



# FY19.3 Annual Investors Meeting

May 14, 2019  
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



# Contents

---



Highlights	3
I Financial results for FY19.3	4
II Forecasts for FY20.3	11
III Business Initiatives by Each Segment Under Medium-Term Business Plan	16
APPENDIX	36



## Results For FY19.3

- Operating revenues up YoY due to the consolidation of Caterpillar Kyushu, etc.
- Consolidated operating income, ordinary income, and net income attributable to owners of the parent down due to higher depreciation at JR Kyushu

## Forecasts for FY20.3

- Operating revenues expected to increase due to higher railway transportation revenues, new hotel openings, etc.
- Net income attributable to owners of the parent expected to decline due to elimination of special tax measures, higher depreciation in the railway business, etc.

## Business Initiatives Under Medium- Term Business Plan

- In the railway business, increase earning power in key fields—Shinkansen, urban area demand, inbound tourism demand
- In the related businesses, implement initiatives to increase the population in the areas around our railway lines by implementing strategic city-building initiatives in the regions around our business areas

# **I . Financial results for FY19.3**

# Consolidated Financial Highlights for FY19.3

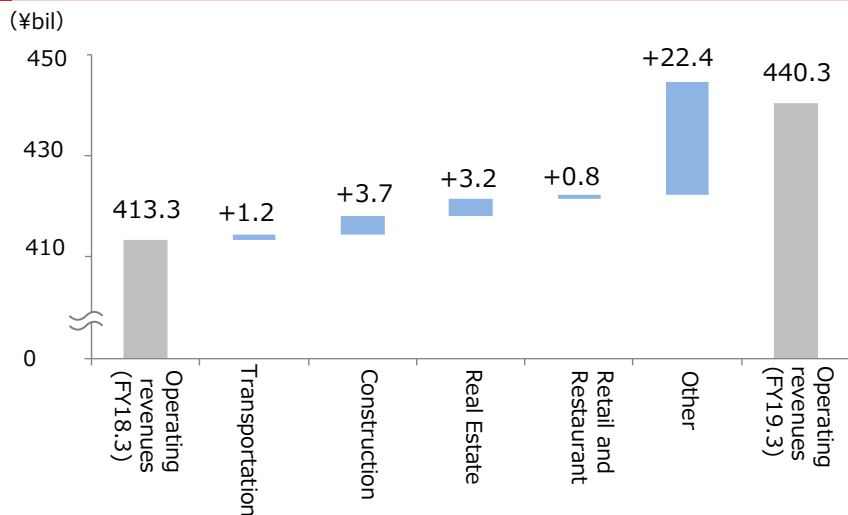


- Operating revenues up for the 9th consecutive year (set new record)
- Operating income down for the first time in six periods
- Net income attributable to owners of the parent down for the first time in 3 years
- EBITDA up for the 6th consecutive year (set new record)

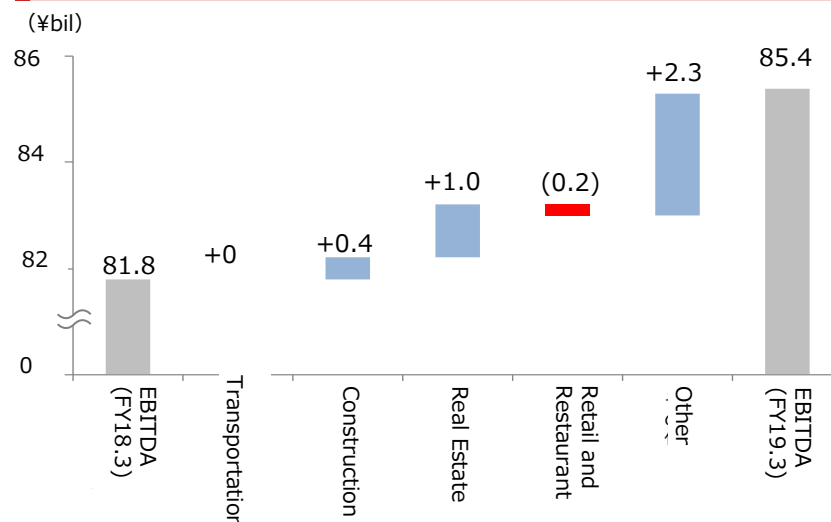
	FY18.3	FY19.3	YoY	(¥bil)
Operating revenue	413.3	440.3	26.9	106.5%
Operating income	63.9	63.8	(0.0)	99.9%
Ordinary income	67.0	66.5	(0.5)	99.2%
Net income attributable to owners of the parent	50.4	49.2	(1.1)	97.7%
EBITDA <sup>(Note)</sup>	81.8	85.4	3.5	104.4%

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 (former segments)



## Change in EBITDA by segment (former 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)

	FY18.3	FY19.3	YoY		Majour Factors
<b>Operating revenues</b>	413.3	440.3	26.9	106.5%	Increase due to consolidation of Caterpillar Kyushu
<b>Operating expenses</b>	349.4	376.4	27.0	107.7%	Increase due to consolidation of Caterpillar Kyushu Increase in depreciation costs (JR Kyushu)
<b>Operating income</b>	63.9	63.8	(0.0)	99.9%	
<b>Non-operating income and expenses</b>	3.0	2.6	(0.4)	86.1%	
<b>Ordinary income</b>	67.0	66.5	(0.5)	99.2%	
<b>Extraordinary gains and losses</b>	(2.2)	(2.1)	0.1	-	
<b>Net income attributable to owners of the parent</b>	50.4	49.2	(1.1)	97.7%	
<b>EBITDA</b>	81.8	85.4	3.5	104.4%	

# Segment Information 【Summary】 (Former Segments)

(¥bil)



	FY18.3	FY19.3	YoY		Majour Factors
<b>Operating revenues</b>	413.3	440.3	26.9	106.5%	
<b>Transportation</b>	183.7	185.0	1.2	100.7%	
<b>Railway Business (non-consolidated)</b>	171.3	172.2	0.9	100.5%	Increase in railway transportation revenues, etc.
<b>Construction</b>	88.0	91.7	3.7	104.3%	Increase in Shinkansen-related construction, etc.
<b>Real Estate</b>	69.4	72.6	3.2	104.7%	
<b>Real Estate Lease</b>	49.0	52.9	3.9	108.0%	Increase due to serviced apartment business in Thailand, Higo Yokamon Ichiba, etc.
<b>Condominium Sales</b>	20.4	19.7	(0.6)	96.8%	
<b>Retail and Restaurant</b>	103.1	104.0	0.8	100.8%	
<b>Other</b>	67.4	89.8	22.4	133.3%	Consolidation of Caterpillar Kyushu, full-year contribution from JR Kyushu Hotel Blossom Naha, etc.
<b>Operating income</b>	63.9	63.8	(0.0)	99.9%	
<b>Transportation</b>	29.2	27.4	(1.7)	94.0%	
<b>Railway Business (non-consolidated)</b>	28.2	26.7	(1.4)	94.8%	Increase in depreciation costs, etc.
<b>Construction</b>	6.2	6.5	0.2	104.1%	
<b>Real Estate</b>	23.2	23.7	0.5	102.5%	
<b>Real Estate Lease</b>	20.6	21.3	0.7	103.6%	
<b>Condominium Sales</b>	2.5	2.3	(0.1)	93.8%	
<b>Retail and Restaurant</b>	3.6	3.4	(0.2)	93.5%	Increase in personnel expenses, etc.
<b>Other</b>	2.4	3.5	1.1	148.1%	
<b>EBITDA</b>	81.8	85.4	3.5	104.4%	
<b>Transportation</b>	34.3	34.4	0.0	100.3%	
<b>Railway Business (non-consolidated)</b>	32.5	32.8	0.2	100.8%	
<b>Construction</b>	7.0	7.5	0.4	106.1%	
<b>Real Estate</b>	32.0	33.1	1.0	103.4%	
<b>Real Estate Lease</b>	29.4	30.7	1.2	104.2%	
<b>Condominium Sales</b>	2.5	2.4	(0.1)	94.0%	
<b>Retail and Restaurant</b>	5.3	5.0	(0.2)	95.2%	
<b>Other</b>	3.9	6.3	2.3	159.1%	

# Balance Sheet and Cash Flow Statement



## Balance Sheet

(¥bil)

	FY18.3	FY19.3	Increase/ (decrease)	Major Factors
<b>Total Assets</b>	749.3	801.4	52.0	
Cash and time deposits	15.0	16.9	1.9	
Short-term securities	65.0	19.9	(45.1)	Decrease in negotiable certificates of deposit, etc.
Money held in trust	55.7	56.9	1.1	
Property, plant and equipment	390.6	461.3	70.6	
Railway business assets	47.2	71.6	24.4	
Interest-bearing debt	87.3	107.9	20.6	Increase due to issuance of bonds, etc.
<b>Net assets</b>	383.2	420.7	37.5	
Capital and paid-in capital	250.2	249.9	(0.2)	
Retained earnings	124.9	160.5	35.5	
<b>ROE</b>	14.0%	12.4%		
<b>ROA</b>	7.1%	6.4%		
<b>D / EBITDA</b>	1.07	1.26		
<b>Equity ratio</b>	50.3%	51.8%		

## Cash flow statement

(¥bil)

	FY18.3	FY19.3	Increase/ (decrease)	Major Factors
<b>Cash flows from operating activities</b>	87.6	41.4	(46.2)	Decrease due to collection of receivables (MJR Ropponmatsu, etc.), etc.
Depreciation expense	17.9	21.9	4.0	
<b>Cash flows from investing activities</b>	(68.3)	(74.6)	(6.2)	
Capital expenditures	(82.3)	(105.9)	(23.6)	
<b>Free cash flow</b>	19.3	(33.1)	(52.4)	
<b>Cash flows from financing activities</b>	(9.1)	5.6	14.8	Increase due to issuance of bonds, etc.
<b>Cash and cash equivalents</b>	64.3	36.8	(27.5)	



# Non-consolidated Income Statements



(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
Operating revenues	219.7	221.9	2.1	101.0%	
Railway transportation revenues	151.1	151.4	0.3	100.2%	
Other revenues	68.5	70.4	1.8	102.7%	Increase in revenues from real estate leases, etc.
Operating expenses	172.9	176.1	3.2	101.9%	
Personnel expenses	51.3	49.7	(1.6)	96.8%	
Non-personnel expenses	104.3	106.5	2.2	102.1%	
Energy costs	8.8	9.4	0.5	106.4%	
Maintenance costs	36.3	37.2	0.8	102.4%	
Other	59.0	59.8	0.8	101.4%	
Taxes	7.5	8.0	0.4	106.3%	
Depreciation costs	9.6	11.8	2.1	122.2%	
Operating income	46.7	45.7	(1.0)	97.8%	
Non-operating income and expenses	5.5	8.0	2.5	145.8%	Increase in dividend income, etc.
Ordinary income	52.2	53.7	1.5	102.9%	
Extraordinary gains and losses	(2.3)	(0.9)	1.3	-	<ul style="list-style-type: none"> <li>· Decrease in disaster expenses associated with heavy rain in northern Kyushu in 2017 and typhoon No. 18</li> <li>· Increase in disaster expenses associated with heavy rain in July 2018, etc</li> </ul>
Net income	41.6	44.2	2.6	106.2%	

# Railway business



## Railway Transportation Revenues

(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
<b>Total</b>	151.1	151.4	0.3	100.2%	
<b>Commuter pass</b>	32.3	32.4	0.1	100.4%	
<b>Non-commuter pass</b>	118.8	119.0	0.1	100.2%	
<b>Shinkansen</b>	54.1	54.9	0.7	101.5%	<ul style="list-style-type: none"> <li>• Basic trend (approx. 101%)</li> <li>• Increase due to broadcast of Segodon period drama</li> <li>• Increase due to consecutive holidays in September 2018</li> </ul>
<b>Commuter pass</b>	2.6	2.7	0.0	102.4%	
<b>Non-commuter pass</b>	51.4	52.2	0.7	101.4%	
<b>Conventional Lines</b>	97.0	96.5	(0.4)	99.5%	<ul style="list-style-type: none"> <li>• Basic trend (approx. 100%)</li> <li>• Decrease due to heavy rain in July 2018</li> <li>• Decrease due to rebound from favorable weather in 2017 rainy season</li> </ul>
<b>Commuter pass</b>	29.6	29.7	0.0	100.2%	
<b>Non-commuter pass</b>	67.3	66.8	(0.5)	99.2%	

## Passenger-Kilometers

(Millions of passenger-kilometer)

	FY18.3	FY19.3	YoY	
<b>Total</b>	9,336	9,285	△ 51	99.5%
<b>Commuter pass</b>	4,207	4,214	7	100.2%
<b>Non-commuter pass</b>	5,129	5,070	△ 58	98.9%
<b>Shinkansen</b>	2,004	2,032	27	101.4%
<b>Commuter pass</b>	195	199	4	102.1%
<b>Non-commuter pass</b>	1,809	1,832	23	101.3%
<b>Conventional Lines</b>	7,331	7,252	△ 79	98.9%
<b>Commuter pass</b>	4,011	4,015	3	100.1%
<b>Non-commuter pass</b>	3,319	3,237	△ 82	97.5%

## **II. Forecasts for FY20.3**

# Strengthening Segment Management—Revising Segment Information—



- We will steadily advance segment management by establishing intermediate holding companies in the station building business and the hotel business, changing segment classifications, etc.

## Overview of segment classification changes, etc. (April 1, 2019)

### 【Former segments】

#### Transportation

JR Kyushu Service Support Co.,Ltd.  
JR Kyushu Bus Company, JR Kyushu Jet Ferry Inc.  
JR Kyushu Linen Co.,Ltd.,etc.  
**JR Kyushu-Rent-A -Car & Parking Co.,Ltd.**

#### Construction

KYUTETSU CORPORATION ,  
JR Kyushu Engineering, Ltd.  
Sanki Construction Co., Ltd.,  
Kyushu Electric System Company,etc.

#### Real Estate

**JR Hakata City Co., Ltd.**  
Kokura Terminal Building Inc.  
Nagasaki Terminal Building Inc.  
JR Oita City, Inc.  
Kagoshima Terminal Building Inc.  
JR Kyushu Building Management Co.,Ltd.  
,etc

#### Retail and Restaurant

JR Kyushu Retail ,Inc.,  
JR KYUSHU DRUG ELEVEN CO.,LTD.  
JR Kyushu Food Service Inc., etc.

#### Other

**JR Kyushu Station Hotel Kokura Inc.**  
**JR Kyushu Huis Ten Bosch Hotel Co., Ltd.**  
JR Kyushu Hotels Inc.  
Oyama Yumekobo, Inc.

**JR Kyushu Senior Life Support, Inc.**

JR Kyushu Trading Co., Ltd.  
CATERPILLAR KYUSHU Co., Ltd.  
JR Kyushu Financial Management Company,etc.

### 【New segments】

#### Transportation

JR Kyushu Service Support Co., Ltd.  
JR Kyushu Bus Company  
JR Kyushu Jet Ferry Inc.  
JR Kyushu Linen Co.,Ltd.,etc.

#### Construction

KYUTETSU CORPORATION ,  
JR Kyushu Engineering, Ltd.  
Sanki Construction Co.,Ltd.,  
Kyushu Electric System Company,etc.

#### Real Estate and Hotels

**【Real Estate】**  
JR Kyushu Ekibiru Holdings Inc.

**【Hotels】**  
JR Kyushu Hotels And Resorts Holdings Inc. Oyama Yumekobo, Inc.

JR Kyushu Senior Life Support, Inc.

JR Kyushu-Rent-A -Car & Parking Co., Ltd.  
,etc.

#### Retail and Restaurant

JR Kyushu Retail, Inc.,  
JR KYUSHU DRUG ELEVEN CO., LTD .  
JR Kyushu Food Service Inc. ,etc.

#### Other

JR Kyushu Trading Co., Ltd.  
CATERPILLAR KYUSHU Co., Ltd.  
JR Kyushu Financial Management Company,etc

2

1

1

2

3

3

## Points of change

1

### Establish intermediate holding companies in the station building and hotel business (April 1, 2019)

2

Strengthen governance and achieve agile and flexible decision-making and operational execution through business management based on intermediate holding companies (JR Kyushu Hotels And Resorts Holdings Inc., JR Kyushu Ekibiru Holdings Inc.)

## Segment classification changes, etc. (April 1, 2019)

1

### Real Estate segment → Real Estate and Hotels segment

Segment name changed in conjunction with the segment classification changes in order to seamlessly strengthen the real estate and hotel businesses

2

### JR Kyushu-Rent-A-Car & Parking Co., Ltd .

Aim for further growth in the core parking lot business by strengthening collaboration with the real estate business

3

### Hotel business and JR Kyushu Senior Life Support, Inc.

Revise the practice under which multiple segments record revenues, etc., from the hotel business and the seniors business, which are aiming for further growth by strengthening collaboration with the real estate business. Shift the hotel business and the seniors business to the Real Estate and Hotels segment

# Consolidated Financial Highlights for FY20.3

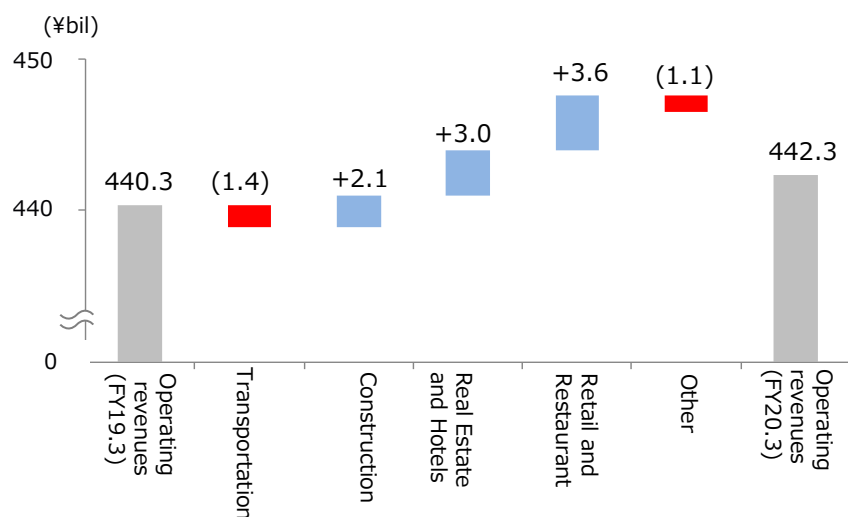


(¥bil)

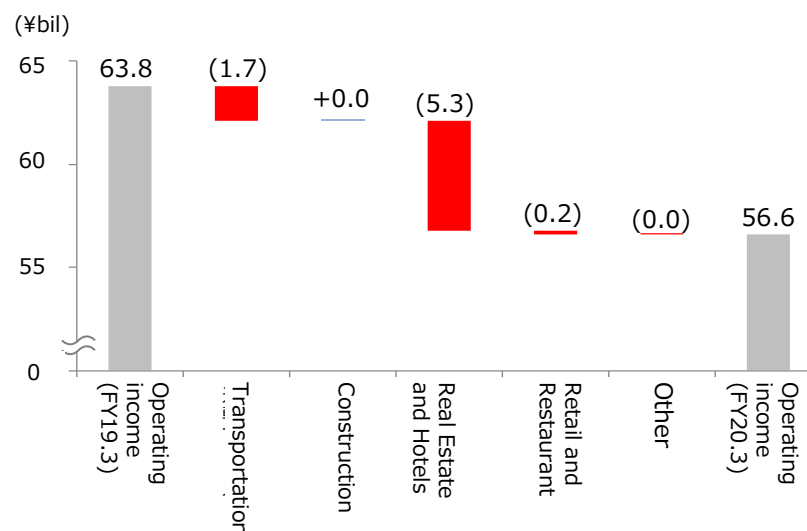
	Results FY19.3	Forecasts FY20.3	YoY	
Operating revenue	440.3	442.3	1.9	100.4%
Operating income	63.8	56.6	(7.2)	88.6%
Ordinary income	66.5	57.2	(9.3)	86.0%
Net income attributable to owners of the parent	49.2	42.5	(6.7)	86.3%
EBITDA <sup>(Note)</sup>	85.4	82.3	(3.1)	96.4%

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

## Operating revenues by segment (new segments)



## 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 Financial Forecasts (By Segment) (New Segments)



(¥bil)

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

# Non-consolidated Financial Forecasts



(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Majour Factors
Operating revenue	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, 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, 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. BUSINESS INITIATIVES BY EACH SEGMENT UNDER MEDIUM-TERM BUSINESS PLAN**



KYUSHU RAILWAY COMPANY



# Creation of 2030 Long-Term Vision



- We created the 2030 Long-Term Vision in a management environment undergoing dramatic change.

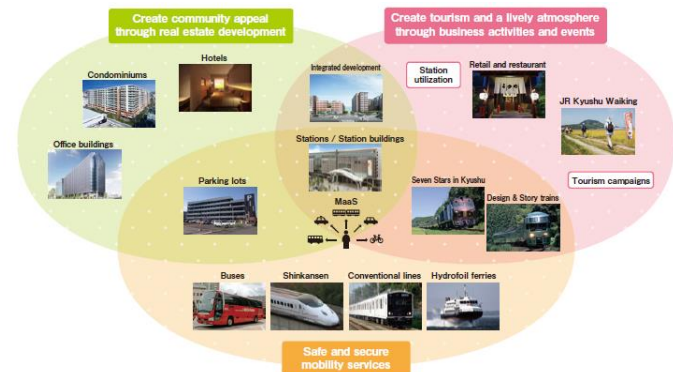
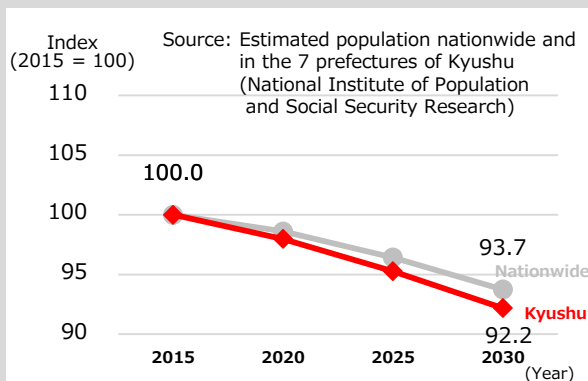
## 2030 Long-Term Vision

**We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.**

- As a corporate group providing mobility services in Kyushu, taking steps to respond to population decline, natural disasters, and other threats. To that end, taking on the challenge of establishing sustainable mobility services based on a foundation of safety and security by utilizing new technologies and implementing cooperation with other companies.
- Contribute to a Kyushu where people want to live, work, and visit through city-building initiatives centered on mobility services (expanding the resident and nonresident populations and creating employment)

## Initiatives to increase the population in areas around our railway lines

Declining population in Kyushu, where the pace of the decline exceeds that in the nationwide population



# 2030 Long-Term Vision

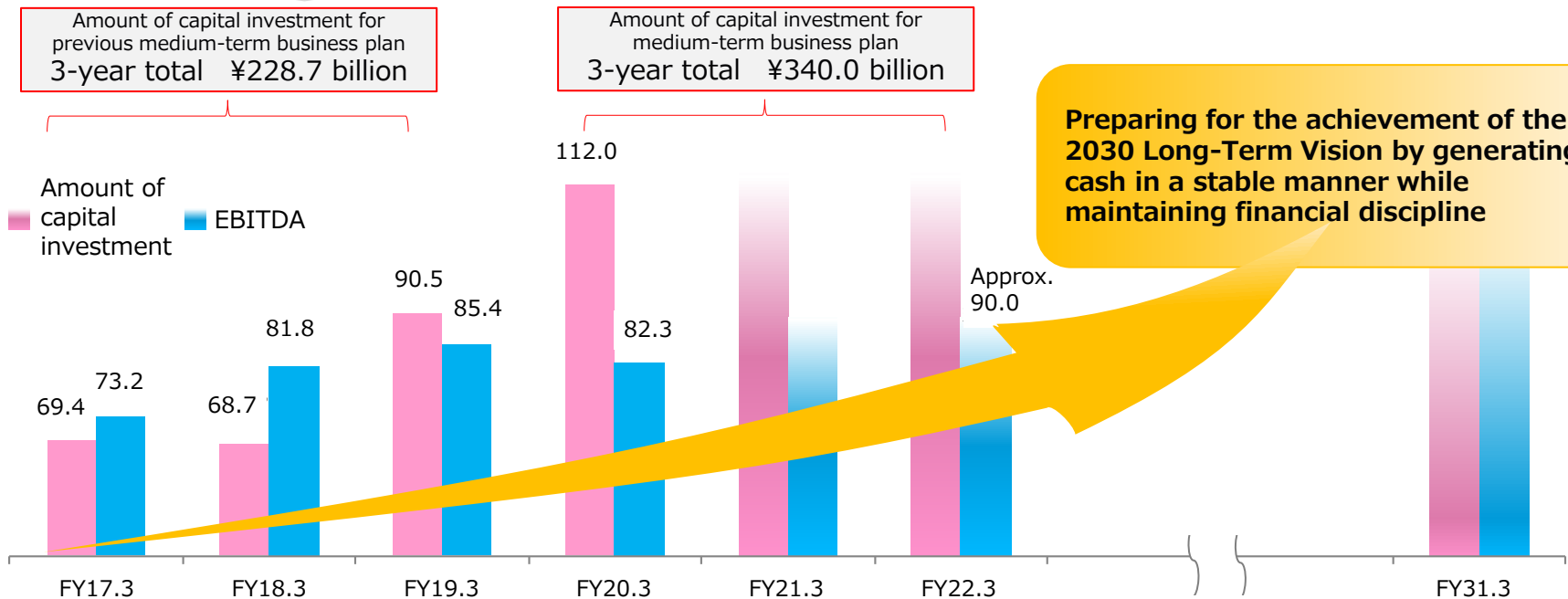


## Negative factors

- ❑ Elimination of special tax measures
- ❑ Increase in depreciation due to rebound from impairment processing of railway assets
- ❑ Ongoing decline in passenger demand in regional areas
- ❑ Ongoing shift to the use of personal cars (spread of self-driving vehicles, etc.)
- ❑ Trend toward refraining from using railways and visiting commercial facilities due to the ongoing shift to e-commerce
- ❑ Intensifying competition due to new advances by competing commercial facilities, etc.

## Positive factors

- ❑ Marketing that leverages online sales data
- ❑ Fostering demand through dynamic pricing
- ❑ Utilizing D&S trains, etc.; enhancing community-based tourism promotion to draw customers from Japan and overseas
- ❑ Ongoing replacement of tenants in existing commercial facilities in Hakata, Oita, Kokura, etc.
- ❑ Opening of new facilities in Kumamoto, Miyazaki, Nagasaki, etc., and increase urban area passengers
- ❑ Rolling out new brands in the hotel business
- ❑ Creating markets through commercialization initiatives from trials of urban-style and tourism-style MaaS
- ❑ Reducing fixed expenses through commercialization initiatives from trials of regional-style MaaS



# Issues That Need to be Addressed in the Railway Business



- Countermeasures for aging facilities and rolling stock and addressing disasters while also investing for the future

## Countermeasures for aging facilities and rolling stock



Introducing next-generation rolling stock

## Preparing for frequently occurring disasters



Disaster recovery expenses:  
¥14.2 billion  
(2016-2018)

\* Excluding the Hitahikosan Line



Countermeasures to heavy rain



Derailment prevention guards

## Using new technologies for the future

- Expand Smart Support Stations
- Take on the challenge of MaaS
- CBM initiatives

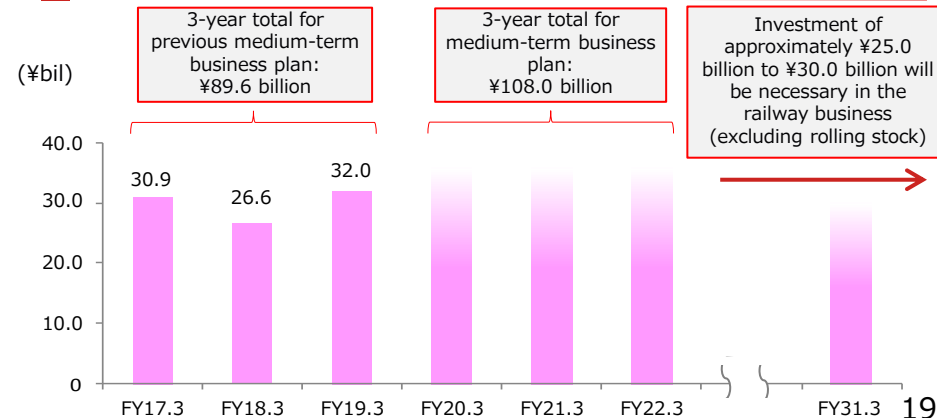
### Smart Support Stations



Safety confirmation Guidance



## Trend in the amount of investment in the Transportation segment



# Issues That Need to be Addressed in the Railway Business



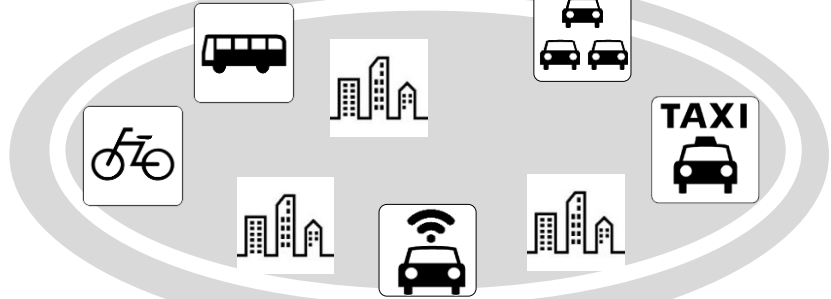
## Image of Initiatives for New Mobility Services (MaaS)

### Urban-style MaaS



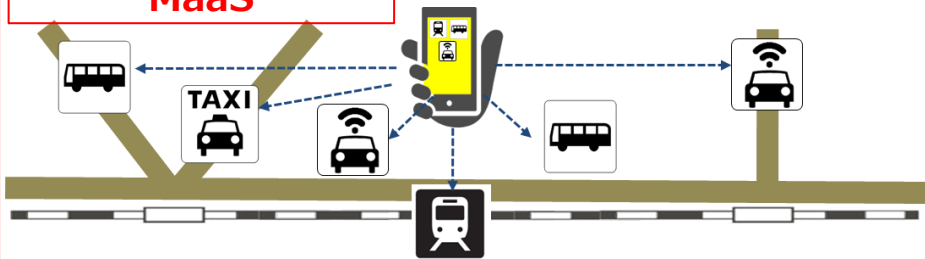
Collaboration between JR Kyushu app (Internet train reservations) and taxi dispatch app  
Increasing access convenience "from the station, to the station"

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



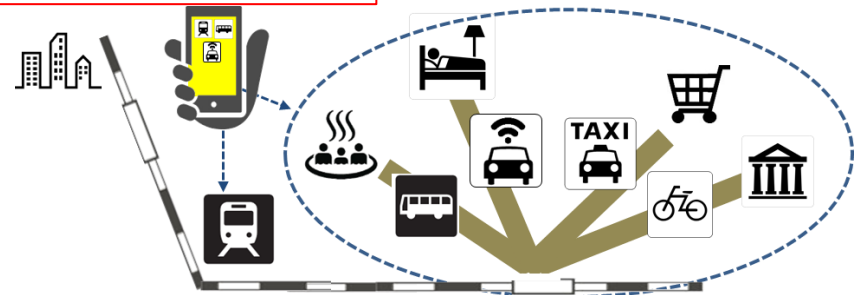
Leveraging new mobility technologies, such as on-demand transportation

### 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.

# Growth Investment in the Real Estate and Hotels Segment



Major investment projects during the period of the Medium-Term Business Plan (2019-2021)

Implementing initiatives to **increase the population in the areas around our railway lines** by implementing strategic city-building initiatives in the regions around our business areas

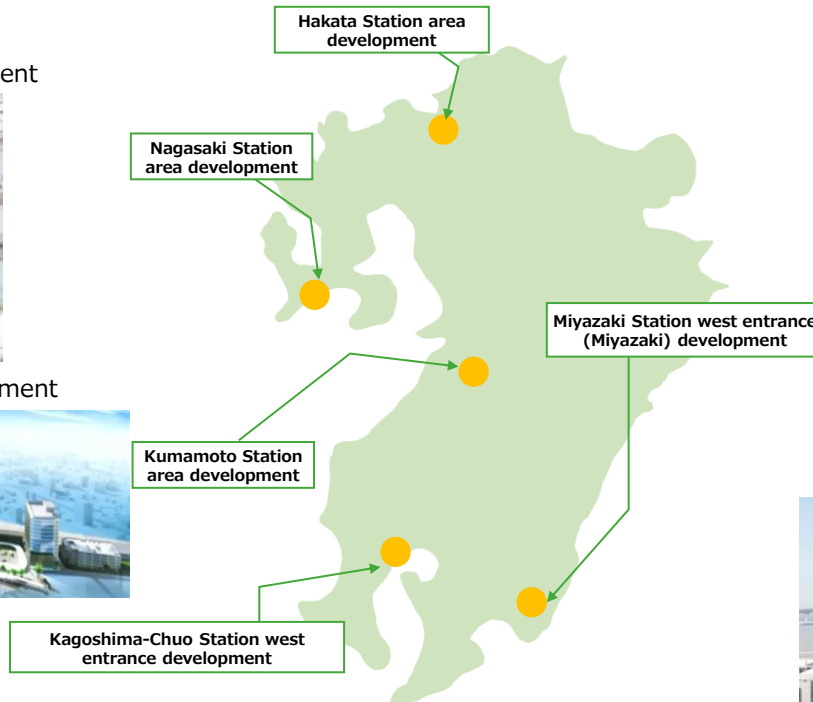
- Station building development
- Implementing city-building initiatives centered on stations, such as hotels, offices, and residential facilities

Investment of  
¥190.0 billion  
to build a  
growth  
foundation

Nagasaki Station area development



Kumamoto Station area development



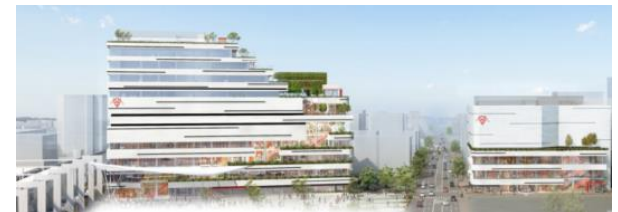
Plan for utilizing the space above the tracks at Hakata



Hakata Eki-mae 2-chome integrated development



Miyazaki Station west entrance development



# Forming new cities through station building development

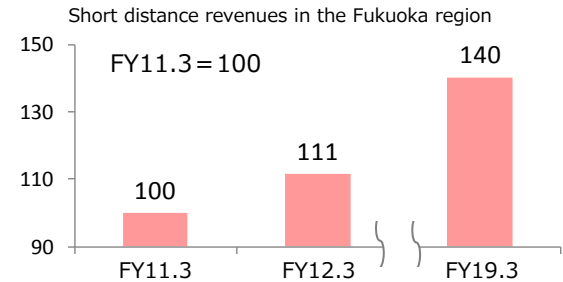


## Hakata Station building development (opened March 2011)

Comprehensive city-building in coordination with the opening of the Kyushu Shinkansen



- Aging of facilities
- Shinkansen extension
- New establishment of station squares

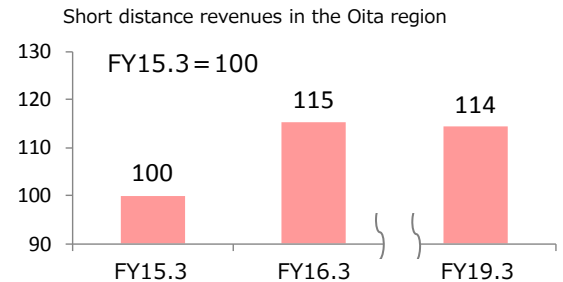


## Oita Station building development (opened April 2015)

Creating a lively atmosphere in cooperation with local governments and shopping districts



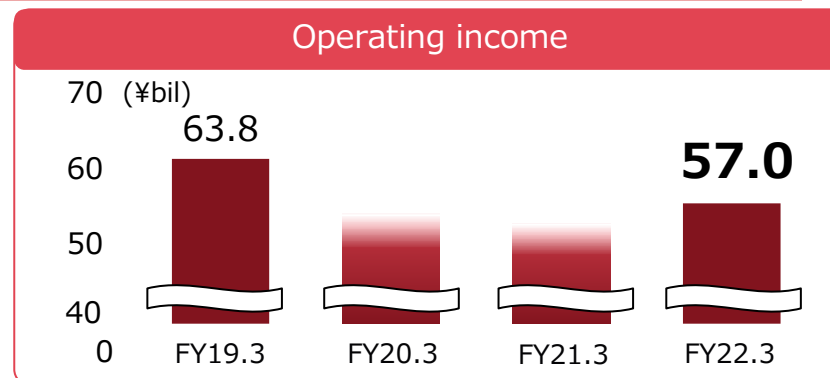
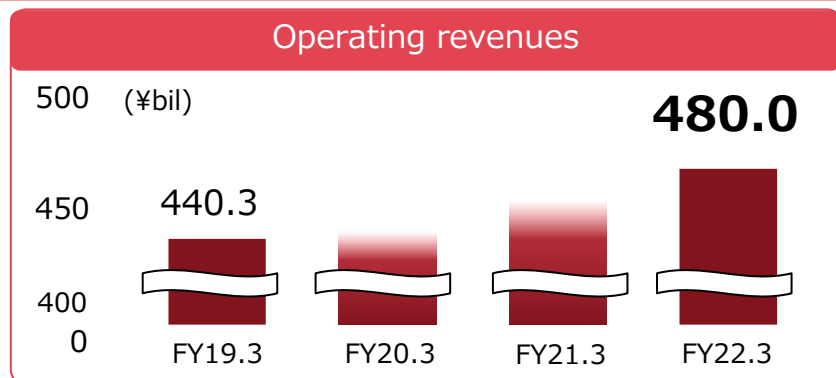
- Aging of facilities
- Transitioning to elevated tracks on conventional lines



Station building development

Increasing the population in areas around our railway lines and contributing to higher revenues in railway and non-railway businesses

# Target Management Indicators (Consolidated)(New Segments)



Unit: ¥bil; figures in parentheses show change vs. FY19.3

Segment name	Operating revenues*2		Operating income*2		Major factors
	FY19.3	FY22.3	FY19.3	FY22.3	
<b>Transportation</b>	181.8	<b>184.0 (+2.1)</b>	27.4	<b>21.0 (-6.4)</b>	Higher revenues due to increase in revenues from railway transportation Lower profit due to higher expenses accompanying elimination of special tax measures, increase in depreciation, etc.
<b>Construction</b>	93.8	<b>98.0 (+4.1)</b>	6.2	<b>6.0 (-0.2)</b>	Higher revenue due to Shinkansen-related construction work, etc. Lower profit due to increase in personnel costs and other expenses
<b>Real Estate and Hotels</b>	90.0	<b>113.0 (+22.9)</b>	25.4	<b>24.0 (-1.4)</b>	Higher revenues due to operating of Kumamoto Station Building, Miyazaki Station Building Lower profits due to increase in expenses accompanying revision of revenue/expense classification
<b>Retail and Restaurant</b>	104.0	<b>115.0 (+10.9)</b>	3.4	<b>4.0 (+0.5)</b>	Higher revenues and profits due to new store openings
<b>Other</b>	72.6	<b>76.0 (+3.3)</b>	2.2	<b>2.5 (+0.2)</b>	Higher revenues and profit due to higher sales outside the Group, etc.
<b>Total</b>	440.3	<b>480.0 (+39.6)</b>	63.8	<b>57.0 (-6.8)</b>	

\*1 Figures for FY19.3 have been reclassified in accordance with the new segment categories.

\*2 Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

# Transportation Segment

(Results: Former Segments / Forecasts: New Segments)



## Transportation Segment performance

### Results (Former Segments)

	Results FY18.3	Results FY19.3	YoY	
Operating revenues	183.7	185.0	1.2	100.7%
Operating income	29.2	27.4	(1.7)	94.0%
EBITDA	34.3	34.4	0.0	100.3%

### Forecasts (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	181.8	180.4	184.0
Operating income	27.4	25.7	21.0
EBITDA	34.3	35.4	-

#### Positive factors

##### Increase in railway transportation revenues

- Rise in Shinkansen passengers
- Online booking
- Inbound tourism
- Urban area demand

##### Technological innovation and streamlined business operations

- Introduced energy-saving rolling stock
- Expanded Smart Support Stations

##### Revitalization of regional economies

- New D&S trains
- Nagasaki route of the Kyushu Shinkansen

#### Negative factors

##### Depopulation

- Decrease in conventional line passengers

##### Increase in expenses

- Depreciation expense
- Fuel costs (crude oil, FX, etc.)
- Elimination of special tax measures (end of FY19.3)

##### Natural disasters

- Recovery costs
- Steady implementation of further safety investments

#### FY20.3 initiatives

##### Increase in railway transportation revenues

- Enhance yield management
- Diversifying rail pass sales channels

##### Recover from disasters

- Houhi Main Line recovery (planned for FY21.3)

##### Technological innovation and streamlined business operations

- Introduce energy-saving train
- Expand Smart Support Stations
- Taking on the challenge of new mobility services (Maas)



# Initiatives in the Railway Business —Strengthening Earning Power

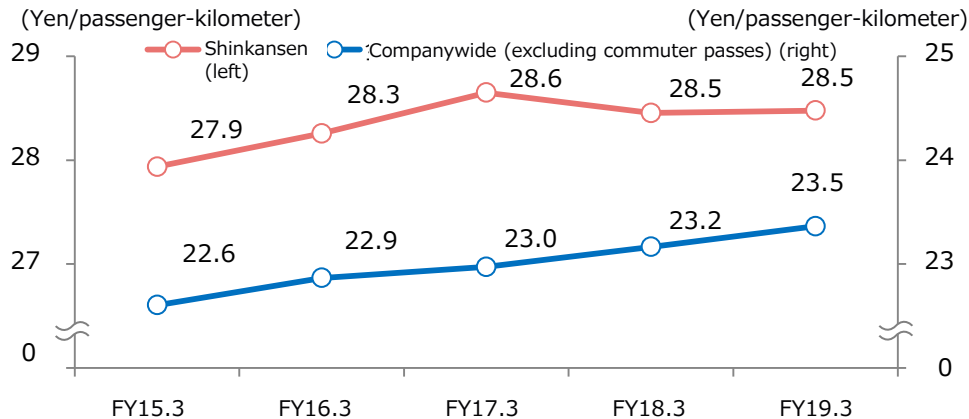


## Increasing Shinkansen earning power

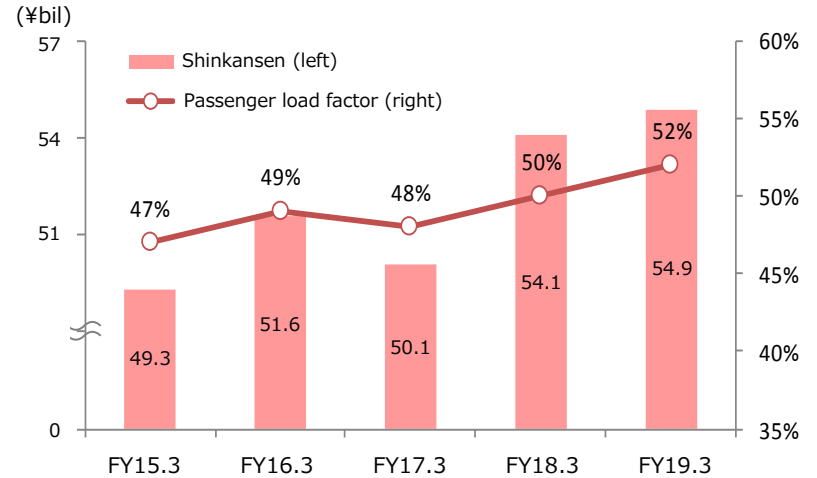
### Accelerate shift toward Internet reservations

- Promoting use of Internet train reservation services by setting appealing prices
- Introducing multifaceted responses and advance seat reservation system for inbound passengers
- Increasing appeal through collaboration with “JR KYUPO” points program

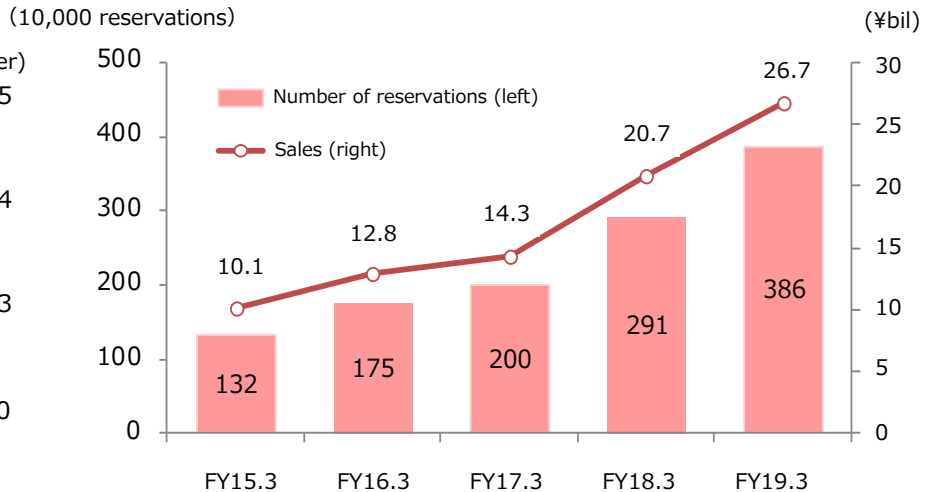
### Yield (Companywide (excluding commuter passes), Shinkansen)



### Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



### Internet train reservation services: Number of reservations, sales



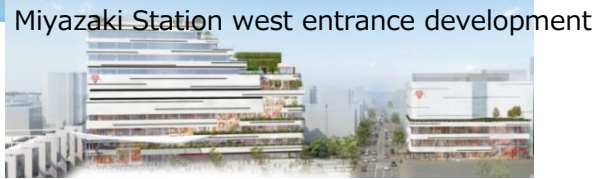
# Initiatives in the Railway Business —Strengthening Earning Power



## Increasing Urban Area Earning power

### Implementing Strategic City-Building Initiatives in the Regions Around our Business Areas

- Extending the lively atmosphere with new city-building initiatives that draw on stations as bases

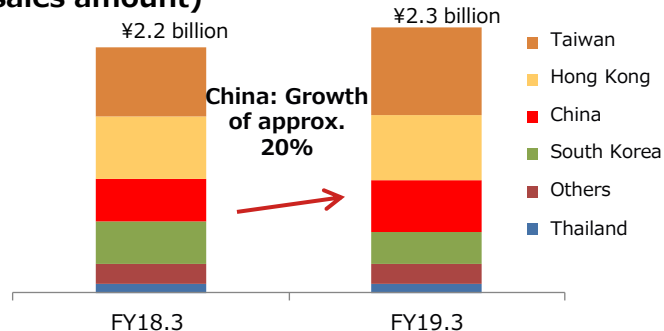


## Increasing inbound tourism earning power

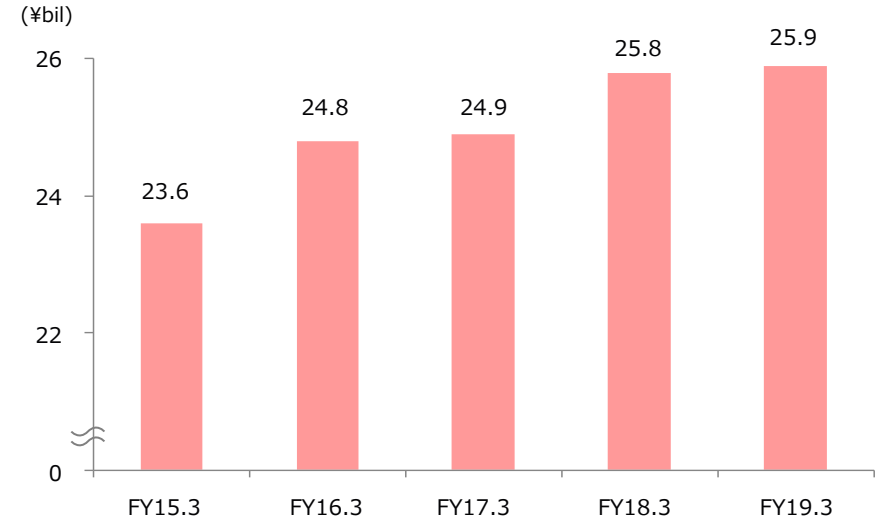
### Promoting sales of JR-KYUSHU RAIL PASS

- Cooperating with overseas travel agents, airlines
- Strategic alliance with Alibaba Group (July 2018)

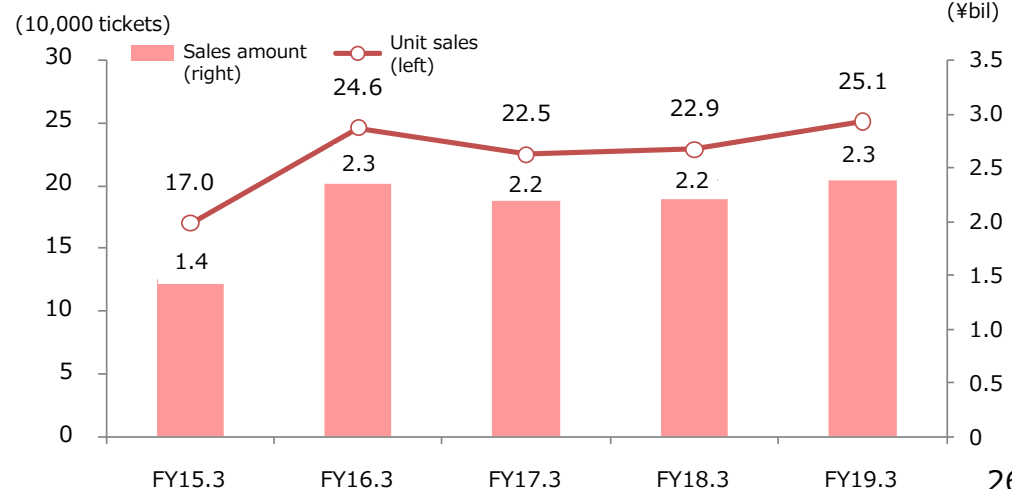
### Sales of JR-KYUSHU RAIL PASS by country (sales amount)



### Railway transportation revenues (short distance)



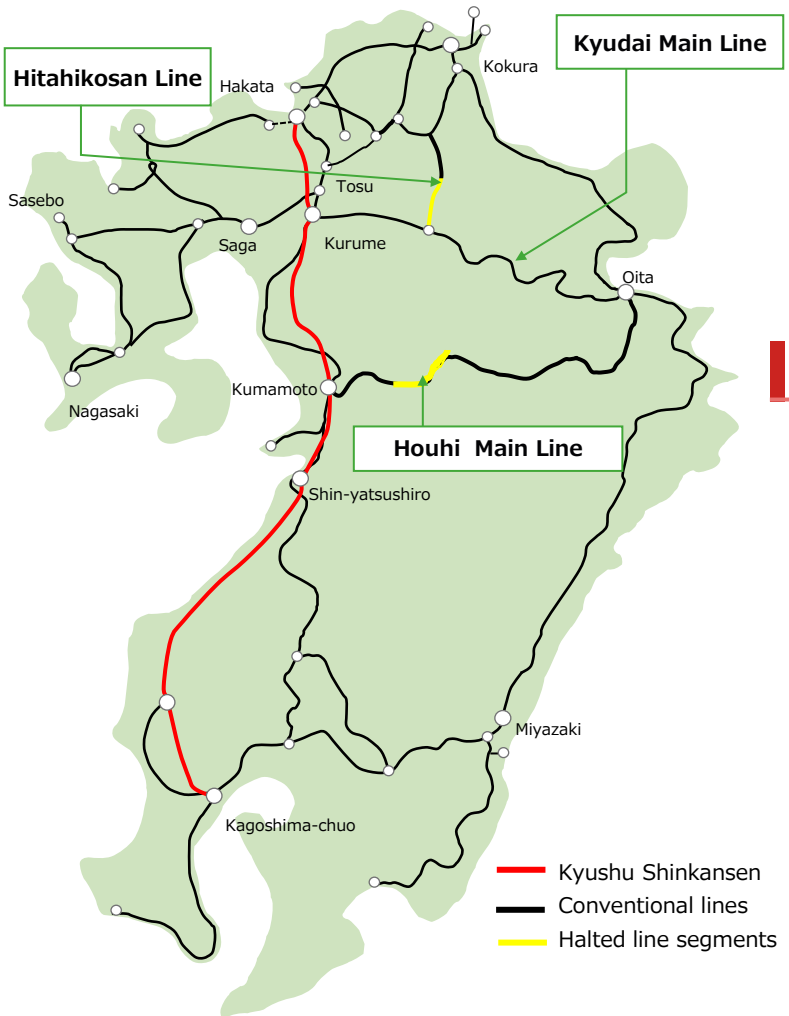
### Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



# Natural Disasters—Kumamoto Earthquakes, July 2017 Heavy Rain in Northern Kyushu, and July 2018 Heavy Rain



Recovery of Kyudai Main Line achieved on July 14, 2018



	Kumamoto earthquakes	July 2017 heavy rain in northern Kyushu	July 2018 heavy rain
<b>Time of occurrence</b>	April 2016	July 2017	July 2018
<b>Impact on business performance</b>	<ul style="list-style-type: none"> <li>Approx. ¥9.0 billion in disaster expenses recorded in FY17.3 (approx. ¥6.0 billion of which recorded as provision for loss on disaster)</li> </ul>	<ul style="list-style-type: none"> <li>Approx. ¥1.7 billion in disaster expenses recorded in FY18.3 (¥1.3 billion of which recorded as provision for loss on disaster)</li> </ul>	<ul style="list-style-type: none"> <li>Approx. ¥1.2 billion in disaster expenses recorded in FY19.3 (¥0.4 billion of which recorded as provision for loss on disaster)</li> </ul>
<b>Currently halted line segments</b>	<ul style="list-style-type: none"> <li>Houhi Main Line (Higo-Ozu Station–Aso Station)</li> </ul>	<ul style="list-style-type: none"> <li>Hitahikosan Line (Soeda Station–Yoake Station)</li> </ul>	
<b>Expected restoration</b>	<ul style="list-style-type: none"> <li>FY21.3</li> </ul>	<ul style="list-style-type: none"> <li>Not yet determined</li> </ul>	

## Status of progress toward restoration of Hitahikosan Line

- Held four restoration meetings between April 2018 and April 2019
- In regard to network maintenance, JR Kyushu presented a restoration plan regarding railways, BRT, and buses.
- It was decided that Fukuoka Prefecture, Oita Prefecture, and cities and towns around our railway lines would ask local residents about the recovery plan.

	Railway	BRT	Buses
<b>Quickness</b>	Approx. 44 minutes	Approx. 49 minutes	Approx. 69 minutes
<b>Initial costs</b>	Approx. ¥5.6 billion	Approx. ¥1.08 billion	Approx. ¥0.18 billion
<b>Running costs</b>	Approx. ¥0.29 billion per year	Approx. ¥0.11 billion per year	Approx. ¥0.14 billion per year

(Extracted from materials of the fourth Hitahikosan Line restoration meeting)

# Real Estate and Hotels Segment

(Results: Former Segments / Forecasts: New Segments)



## Real Estate and Hotels Segment performance

### Results (Former Segments)

	Results FY18.3	Results FY19.3	YoY	
<b>Operating revenues</b>	69.4	72.6	3.2	104.7%
Real Estate Lease	49.0	52.9	3.9	108.0%
Condominium Sales	20.4	19.7	(0.6)	96.8%
<b>Operating income</b>	23.2	23.7	0.5	102.5%
Real Estate Lease	20.6	21.3	0.7	103.6%
Condominium Sales	2.5	2.3	(0.1)	93.8%
<b>EBITDA</b>	32.0	33.1	1.0	103.4%
Real Estate Lease	29.4	30.7	1.2	104.2%
Condominium Sales	2.5	2.4	(0.1)	94.0%

### Forecasts (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
<b>Operating revenues</b>	90.0	93.1	113.0
Real Estate Lease	70.3	73.3	-
Condominium Sales	19.7	19.8	-
<b>Operating income</b>	25.4	20.1	24.0
Real Estate Lease	23.0	18.2	-
Condominium Sales	2.3	1.9	-
<b>EBITDA</b>	35.6	31.1	-
Real Estate Lease	33.2	29.2	-
Condominium Sales	2.4	1.9	-

#### Positive Factors

- Growth in tenant sales at major station buildings
- Contribution to earnings from hub station area development
- Increase in rental apartment inventory
- Aggressive business development initiatives in the hotel business
- Diverse business opportunities in the Fukuoka Metropolitan Area

#### Negative factors

- Difficulties in new development due to overheating of real estate market
- Change in unit prices due to condominium development area
- Increase in personnel costs due to tight supply and demand in labor market
- Intensifying competition due to advances outside the Kyushu area

#### FY20.3 initiatives

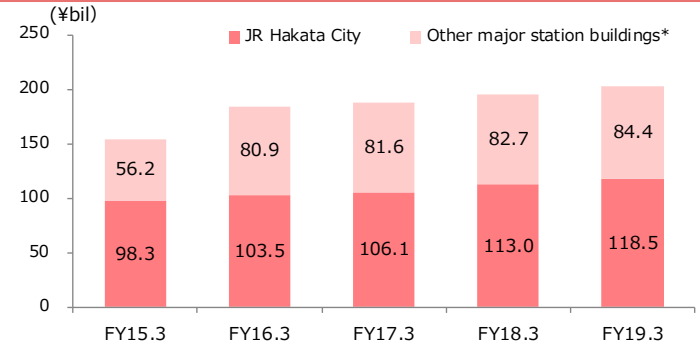
- Steady operation of newly opened properties
  - THE BLOSSOM HIBIYA
  - THE BLOSSOM HAKATA Premier
- Advancing development focused on the future
  - Kumamoto Station area development
- Increasing management efficiency through the establishment of intermediate holding companies

# Implementing Strategic City-Building Initiatives in the Regions Around our Business Areas—Increasing City Value with Stations as Bases

- Station building operation that leverages leasing capabilities
- Condominium business development that leverages brand strength
- Increasing the value of areas around our railway lines, centered on stations

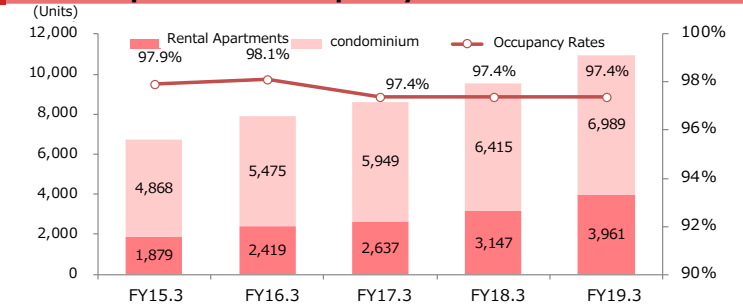


## Station building tenant sales



\* Other major station buildings: Amu Plaza Kokura, Nagasaki, Kagoshima, JR Oita City

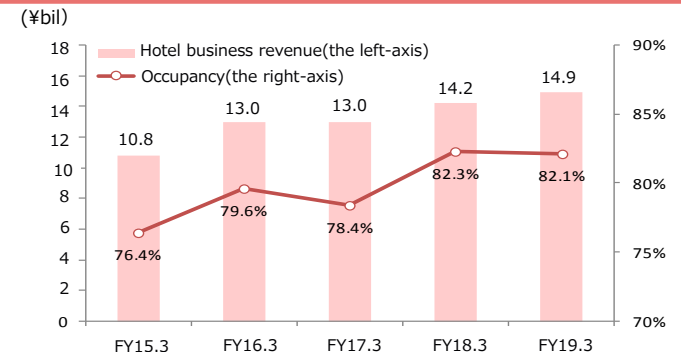
## Number of units in the condominium business, rental apartment occupancy rate



\* Numbers of rooms are as of the end of each fiscal year

\* Occupancy rates are averages of the figures at the end of each month (excluding the year of opening for newly opened properties; excluding newly acquired properties)

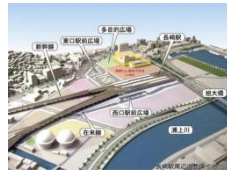
## Hotel business revenues, occupancy rate



# Implementing Strategic City-Building Initiatives in the Regions Around our Business Areas—Increasing City Value with Stations as Bases

## Nagasaki Station Area Development

Uses: Commercial areas, office buildings, hotels, etc.



## Nagasaki Station Area Development

## Hakata Station Area Development

## Hakata Station Area Development

### Plan for utilizing the space above the tracks at Hakata Station

\* Hakata Connected: A program of Fukuoka City focused on the area around Hakata Station, which will promote the replacement of buildings within the area, through cooperation between the government sector and the private sector,



## Miyazaki Station West Entrance Development

## Miyazaki Station West Entrance Development (Opening in Fall 2020)

### JR Miyako Twin Building (joint development with Miyakohgroup)

Commercial facility name: AMU PLAZA Miyazaki

Lot area: Approx. 7,300 m<sup>2</sup>

Total floor space: Approx. 37,700 m<sup>2</sup>

Uses: Commercial areas (station building, etc.), office buildings, etc.



## Kumamoto Station Area Development (Opening in Spring 2021)

Lot area: 70,000m<sup>2</sup> (including area below elevated tracks)  
Total floor space: 107,000m<sup>2</sup> (station building:same scale as JR Oita City)

Uses: Commercial areas (station building, etc.), hotels, residential areas

## Kumamoto Station Area Development

## Kagoshima-Chuo Station West Entrance Development

## Kagoshima-Chuo Station West Entrance Development

Uses: commercial areas, office buildings, residential areas, etc.



# Retail and Restaurant Segment

(Results: Former Segments / Forecasts: New Segments)



## Retail and Restaurant Segment performance

### Results (Former Segments)

	Results FY18.3	Results FY19.3	YoY	
<b>Operating revenues</b>	103.1	104.0	0.8	100.8%
<b>Operating income</b>	3.6	3.4	(0.2)	93.5%
<b>EBITDA</b>	5.3	5.0	(0.2)	95.2%

### Forecasts (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
	104.0	107.7	115.0
	3.4	3.2	4.0
	5.0	5.1	-

#### Positive factors

- Active development of new stores
- Increase in store visits and spending due to inbound tourism
- Entry into new business categories
- Leveraging new technologies to increase convenience

#### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market
- Decrease in new opportunities due to concern over store conditions
  - Hard to acquire new properties
  - Drop in gross margin
  - Closure of unprofitable stores

#### FY20.3 initiatives

- Improve segment profitability through scrap and build
- Continue to strengthen inbound tourism initiatives
- Steady operation of new formats
- Streamline business operations
  - Introduce self-checkout on a trial basis
  - Consider RPA

# Construction Segment (Results: Former Segments / Forecasts: New Segments)



## Construction Segment performance

### Results (Former Segments)

	Results FY18.3	Results FY19.3	YoY	
Operating revenues	88.0	91.7	3.7	104.3%
Operating income	6.2	6.5	0.2	104.1%
EBITDA	7.0	7.5	0.4	106.1%

### Forecasts (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	93.8	96.0	98.0
Operating income	6.2	6.3	6.0
EBITDA	7.2	7.3	-

#### Positive factors

- Increase in demand due to strong economic conditions
- Ample order opportunities (Hokuriku and Nagasaki Shinkansen, etc.)

#### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market
- Rise in building material costs
- Drop in profit margin due to intensifying competition

#### FY20.3 initiatives

- Increase ex-group orders
- Accelerate expansion outside of Kyushu



# Other Segment (Results: Former Segments / Forecasts: New Segments)



## Other Segment performance

### Results (Former Segments)

	Results FY18.3	Results FY19.3	YoY	
<b>Operating revenues</b>	67.4	89.8	22.4	133.3%
<b>Operating income</b>	2.4	3.5	1.1	148.1%
<b>EBITDA</b>	3.9	6.3	2.3	159.1%

### Forecasts (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
	72.6	71.5	76.0
	2.2	2.2	2.5
	4.1	4.3	-

#### Positive factors

- Continued to benefit from tailwinds for hotel business
- Opened JR Kyushu Hotel Blossom Naha
- Increase in inbound tourism mainly affecting hotels in Hakata and Shinjuku, Naha
- Promoted domestic tourism for retired individuals
- Group synergies achieved by consolidating Caterpillar Kyushu

#### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market

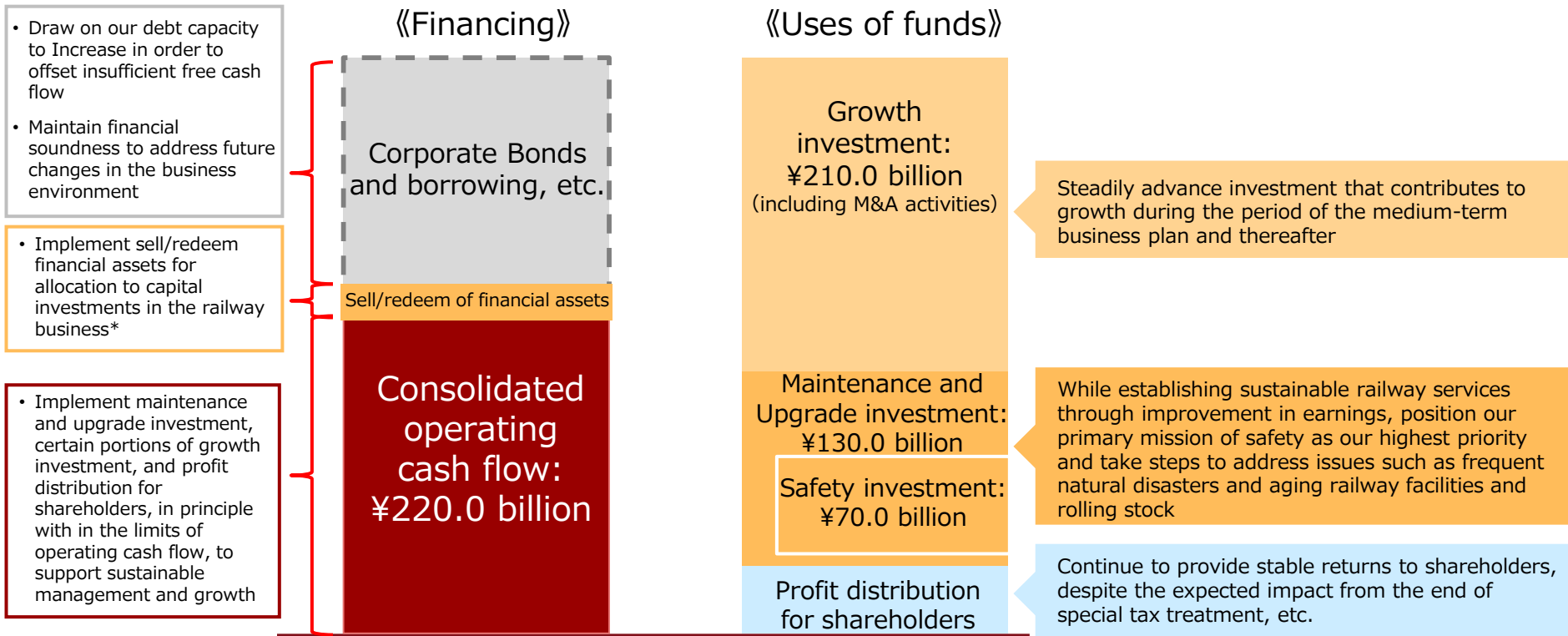
#### FY20.3 initiatives

- Achieve group synergies by consolidating Caterpillar Kyushu

# Sources/Uses of Funds, and Principal Management Indicators



Over the period of the medium-term business plan, we will aim for capital investment of ¥340.0 billion, which will exceed our cumulative consolidated operating cash flow. We will take a flexible approach to investment opportunities and work to realize growth by issuing corporate bonds and borrowings.



\* ¥87.2 billion of funds directed to the Management Stabilization Fund will be allocated to capital investment in assets for use in the railway business that contribute to the maintenance and enhancement of the railway network. Funds will be allocated within the five years from FY17.3.

# Shareholder Return



## Shareholder Return Policy

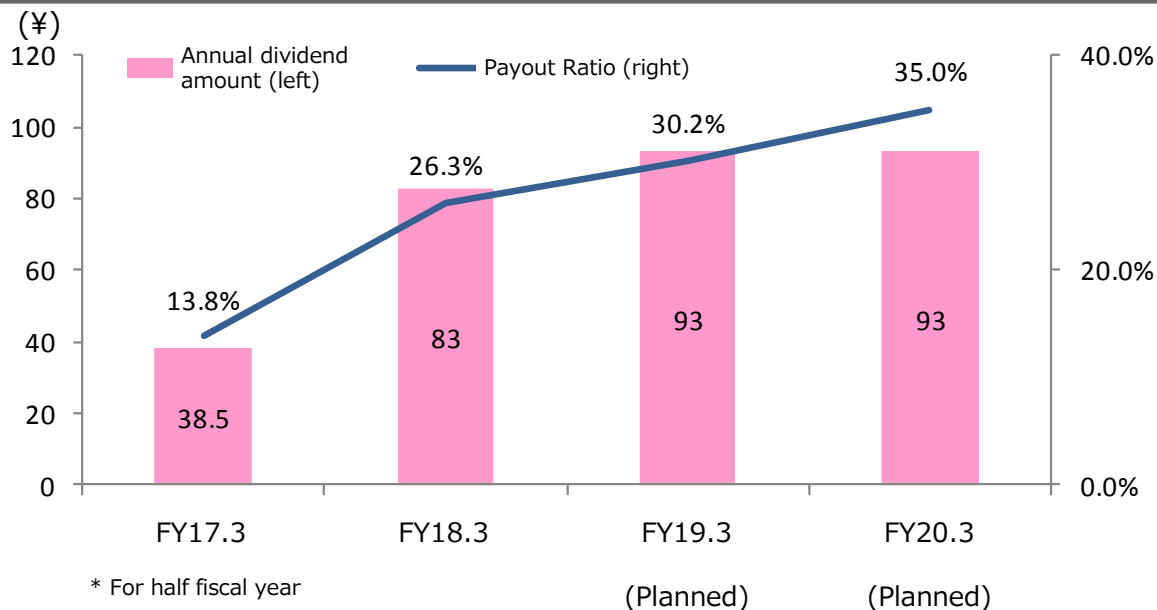
JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY22.3, **we will aim for a total payout ratio of 35% while providing stable dividends and implementing share repurchase depending on the situation**

## Annual Dividend Amount per Share

**Planned dividend of  
¥93.00 per share  
for FY19.3**

**Planned dividend of  
¥93.00 per share  
for FY20.3**

(Reference) Annual Dividend Amount per Share (Yen) and Payout Ratio





# APPENDIX

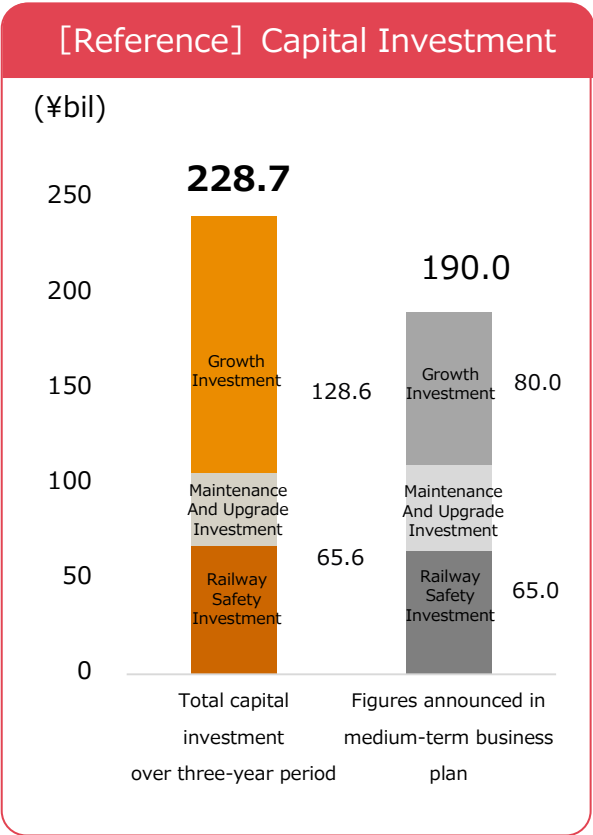
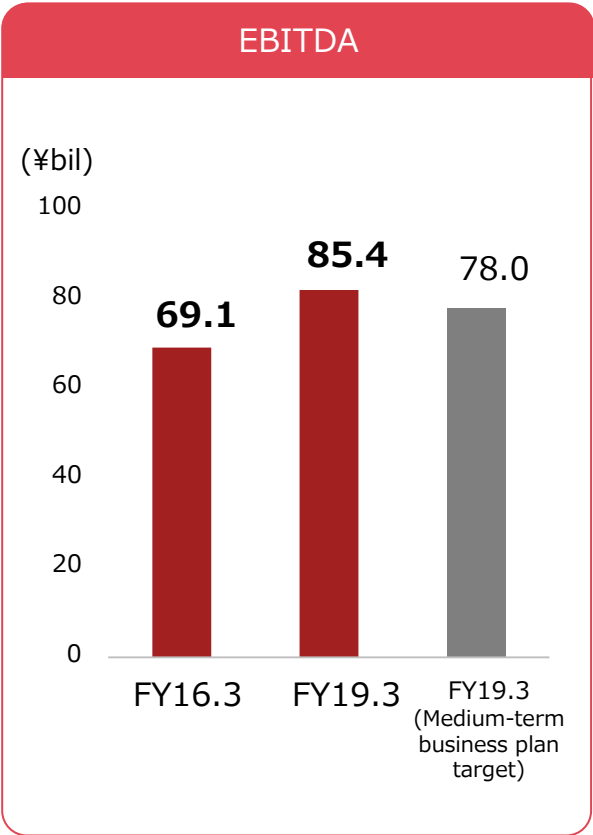
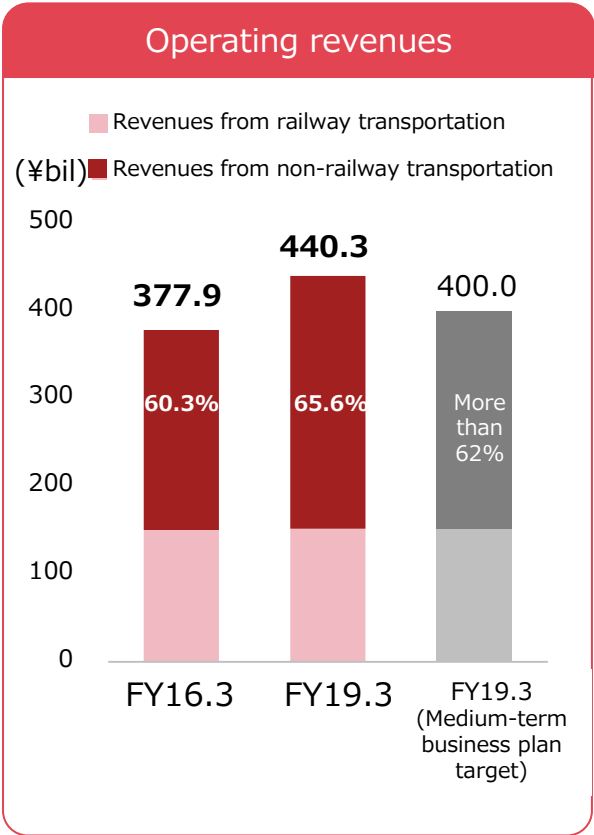


KYUSHU RAILWAY COMPANY

# Review of the Medium-Term Business Plan 2016-2018



- Due to favorable results in revenues from railway transportation and in the construction segment, we surpassed the financial targets (operating revenues and EBITDA) in the previous medium-term business plan.
- [Reference] Capital investment surpassed the initial plan of ¥190.0 billion due to growth investment mostly in the rental apartment business, the hotel business, and overseas projects



# Review of the JR Kyushu Group Medium-Term Business Plan 2016–2018



## Previous Medium-Term Business Plan

## Current Medium-Term Business Plan

FY17.3

FY18.3

FY19.3

FY20.3 and Beyond

Kumamoto earthquakes (Apr. 2016)  
Listing on stock exchange (Oct. 2016)

Heavy rain in northern Kyushu (July 2017)

Heavy rains (July 2018)

● Introduction of next-generation rolling stock (821 series, YC1 series)

Railway Business

- Start of operation of DENCHA dual energy charge trains (Oct. 2016)
- Commencement of Kawasemi Yamasemi D&S Train service (Mar. 2017)
- Introduction of Smart Support Stations on Chikuho Main Line, excluding Orio Station and the segment between Wakamatsu Station and Shinnyu Station [2nd case] (Mar. 2017)

- Commencement of service of renovated 811 series rolling stock (Apr. 2017)
- Introduction of services allowing for payment for Internet reservations to be made at convenience stores (May 2017)
- Integration of point services into JR KYUPO (Jul. 2017)
- Commence of demonstration tests for lightweight platform screen doors (Nov. 2017)
- Revision of timetables, including introduction of Smart Support Stations in Oita [3rd case](Mar. 2018)

- End of sales of four-sheet paper tickets (May 2018)
- Reorganization of railway business subsidiaries (Jul. 2018)
- Start of Wi-Fi services on Kyushu Shinkansen (Jul. 2018)
- Resumption of service on Kyudai Main Line (Jul. 2018)
- Strategic alliance with the Alibaba Group (Jul. 2018)

Real Estate Business

Commercial facilities  
Offices  
Rental apartments

- JRJP Hakata Building (Apr. 2016)
- Hirakawacho Center Building (Sep. 2016)

- Ropponmatsu development project (Sep. 2017)

- Kumamoto Station Area Development (spring 2021)
- Miyazaki Station West Entrance Development (fall 2020)
- Nagasaki Station Area Development (undecided)
- Kagoshima-Chuo Station West Entrance Development (undecided)

- RJR Precia Hakata (Feb. 2017)

- Higashi Jujo Rental Apartments (Jun. 2017)
- RJR Precia Oita Ekimae II (Feb. 2018)
- RJR Precia ChiyoKenchoguchi Ekimae (Feb. 2018)
- RJR Precia Nishikoen Bayside (Mar. 2018)
- RJR Precia Takeshita I (Mar. 2018)

- Park Square Takenotsuka (Jul. 2018)
- RJR Precia Shin-Yokohama (Oct. 2018)
- Grand Precia Shibaura (Dec. 2018)
- RJR Precia Oita Ekimae III (Feb. 2019)
- RJR Precia Korimoto II (Feb. 2019)
- RJR Precia Hakataekiminami (Mar. 2019)

- RJR Precia Takeshita II (Feb. 2020)
- RJR Precia Ropponmatsu (Mar. 2020)
- RJR Precia Tenjin South (Apr. 2020)

Condominium Business

- MJR Uehonmachi (Jul. 2016)
- MJR Ropponmatsu (Mar. 2017)
- MJR Toso (Mar. 2017)

- MJR Kyudai Gakkentoshi Residence (Apr. 2017)
- MJR Akasaka Tower (Nov. 2017)
- MJR The Garden Oe (Mar. 2018)

- MJR Kuhonji Terrace (Aug. 2018)
- MJR The Garden Kagoshima-Chuo (Aug. 2018 / Mar. 2019)
- MJR Onojojo Ekimae (Mar. 2019)
- MJR Sakurazaka The Residence (Mar. 2019)
- MJR Shimizucho (Mar. 2019)
- MJR Oitaekimae The Residence (Mar. 2019)

- MJR/RJR Sakaisuji Hommachi Tower (Mar. 2021)

- MJR Shin-Oe (Jul. 2019)
- MJR Meinohamaekiminami (Aug. 2019)
- MarkS City Futsukaichi (Mar. 2020, joint development project)
- MJR The Garden Miyazakiekimae (Mar. 2020, joint development project)
- MJR The Garden Kami-Kumamotoekimae (Mar. 2020, joint development project)
- MJR Chihaya Branchera (Dec. 2020)

Hotel Business

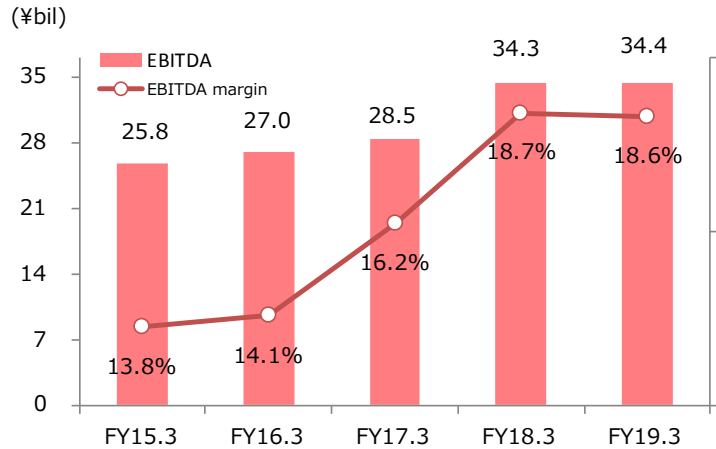
- JR Kyushu Hotel Blossom Naha (Jun. 2017)
- Shama Lakeview Asoke Bangkok (Dec. 2017)

- THE BLOSSOM HIBIYA (Aug. 2019)
- THE BLOSSAM HAKATA Premier (fall 2019)

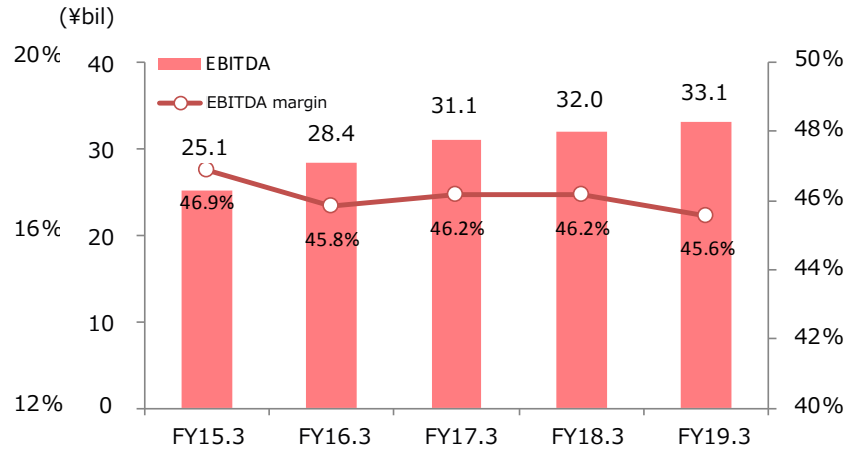
# EBITDA by Segment (Former Segments)



## Transportation



## Real Estate

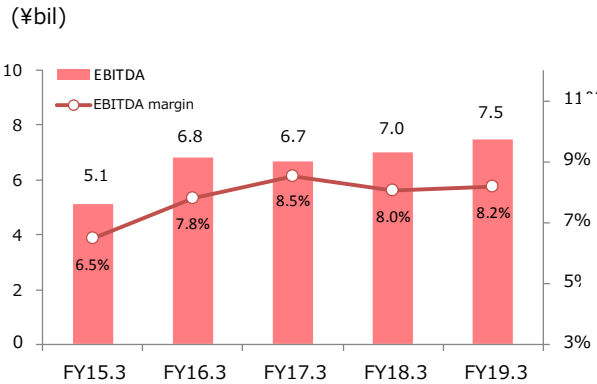


Notes:

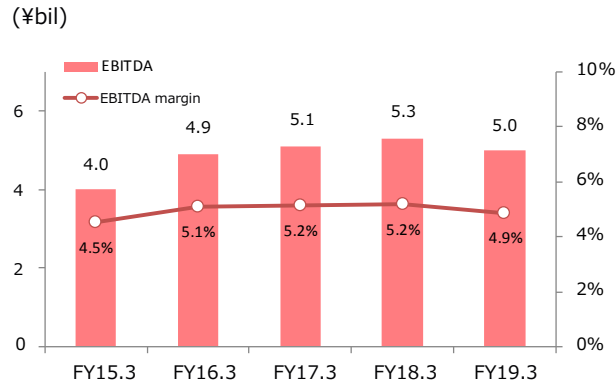
Figures for the Transportation segment EBITDA up to and including FY16.3 contain earnings from use of the Management Stabilization Fund (¥12.5 billion in FY15.3, and ¥11.1 billion in FY16.3).

Figures by segment are prior to eliminating intersegment transactions.

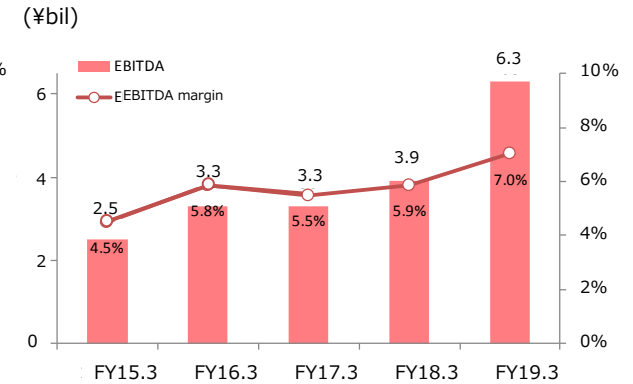
## Construction



## Retail and Restaurant



## Other



# Progress of Business Initiatives

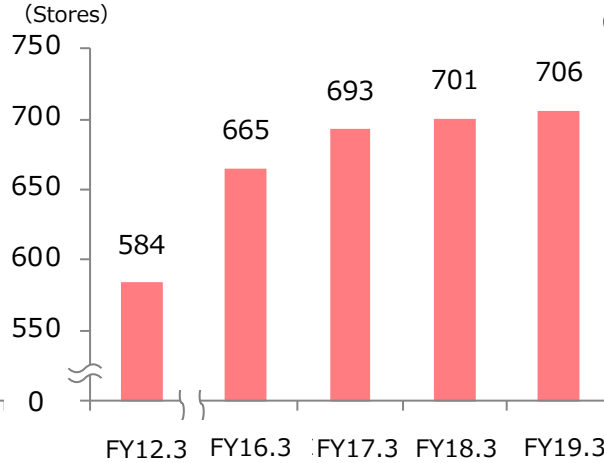


## Station Building Business Revenues



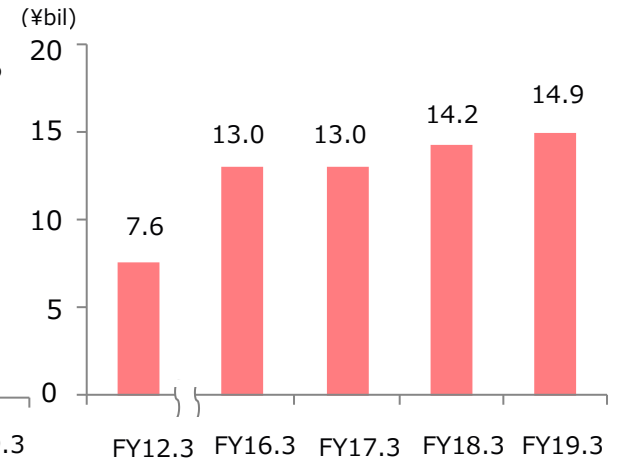
Note: Figures represent total business revenues from six station building operating subsidiaries and the JRJP Hakata Building.

## Retail and Restaurant Store Numbers

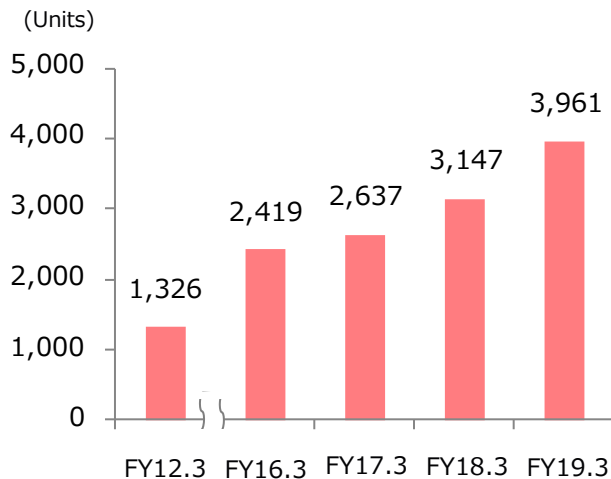


Note: Figures are as of the end of each fiscal year.

## Hotel (Ryokan) Business Revenues

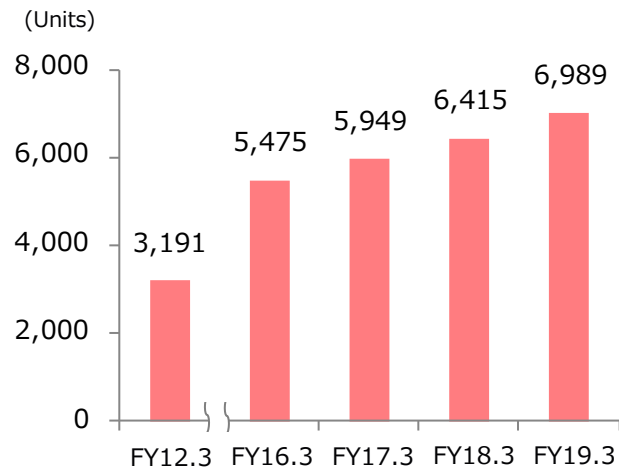


## Aggregate Number of Apartment Units



Note: Figures are as of the end of each fiscal year.

## Aggregate Number of Condominium Units



Note: Figures are as of the end of each fiscal year.



# Changes in Cost Structure

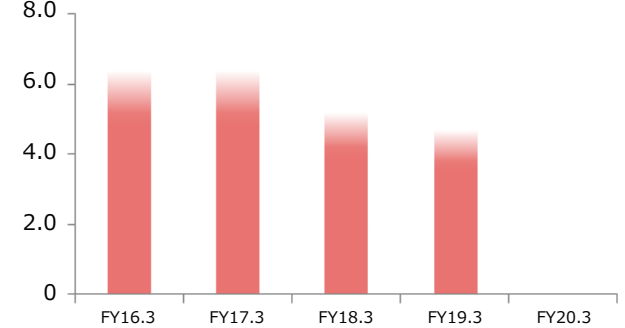


## Elimination of Special Tax Measures

- Elimination of special tax measures (special tax breaks implemented following the privatization of Japanese National Railways and provisions extending the period of these breaks) effective March 31, 2019 (period extending provisions eliminated effective March 31, 2017)
- Inability to accurately calculate tax reduction amount as tax amounts are based on evaluations by municipal governments
- Amount of impact on performance in FY19.3 estimated to be approximately ¥4.8 billion (to be recorded under taxes and non-personnel expenses)

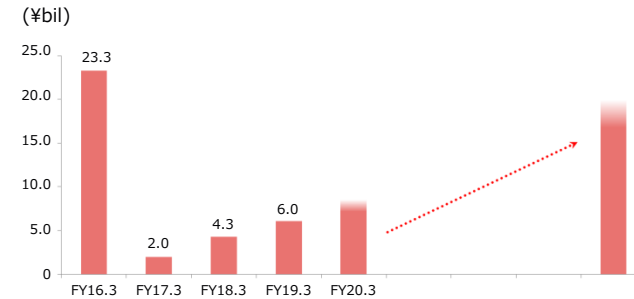
	Details of special tax measure					Affected line items
	Taxation category	Taxation standard				
		Up to FY17.3	FY18.3	FY19.3	FY20.3	
Period extending provisions	Property tax and city planning tax	3/5	Eliminated	Eliminated	Eliminated	Taxes
Tax breaks following privatization of Japanese National Railways	Property tax and city planning tax	1/2	3/5	3/5	Eliminated	• JR Kyushu: Taxes • JRJT*: Non-personnel expenses
Capital proportion	Corporation tax	Additional paid-in capital, capital stock	(Capital stock + Additional paid-in capital) × 3/4	(Capital stock + Additional paid-in capital) × 1/2	Eliminated	Taxes

Amount of impact on performance from special tax measures (¥bil)



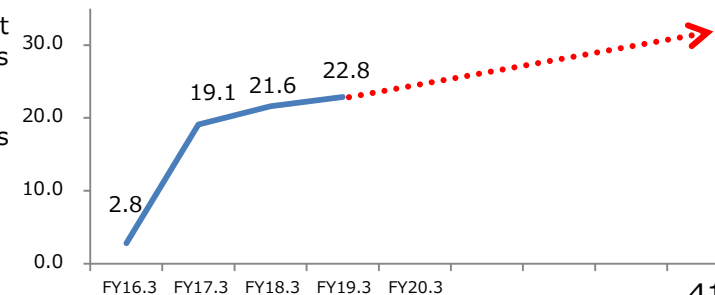
## Depreciation Costs of the Railway Business

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business (excluding rolling stocks) after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)



## Corporate Tax Rate

- Disparity between tax burden and effective tax rate (30.5% in FY19.3) due to significant temporary differences associated with impairment losses (income used for taxation purposes lower than income used for accounting purposes)
- Gradual increase in tax rates as temporary differences associated with impairment losses resulted in the recording of new deferred tax assets
- Current trends to continue over foreseeable future but long-term trends undetermined



# JR Kyushu's Capital Structure

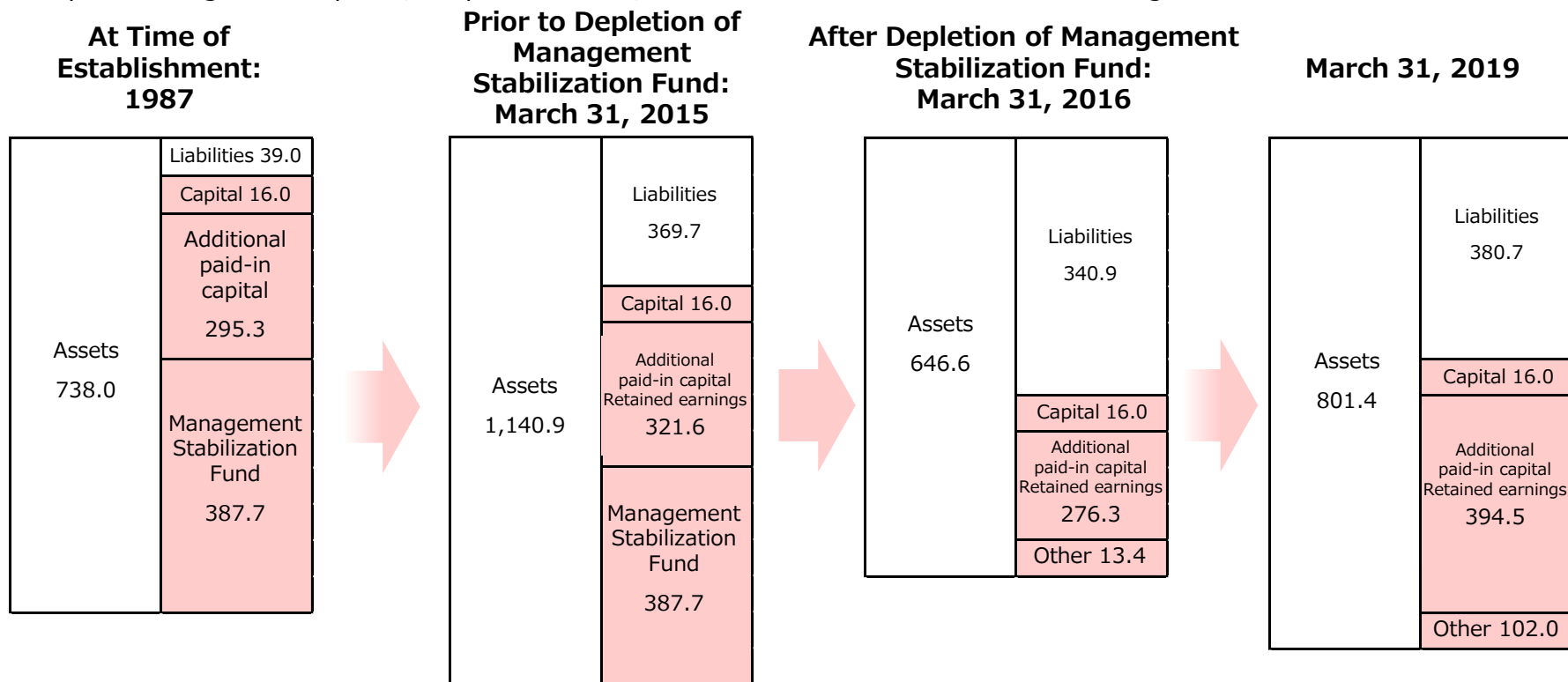


- Capital calculated as difference between assets and liabilities at time of privatization of Japanese National Railways in 1987
- JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities  
 Note: The three JR companies on the Japanese mainland had limited capital due to inheriting liabilities from Japanese National Railways.

- Management Stabilization Fund (¥387.7 billion) depleted in FY16.3 to direct funds to Shinkansen lease fees (prepaid expenses)

Impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) stemming from depletion of the Management Stabilization Fund

⇒ Capital still higher than peers, despite decrease, as a result of circumstances surrounding establishment



# Net Cash on March 31, 2019



## Overview of Net Interest-Bearing Debt

Net Interest-Bearing Debt on March 31, 2018\*1

(¥mil)

Interest bearing debt		Cash and cash equivalents						
Borrowings	-	Cash and deposits	-	Securities	-	Money held in trust	=	Net interest-bearing debt
87,324		15,064		65,077		55,783		(48,600)

Net Interest-Bearing Debt on March 31, 2019

(¥mil)

Interest bearing debt		Cash and cash equivalents						
Borrowings	-	Cash and deposits	-	Securities	-	Money held in trust	=	Net interest-bearing debt
107,966		16,971		19,926		56,901		14,167

\*1. Net-interest bearing debt excludes liability for retirement benefits.

# Major Properties



Asset type	Name	Location	Opening/ Acquisition	Floor space Units Rooms	Tenant sales FY19.3	Major tenants
Commercial facility (Sta. buildings)	AMU PLAZA Kokura	Kokura Kita Ward, Kitta Kyusyu	Mar 1998	Approx. 48,500m <sup>2</sup>	¥12.5 bil	UNITED ARROWS, Francfranc, etc.
	AMU PLAZA Nagasaki	Onoemachi, Nagasaki City	Sep 2000	Approx. 58,500m <sup>2</sup>	¥21.0 bil	TOKYU HANDS, MUJI, UNITED CINEMAS, etc.
	AMU PLAZA Kagoshima	Chuocho, Kagoshima City	Sep 2004	Approx. 65,000m <sup>2</sup>	¥26.8 bil	TOKYU HANDS, ZARA, Cinema Kagoshima Mitte 10, etc.
	JR Hakata City	Hakata Ward, Fukuoka City	Mar 2011	Approx. 240,000m <sup>2</sup>	¥118.5 bil	Hankyu Department Store, TOKYU HANDS, T-Joy Hakata, etc.
	JR Oita City	Kanamemachi, Oita City	Apr 2015	Approx. 144,500m <sup>2</sup>	¥24.1 bil	TOKYU HANDS, TOHO CINEMAS, etc. Renovation completed on March 2, 2018
Commercial facility (Inner-City)	Ropponmatsu 421, etc.	Chuo Ward, Fukuoka City	Sep 2017 Partly opened in October	Approx. 37,000m <sup>2</sup>	–	TSUTAYA, Starbucks, Kyushu University Law School, Fukuoka City Science Museum, SJR Ropponmatsu, etc.
Office buildings	Akasaka Sanno Center Building	Chiyoda Ward, Tokyo	Mar 2011	Approx. 5,000m <sup>2</sup>	–	–
	Nibancho Center Building	Chiyoda Ward, Tokyo	Mar 2014	Approx. 44,000m <sup>2</sup>	–	–
	JRJP Hakata Building	Hakata Ward, Fukuoka City	Apr 2016	Approx. 44,000m <sup>2</sup>	–	–
	Hirakawacho Center Building	Chiyoda Ward, Tokyo	Sep 2016	Approx. 8,000m <sup>2</sup>	–	–
	Shinkawa East Building	Chuo Ward, Tokyo	Jan 2019	Approx. 10,000m <sup>2</sup>	–	–
Apartment rentals	Grand Precia Shibaura	Minato Ward, Tokyo	Dec 2018	234 Units	–	–
	RJR Precia Korimoto	Korimoto, Kagoshima City	Feb 2019	142 Units	–	–
	RJR Precia Oita Ekimae II	Oita City, Oita Prefecture	Feb 2019	78 Units	–	–
	RJR Precia Hakataekiminami	Hakata Ward, Fukuoka City	Mar 2019	139 Units	–	–
<b>Total of 40 buildings including the above</b>						
Hotels	JR Kyushu Hotel Blossom Hakata Chuo	Hakata Ward, Fukuoka City	Apr 2013	247 Rooms	–	–
	JR Kyushu Hotel Blossom Shinjuku	Shibuya Ward, Tokyo	Jul 2014	239 Rooms	–	–
	JR Kyushu Hotel Blossom Naha	Naha City, Okinawa Prefecture	Jun 2017	218 Rooms	–	–
	Aloft Bangkok Sukhumvit 11	Bangkok, Thailand	Nov 2018	298 Rooms	–	–
<b>Total of 16 buildings including the above</b>						

# Overview of Major Development Pipelines



Name	Location	Schedule	Floor space/Lot area Units Rooms	Notes (Uses, etc.)
<b>Kumamoto Station area development</b>	Kumamoto City	Area below elevated tracks opened in Mar 2018 Sta. building: Commenced construction in spring 2019, opening in spring 2021	Lot area: Approx. 70,000m <sup>2</sup> (including area below elevated tracks) Floor space: Approx. 107,000m <sup>2</sup> (sta. building)	Area below elevated tracks: Commercial area Sta. building: Commercial area, movie theaters, hotels, etc. Multilayered parking lots: 2,100 parking spaces Residential areas: MJR, RJR, SJR, etc.
<b>Nagasaki Station area development</b>	Nagasaki City	Undecided	Undecided	Promotion of development in area surrounding station out of consideration for Shinkansen tentative opening and change to elevated tracks for local lines; Potentially integrated development of commercial areas, hotels, office buildings, etc.
<b>Kagoshima-Chuo Station West Entrance Development</b>	Kagoshima City	Undecided	Undecided	Potentially integrated development of commercial areas, office buildings, residential areas, etc.
<b>Miyazaki Station West Entrance Development</b>	Miyazaki City	Scheduled for commencing construction in spring 2019 Scheduled to open in fall 2020	Lot area: Approx. 7,300m <sup>2</sup>	Potentially integrated development of commercial areas, office buildings, etc.
<b>Hakata Ekimae 2-Chome Complex (provisional name)</b>	Hakata Ward, Fukuoka City	Scheduled to open in fall 2019	Lot area: Approx. 1,590m <sup>2</sup>	Integrated building development centered on hotels (238 rooms)
<b>RJR Precia Tenjin South</b>	Chuo Ward, Fukuoka, City	Scheduled to be completed in April 2020	Floor space: Approx. 15,000m <sup>2</sup>	Integrated apartment building (202 units)
<b>MJR/RJR Sakaisuji Honmachi Tower</b>	Chuo Ward, Osaka City	Scheduled to be completed at end of February 2021	Floor space: Approx. 47,470m <sup>2</sup>	296 condominium units 144 apartment units
<b>THE BLOSSOM HIBIYA</b>	Minato Ward, Tokyo	Scheduled to open in August 2019	255 rooms planned Floor space: Approx. 10,400m <sup>2</sup>	Integrated development of office buildings and hotels, joint development projects with NTT Urban Development Hotel owner: Kyushu Railway Company Hotel operator: JR Kyushu Hotels Inc.

Note: Schedules are subject to change

# 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/)