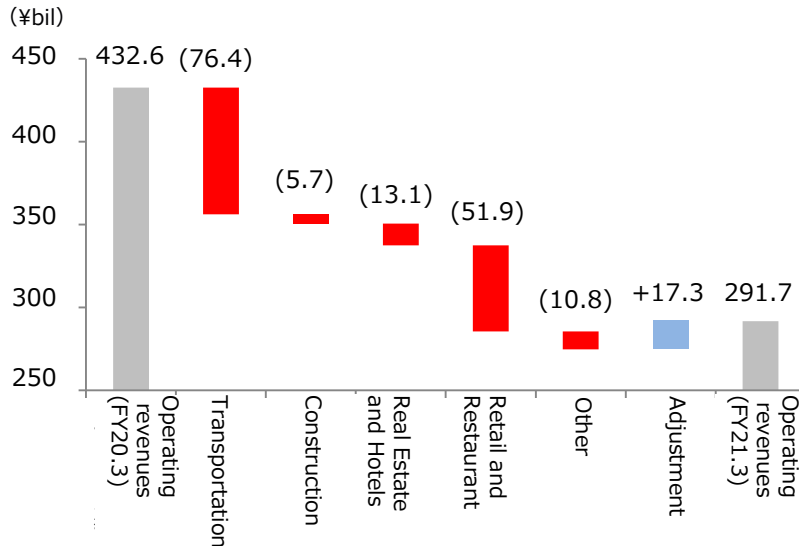
## Operating revenue

Operating revenue declined significantly owing in part to a decrease in railway transportation revenues (¥69.7 billion) and the influence of changing JR Kyushu Drug Eleven Co., Ltd. to an equity-method affiliate (¥39.7 billion).

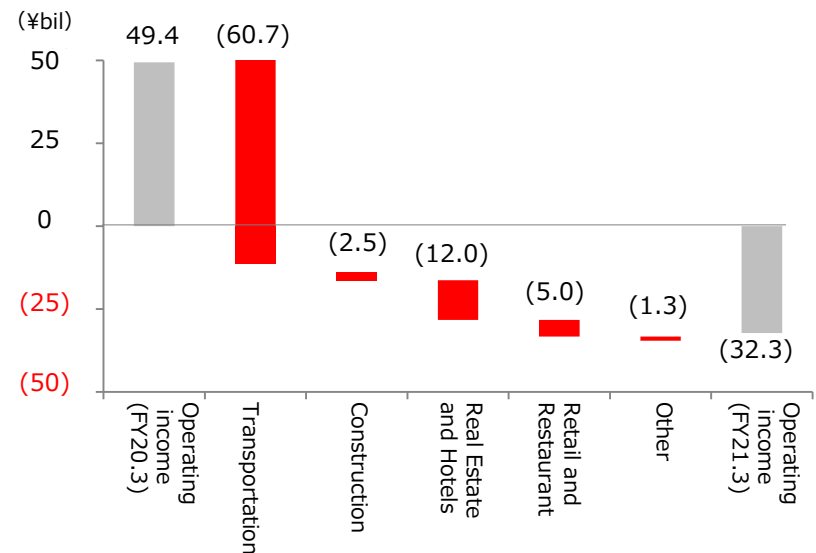
## Operating income

Despite planning for cost reductions of approximately ¥14.0 billion on a non-consolidated basis and roughly ¥3.0 billion at Group companies, operating income decreased following the significant decline in operating revenue.

## Change in operating revenue by segment



## Change in operating income by segment



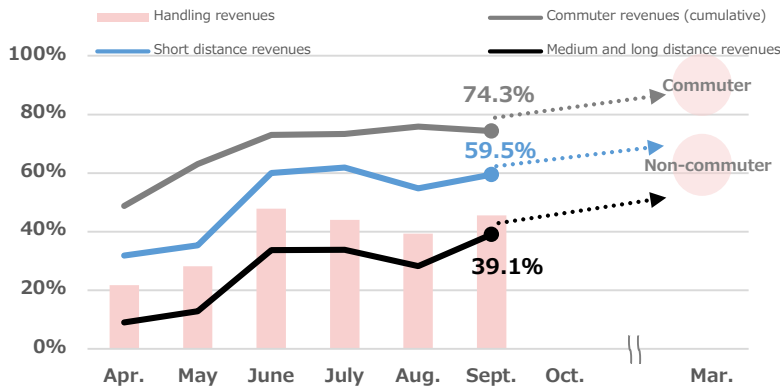
# Assumptions of Major Segments and Plans for Capital Investment



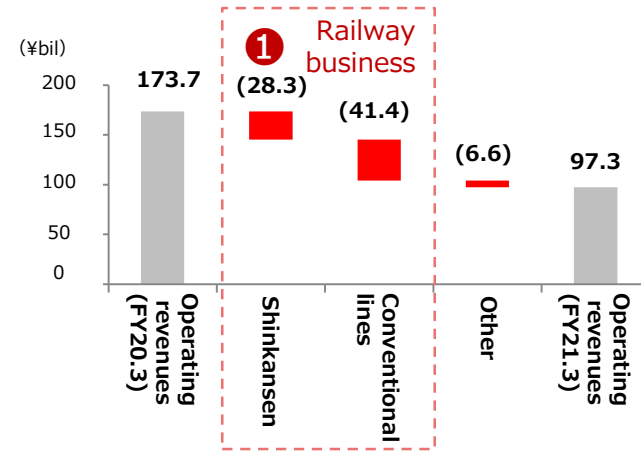
## Transportation segment

- Commuter revenues will recover to approximately 90% of normal in March.  
Non-commuter revenues (short distance, medium to long distance) will recover to approximately 60% to 70% of normal in March.

Trend of handling revenues (YoY)

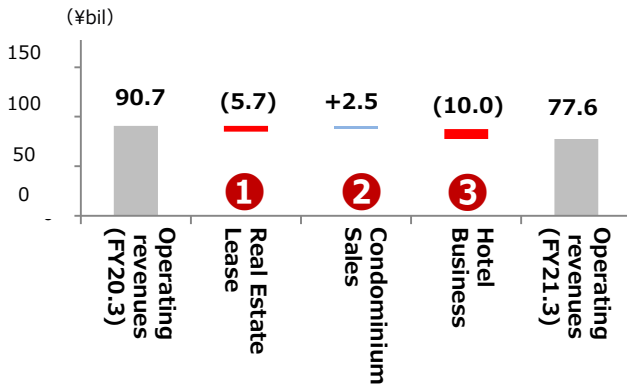


\* Figures for September are preliminary figures as of September 22.  
\* Handling revenues: Revenues prior to settlement with other JR companies, other railway companies, etc. These figures are different from the transportation revenues that are recorded in the statement of income.



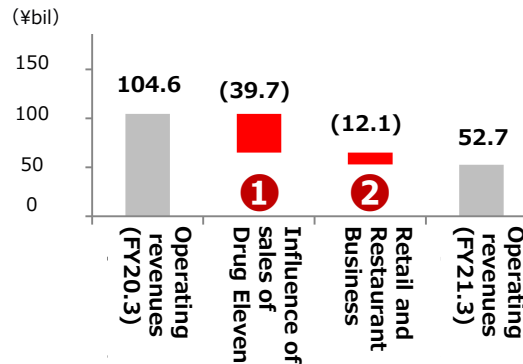
## Real estate and Hotels segment

- Station building tenant sales in July and August about 60% of previous year's level.  
Recovery to approximately 70% to 80% of normal in March.
- Forecasting solid sales in the Osaka and Fukuoka areas.
- Occupancy rate in July and August approximately 30%.  
Recovery in occupancy rate to approximately 40% to 50% in March.



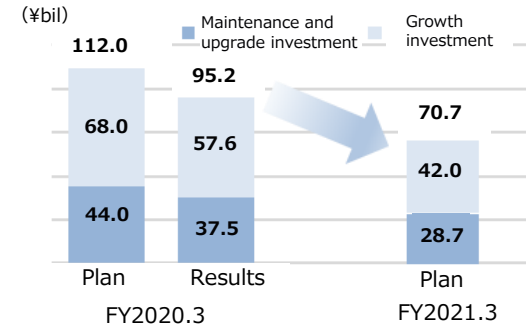
## Retail and Restaurant segment

- Influence of transfer of holdings of shares of JR Kyushu Drug Eleven: Approximately ¥39.7 billion  
\* Changed to equity-method affiliate from 1Q of FY2021.3, and accordingly not included in revenue for 2Q through 4Q.
- Sales in July and August approximately 70% of previous year's level.  
Recovery to approximately 80% of normal in March.



## Plans for Capital Investment

Planning for significant decline due to postponements and constraints  
[Major growth investment projects]  
 • Miyazaki Station West Entrance Development  
 • Kumamoto Station Area Development (two office buildings and one rental apartment)  
 • Development of rental apartments (Osaka and Fukuoka areas)



# Consolidated Financial Forecasts (By Segment)



(¥bil)

	Results FY20.3	Forecasts FY21.3	YoY	Major factors
<b>Operating revenue</b>	432.6	291.7	(140.9)	67.4%
<b>Transportation</b>	173.7	97.3	(76.4)	56.0% Decrease in passenger demand (railway, hydrofoil ferry, bus) due to influence of the COVID-19 infection
<b>Railway Business (non-consolidated)</b>	165.2	92.2	(73.0)	55.8%
<b>Construction</b>	99.3	93.6	(5.7)	94.2% Decrease in railway construction orders from JR Kyushu
<b>Real Estate and Hotels</b>	90.7	77.6	(13.1)	85.5%
<b>Real Estate Lease</b>	55.2	49.5	(5.7)	89.6% Decrease in revenues from leases (mainly station buildings) due to influence of the COVID-19 infection
<b>Condominium Sales</b>	18.9	21.5	2.5	113.6% Increase in revenue from sales of condominiums
<b>Hotel Business</b>	16.6	6.6	(10.0)	39.7% Decrease in number of guests due to influence of the COVID-19 infection
<b>Retail and Restaurant</b>	104.6	52.7	(51.9)	50.4% Decrease due to transfer of a portion of holdings of shares of JR Kyushu Drug Eleven and to the influence of the COVID-19 infection
<b>Other</b>	72.1	61.3	(10.8)	84.9% Decrease due to the influence of the COVID-19 infection and to the transfer of the leasing and installment financing businesses
<b>Operating income</b>	49.4	(32.3)	(81.7)	-
<b>Transportation</b>	19.8	(40.9)	(60.7)	-
<b>Railway Business (non-consolidated)</b>	20.0	(39.1)	(59.1)	-
<b>Construction</b>	6.5	4.0	(2.5)	60.8%
<b>Real Estate and Hotels</b>	19.1	7.1	(12.0)	37.1%
<b>Real Estate Lease</b>	16.7	11.4	(5.3)	67.9%
<b>Condominium Sales</b>	1.5	1.9	0.3	121.3%
<b>Hotel Business</b>	0.7	(6.2)	(6.9)	-
<b>Retail and Restaurant</b>	2.8	(2.2)	(5.0)	-
<b>Other</b>	2.2	0.9	(1.3)	39.4%
<b>EBITDA</b>	75.0	(4.2)	(79.2)	-
<b>Transportation</b>	29.5	(29.8)	(59.3)	-
<b>Railway Business (non-consolidated)</b>	28.8	(28.4)	(57.2)	-
<b>Construction</b>	7.6	5.0	(2.6)	65.0%
<b>Real Estate and Hotels</b>	30.5	19.7	(10.8)	64.4%
<b>Real Estate Lease</b>	26.1	21.6	(4.5)	82.7%
<b>Condominium Sales</b>	1.5	1.9	0.3	120.5%
<b>Hotel Business</b>	2.8	(3.8)	(6.6)	-
<b>Retail and Restaurant</b>	4.4	(0.8)	(5.2)	-
<b>Other</b>	4.3	2.8	(1.5)	64.5%

# Non-consolidated Financial Forecasts



	Results FY20.3	Forecasts FY21.3	YoY		Major factors	Cost reductions
Operating revenue	214.8	145.0	(69.8)	67.5%		
Railway transportation revenues	147.3	77.6	(69.7)	52.7%	Influence of the COVID-19 infection	
Shinkansen	52.3	24.0	(28.3)	45.9%		
Conventional Lines	95.0	53.6	(41.4)	56.4%		
Other revenue	67.5	67.4	(0.1)	99.8%		
Operating expense	180.4	169.5	(10.9)	93.9%		(14.0)
Personnel expense	48.7	39.5	(9.2)	81.0%	Decrease due to sale of hospital business (-2.0) Natural decline due to a decrease in employee numbers	(6.0)
Non-personnel expense	105.5	101.2	(4.3)	95.9%		
Energy cost	9.2	8.4	(0.8)	91.0%		(0.5)
Maintenance cost	33.4	30.2	(3.2)	90.2%		(3.5)
Other	62.8	62.6	(0.2)	99.6%	Increase due to sale of hospital business (+2.0) Increase in cost of sales of condominiums (+1.8)	(4.0)
Taxes	10.7	10.9	0.1	101.5%		
Depreciation cost	15.4	17.9	2.4	115.8%		
Operating income	34.3	(24.5)	(58.8)	-		
Non-operating income and expense	6.1	8.7	2.5	140.6%	Increase in dividend income	
Ordinary income	40.5	(15.8)	(56.3)	-		
Extraordinary gain and losse	(6.3)	3.5	9.8	-	Increase due to sale of a portion of holdings of the shares of JR Kyushu Drug Eleven (+9.0) Rebound from increase in provision for loss on guarantees related to loss on QUEEN BEETLE, etc. (+6.5) Increase in provision for loss on disaster related to restoration of Hitahikosan Line (-2.1) Increase in disaster expenses associated with heavy rains in July 2020 (-3.3)	
Net income	28.6	(11.4)	(40.0)	-		

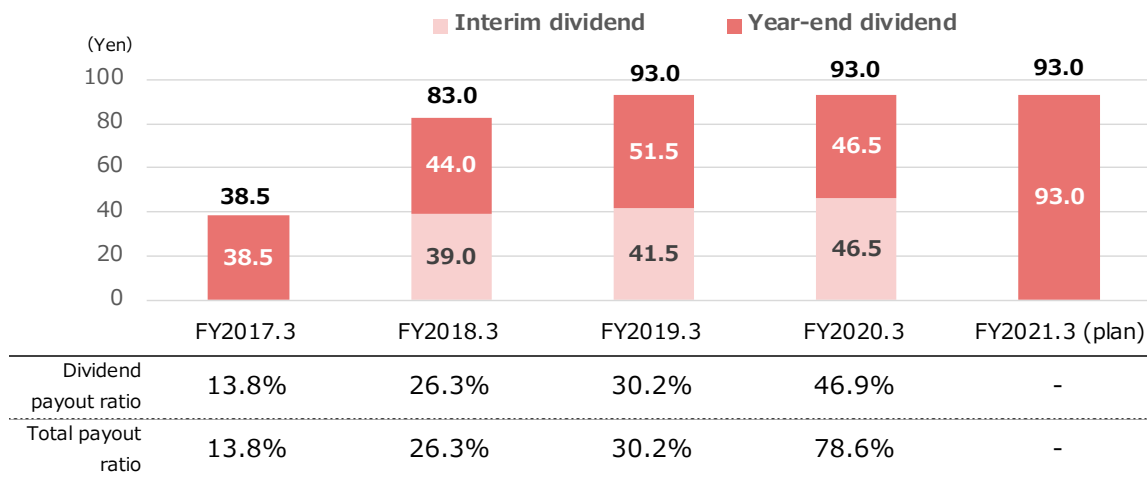
# Dividend Forecasts



- The Company views the return of profits to shareholders as one of its most important management tasks. Accordingly, the Company believes it is important to provide stable shareholder returns over the long term.

Over the period to the fiscal year ending March 31, 2022, the Company will aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93. In addition, to increase capital efficiency, the Company will implement share repurchases depending on the situation.
- The Company is forecasting extremely severe results for the fiscal year ending March 31, 2021. However, as a result of consideration in accordance with the above policy, the Company has decided to set the dividend forecast for the fiscal year ending March 31, 2021, at ¥93 per share.
- Up to this point, the Company has paid dividends from retained earnings in two parts — an interim dividend and a year-end dividend. However, matters such as the influence of COVID-19 on future results will require careful consideration, and accordingly we have decided to suspend the interim dividend for FY2021.3 and plans to pay dividends in one part, which will be the year-end dividend.

Annual dividends per share



\* Implementation of a share repurchase (¥10 billion)

# 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/](http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/)