



FY20.3 Annual Investors Meeting

May 12, 2020
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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Highlights



Results for FY20.3

- Consolidated operating revenue, operating income, ordinary income, and net income all declined.

Forecasts for FY21.3

- Due to the influence of the spread of the COVID 19 infection, future revenue trends are very unclear, and accordingly our results forecast and annual dividends have not yet been determined at this point. In the future, when it becomes possible to make a forecast, we will release it promptly.

Short-term strategies

- Cash flow is declining substantially, centered on the decline in railway passenger revenues. Accordingly, we will advance measures with the highest priority on securing liquidity at hand.
- In preparation for further worsening of cash flow, we will consider and implement diversification of our fund-raising methods.
- Looking at capital investment, we will steadily advance railway safety investment and investment in two station buildings. On the other hand, we will delay or control investment as much as possible.
- When we generate cash through the reevaluation of our portfolio, we will first allocate it to working capital.

Status of Medium-Term Business Plan Initiatives

- To further strengthen our management foundation, we will accelerate the reevaluation of our business portfolio.
- We will work to build sustainable railway services through improved profitability, and will strive to increase the population in the areas around our railway lines by investing in strategic city-building initiatives in the regions around our bases.

I . Financial results for FY20.3

Consolidated Financial Highlights for FY20.3



	(¥bil)			
	FY19.3	FY20.3	YoY	
Operating revenue	440.3	432.6	(7.7)	98.2%
Operating income	63.8	49.4	(14.4)	77.3%
Ordinary income	66.5	50.6	(15.9)	76.1%
Extraordinary gains and losses	(2.1)	(7.5)	(5.4)	-
Net income attributable to owners of the parent	49.2	31.4	(17.7)	64.0%
EBITDA ^(※)	85.4	75.0	(10.3)	87.9%

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

Financial Results Overview

Operating revenue

Through the third quarter, results were solid, centered on the railway business and the real estate leasing business. However, from February 2020, revenue were down due to the influence of the spread of the COVID 19 infection.

Operating income

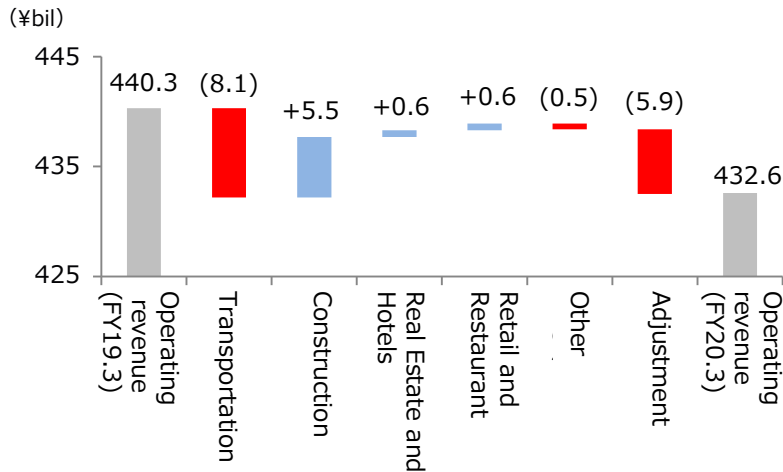
In addition to the elimination of special tax measures [¥(4.6) billion] and an increase in depreciation [¥(3.6) billion] at JR Kyushu, the spread of the COVID 19 infection also had an influence. As a result, the scale of the decline in profits expanded.

Extraordinary gains and losses

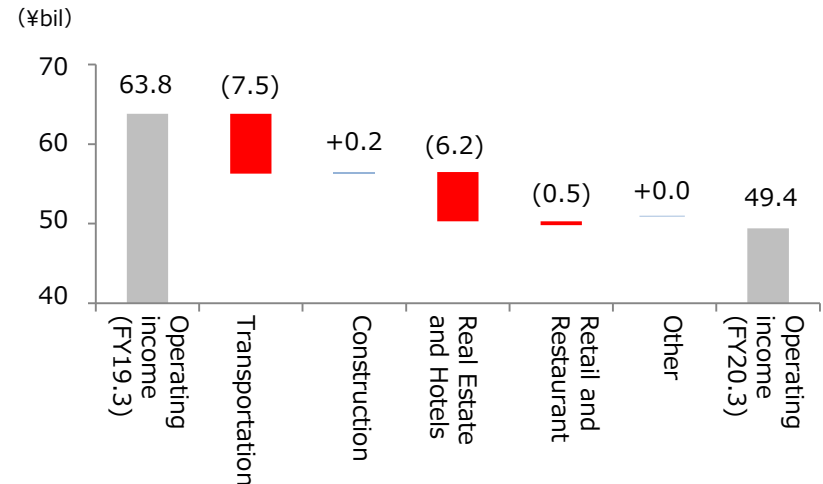
An extraordinary loss was recorded on the new-style passenger ship QUEEN BEETLE.

→In consideration of the dramatic changes in the external environment, such as the long-term worsening of Japan-South Korea relations, intensified competition due to the rise of LCCs, the spread of the COVID 19 infection, the entire amount was recorded as a loss. [¥(6.1) billion]

Change in operating revenue by segment



Change in operating income 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.

Major Consequences Related to COVID 19 ① (Railway Business)

- Due immigration and movement restrictions and people staying inside, railway transportation revenues declined substantially.
- In particular, the influence on middle and long distance revenues has been significant, and JR Kyushu Rail Pass sales were down significantly year on year.

	FY2020/3		Anticipated influence of COVID 19
	FY2020/3	Full-year result	
Railway transportation revenues	¥ 153.5 billion	¥ 147.3 billion	¥ (6.2) billion

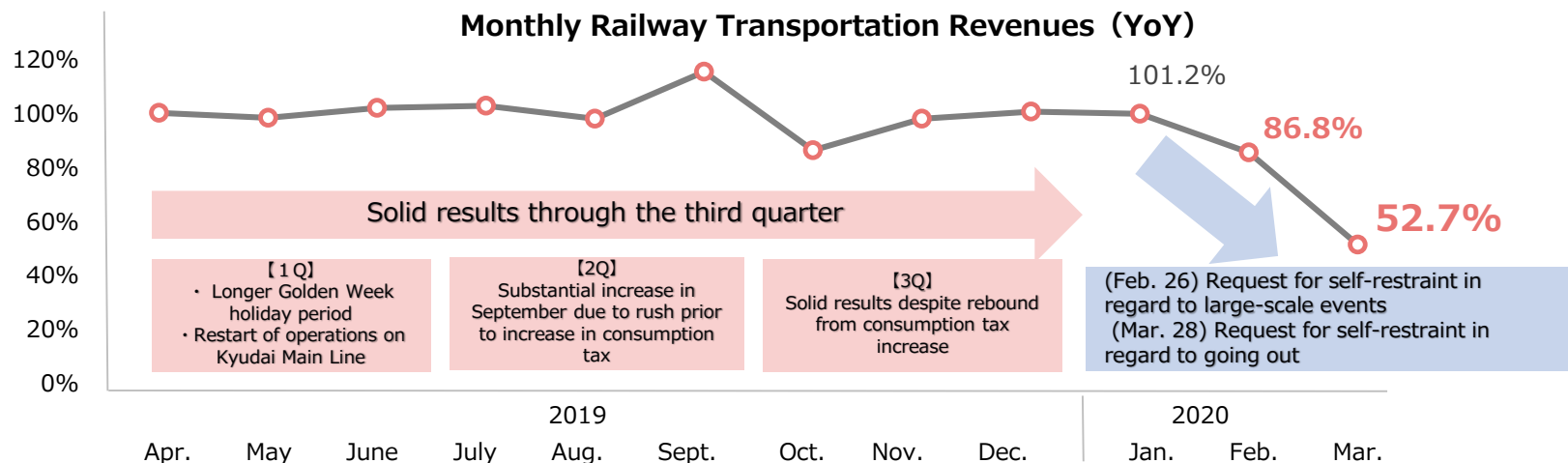
● YoY	First 9 months (A)	4Q (B)	(B)-(A)
Handling revenues	101.4%	78.3%	(23.1)%
Short distance revenues	103.7%	89.2%	(14.5)%
Medium and long distance revenues	101.2%	72.1%	(29.1)%
JR Kyushu Rail Pass: Sales Amount	115.2%	56.3%	(58.9)%

Status of Operational Suspension for the Kyushu Shinkansen and Limited Express Trains (Mar. 20 ~ Apr. 5)

- Started suspension of operations from Mar. 20, centered on special trains

	Total number of trains	Number of suspended trains	Suspended operation rate
Regular trains and special trains	47,592	670	1%
Of which, regular trains	46,951	398	1%
Of which, regular trains	641	272	42%

* Changes in segments on which trains are operated are not included in the number of suspended trains



Major Consequences Related to COVID 19 ② (Other than railway)



- Due to the decline in railway passengers, the number of visitors to facilities around stations has declined substantially, and station building tenant sales have decreased
- In particular, at an early stage, the hotel business was affected as people refrained from going out, and occupancy rates in the fourth quarter were down.
- In the retail and restaurant businesses, conditions in March were challenging, centered on stores located at stations.

		FY2020/3		Anticipated influence of COVID 19	Quarterly Trend	4Q Overview
		Forecast (Feb. 10)	Full-year result			
Real estate leasing business	Operating revenue	54.8	55.2	(0.6)	<p>Station building tenant sales</p>	<p>【Station buildings】</p> <ul style="list-style-type: none"> • Through February, sales were strong, at a record-setting pace • In March, tenant sales at JR Hakata City were down to approximately 40% of the previous year's level due to the suspension of events to attract customers, reduced operating hours, etc.
	Operating income	16.6	16.7	(0.3)		
Hotel business	Operating revenue	18.5	16.6	(1.3)	<p>Occupancy rate</p>	<ul style="list-style-type: none"> • Results were solid through January. In February, the occupancy rate was down by about 20% YoY due to a decline in inbound customers, etc. • In March, the occupancy rate was down by about 60% YoY due to the cancellation of events, etc. In particular, at the Huis Ten Bosch Hotel, the adjacent theme park was closed, and the occupancy rate declined by about 90%.
	Operating income	1.6	0.7	(0.8)		
Retail and restaurant segment	Operating revenue	106.6	104.6	(1.3)	<p>External sales (YoY)</p>	<p>【Retail】</p> <ul style="list-style-type: none"> • Through February, results were solid. In March, sales in the convenience store business were down about 20% YoY. <p>【Restaurants】</p> <ul style="list-style-type: none"> • Through February, results were solid. In March, business was affected, centered on stores located at stations, and sales were down about 40% YoY.
	Operating income	2.9	2.8	(0.2)		

Segment Information [Summary]



(¥bil)

	FY19.3	FY20.3	YoY	Major factors
Operating revenue	440.3	432.6	(7.7)	98.2%
Transportation	181.8	173.7	(8.1)	95.5%
Railway Business (non-consolidated)	172.2	165.2	(7.0)	95.9% Increase in revenues from railway transportation, increase due to change in revenue/expense classifications related to station buildings (+2.4), etc.
Construction	93.8	99.3	5.5	105.9% Increase in Shinkansen-related construction, etc.
Real Estate and Hotels	90.0	90.7	0.6	100.8%
Real Estate Lease	53.9	55.2	1.3	102.5%
Condominium Sales	19.7	18.9	(0.8)	95.7% Decrease in revenue from sales of condominiums, etc.
Hotel Business	16.4	16.6	0.1	101.1%
Retail and Restaurant	104.0	104.6	0.6	100.6%
Other	72.6	72.1	(0.5)	99.3% Decrease due to transfer of financing subsidiary leasing business, etc.
Operating income	63.8	49.4	(14.4)	77.3%
Transportation	27.4	19.8	(7.5)	72.4%
Railway Business (non-consolidated)	26.7	20.0	(6.6)	75.1% Decrease due to elimination of special tax measures and increase in depreciation, increase due to change in method of revenue/expense classifications, such as those related to station buildings, (+5.0), etc.
Construction	6.2	6.5	0.2	104.6%
Real Estate and Hotels	25.4	19.1	(6.2)	75.2%
Real Estate Lease	20.6	16.7	(3.9)	81.1% Decrease due to change in revenue/expense classifications, such as those related to station buildings, (-5.0), etc.
Condominium Sales	2.3	1.5	(0.8)	65.4% Decrease in revenue from sales of condominiums, etc.
Hotel Business	2.3	0.7	(1.5)	33.4% Increase in opening preparation expenses, etc.
Retail and Restaurant	3.4	2.8	(0.5)	82.8% Increase in personnel cost and other expense, etc.
Other	2.2	2.2	0.0	103.8%
EBITDA	85.4	75.0	(10.3)	87.9%
Transportation	34.3	29.5	(4.7)	86.1%
Railway Business (non-consolidated)	32.8	28.8	(4.0)	87.7%
Construction	7.2	7.6	0.4	105.8%
Real Estate and Hotels	35.6	30.5	(5.0)	85.9%
Real Estate Lease	29.5	26.1	(3.3)	88.5%
Condominium Sales	2.4	1.5	(0.8)	65.5%
Hotel Business	3.7	2.8	(0.8)	77.9%
Retail and Restaurant	5.0	4.4	(0.6)	88.2%
Other	4.1	4.3	0.1	103.6%

※ Results for the nine-month period ended December 31, 2019, have been reclassified in accordance with the new segment categories from April 1, 2019.

Non-consolidated Income Statements



(¥bil)

	FY19.3	FY20.3	YoY		Major Factors
Operating revenue	221.9	214.8	(7.0)	96.8%	
Railway transportation revenues	151.4	147.3	(4.1)	97.3%	Influence of the spread of the COVID 19 infection, etc.
Other revenue	70.4	67.5	(2.9)	95.8%	
Operating expense	176.1	180.4	4.3	102.4%	
Personnel expense	49.7	48.7	(0.9)	98.0%	
Non-personnel expense	106.5	105.5	(1.0)	99.0%	
Energy cost	9.4	9.2	(0.2)	97.9%	
Maintenance cost	37.2	33.4	(3.7)	89.9%	
Other	59.8	62.8	2.9	104.9%	Increase due to elimination of special tax measures, etc.
Taxes	8.0	10.7	2.6	133.1%	Increase due to elimination of special tax measures, etc.
Depreciation cost	11.8	15.4	3.6	130.6%	
Operating income	45.7	34.3	(11.3)	75.2%	
Non-operating income and expense	8.0	6.1	(1.8)	76.8%	Decline in gains on investment securities, decline in dividend income, etc
Ordinary income	53.7	40.5	(13.1)	75.5%	
Extraordinary gain and losse	△ 0.9	△ 6.3	(5.3)		Increase in provision for loss on guarantees, etc., related to - loss on QUEEN BEETLE Gain on sales due to transfer of leasing business, etc
Net income	44.2	28.6	(15.5)	64.8%	

FY20.3 — Consolidated and Non-Consolidated Quarterly Results



Consolidated results

(¥bil)

	FY20.3				
	1Q	2Q	3Q	4Q	Total
Operating revenue	100.4	112.3	106.8	112.9	432.6
Operating income	15.4	14.7	15.6	3.5	49.4
Ordinary income	16.0	14.9	15.9	3.6	50.6
Net income attributable to	12.3	10.6	12.3	(3.8)	31.4

Non-consolidated results

(¥bil)

	FY20.3				
	1Q	2Q	3Q	4Q	Total
Operating revenue	51.3	56.2	52.6	54.6	214.8
Operating income	13.2	11.0	11.8	(1.6)	34.3
Ordinary income	18.0	12.0	12.1	(1.6)	40.5
Net income	15.1	9.2	10.6	(6.3)	28.6

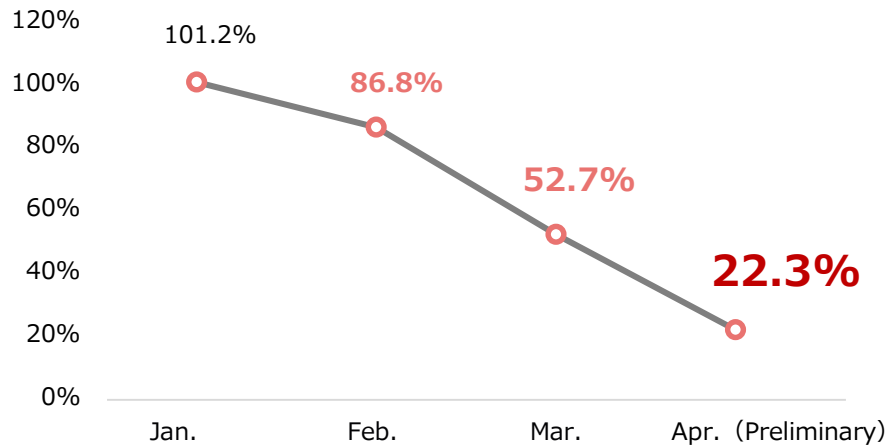
II. Forecasts for FY21.3

Most Recent Business Conditions (Railway Business)

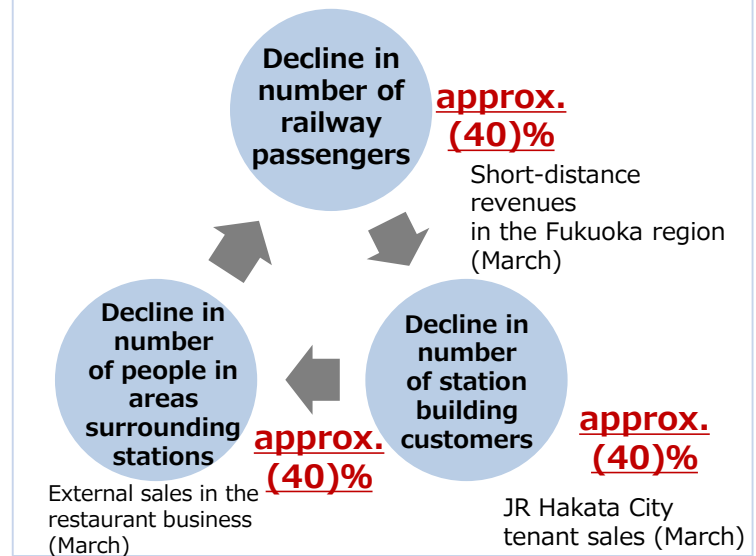


- Due to the growing consequences of people staying inside due to the state of emergency declaration, request for suspension of business operations, etc., the scale of the decline in transportation-related revenues is expanding.
- In addition to measures for unmanned and labor-saving operations, which we have been implementing, we will also work to reduce costs by suspending operations, etc. In these ways, we will work to improve profitability, but we expect circumstances to remain challenging for the time being.

Monthly Railway Transportation Revenues (YoY)



Reversal of the favorable cycle under which growth in railway passengers leads our businesses in areas surrounding stations



Status of suspended train operations

- Implementing step-by-step expansion of scale of operational suspension for conventional line limited express trains and the Shinkansen
 - Limited express trains: Over the period from March 20 to May 31, suspending approximately 30% of scheduled trains
 - Shinkansen: Appropriately reevaluating operational plans, suspending approximately 30% of scheduled trains from May 11
- * From May 2 to May 6, we suspended all limited express trains on conventional lines from the perspective of preventing the spread of COVID 19.
- * In addition to suspending all special trains for conventional line limited express trains and the Shinkansen, we are suspending certain local trains on conventional lines.

Inbound status

- From March, due to international departure and arrival controls by many countries, international airline routes in Kyushu were suspended.
- All international routes between Kyushu and the countries and regions that are the major sources of demand for the Rail Pass, including China, Hong Kong, Taiwan, and Thailand, have been suspended.

Most Recent Business Conditions (Other than railway)



- The influence extended to the entire Group, centered on the railway and hotel businesses but also including station buildings, retail stores, restaurants.
- There is concern that if the influence lengthens, there will be a further increase in the effect on results.

Segment	Business		Major influences
Transportation services (other than railway)	• Hydrofoil ferries		[Hydrofoil ferries] • Suspended operation due to the government's request to suspend operation of passenger ships (Mar. 9 ~) • Delayed timing of introduction of new-style passenger ship QUEEN BEETLE (timing not yet determined) [Buses] • Suspended operation of certain buses (Mar. 21~), decline in charters
	• Buses		
Construction			• Concern about halt in materials procurement, suspension of construction, etc.
Real Estate and Hotels	Real estate lease		• Due to the declaration of a state of emergency, facilities have been closed or their operating hours have been reduced, centered on station buildings. Station building closure: (April 8~: Hakata, Kokura; April 17~: Nagasaki, Kagoshima, Oita) * Planning to reopen Nagasaki (May 13), Kagoshima (May 15). • Implementing support measures, such as offering tenants reduced rent payments and delaying payment timing
	Condominiums		• Due to the declaration of a state of emergency, some condominium model rooms are closed.
	Hotels		• Consolidated open hotels in each area due to the declaration of a state of emergency • Of 16 facilities in Japan, 7 are closed and 1 has reduced its operating hours.
Retail and restaurants	Retail		• Implemented closure/reduced hours at certain stores
	Restaurants		• Implemented closure/reduced hours at certain stores
Other businesses	Construction equipment		[Caterpillar Kyushu] • Decline in demand for construction machinery

Forecasts for FY21.3



- Due to the influence of people staying at home accompanying the spread of the COVID 19 infection, mobility demand from domestic and overseas customers is declining rapidly. Also, to prevent the spread of the infection to customers or employees, we are suspending operation of certain trains and of hydrofoil ferries and temporarily closing or reducing operating hours at station buildings, hotels, and restaurants.
- In these circumstances, future revenue trends are very unclear, and it is difficult to rationally calculate performance forecasts. Accordingly, at this point we have not yet determined our consolidated forecasts.
- The determination of our annual dividends is also pending at this point, including the interim dividend.
- In the future, when it becomes possible to make a forecast, we will release it promptly.

III. Short-term strategies

Short-term strategies

- ① **Cash flow is declining substantially, centered on the decline in railway passenger revenues. Accordingly, we will advance measures with the highest priority on securing liquidity at hand.**
- ② **In preparation for further worsening of cash flow, we will consider and implement diversification of our fund-raising methods.**
- ③ **Looking at capital investment, we will steadily advance railway safety investment and investment in two station buildings. On the other hand, we will delay or control investment as much as possible.**
- ④ **When we generate cash through the reevaluation of our portfolio, we will first allocate it to working capital.**

② Increase in bonds/borrowings, etc.

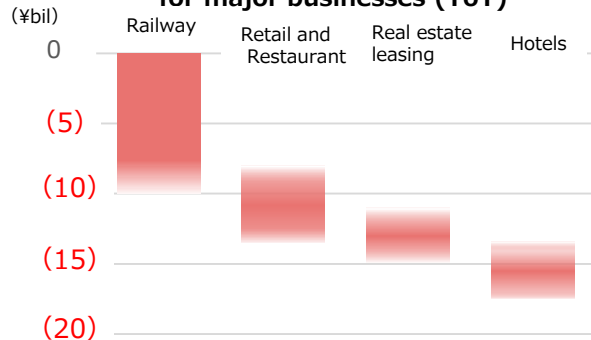
Planning the following measures to offset the decline

- New borrowing: Approximately ¥60.0 billion
- Bond issuance: Approximately ¥30.0 billion
- Establishment of commitment line: (¥120.0 billion)
- Considering issuance of commercial paper and increase of short-notice loan limit

① Substantial decrease in operating cash flow

Anticipate continued decline of slightly more than ¥10.0 billion per month

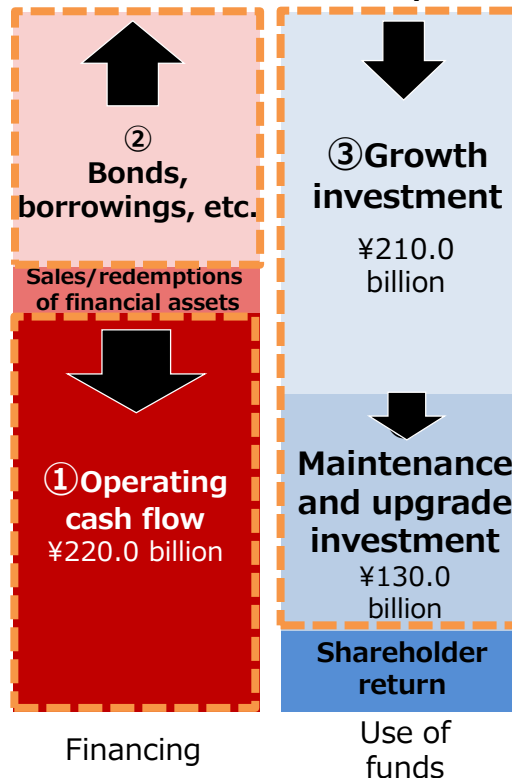
Estimated monthly cash flow decline in April for major businesses (YoY)



④ Generation of cash flow through reevaluation of business portfolio

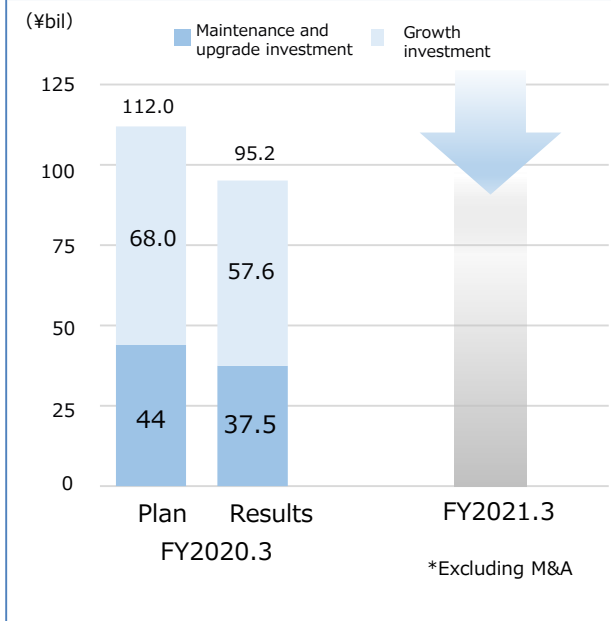
Accelerating reevaluation, such as sale of hospital business and leasing business

Sources and uses of funds and shareholder return policy in the medium term business plan



③ Control of growth investment, maintenance and upgrade investment

Delay or control of growth investment, maintenance and upgrade investment



Financial Strategies: Review and Looking Ahead



Initiatives in FY2020/3

① We decided to advance consideration of our financial strategies and to reevaluate our shareholder return policy

(November 2019).

- Due to historical factors, our balance sheet has excess capital, and we recognize that this is an issue. Accordingly, we reconsidered our financial strategy from the perspective of increasing corporate value.
- Through aggressive growth investment, including the use of debt, we worked to expand business and assets, while maintaining financial soundness.
- In addition, from the perspective of financial soundness, we strengthened (changed) shareholder return.

(Details of the change in shareholder return policy)

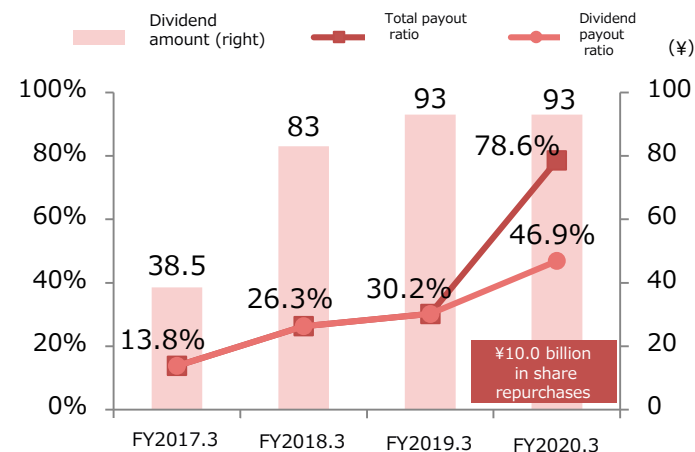
- The Company will aim for a dividend payout ratio of 35%, with minimum dividend per share of ¥93.0.
- To increase capital efficiency, the Company will implement share repurchases depending on the situation. (Details of the change in shareholder return policy)

② Announced **¥10.0 billion in share repurchases** (November 2019)

- In accordance with the new return policy, aiming to increase shareholder return and capital efficiency, we announced the repurchase of shares (repurchase completed in January 2020, cancellation completed in February)

③ Decided on **annual dividend of ¥93.0** (May 2020)

- With a year-end dividend of ¥46.5, maintained minimum annual dividend of ¥93.



Future Financial Strategy

- Due to the influence of COVID 19, the risks of expanding debt and shrinking capital are increasingly apparent. In the future, we will prioritize working to maintain financial soundness.
- On the other hand, we have reaffirmed the importance of a certain level of capital from the perspective of business continuity.
- If stable improvement of the influence of COVID 19 is confirmed, then we will consider reevaluating our business and financial strategies in line with the circumstances at that point.

IV. Status of Medium-Term Business Plan Initiatives

2030 Long-Term Vision

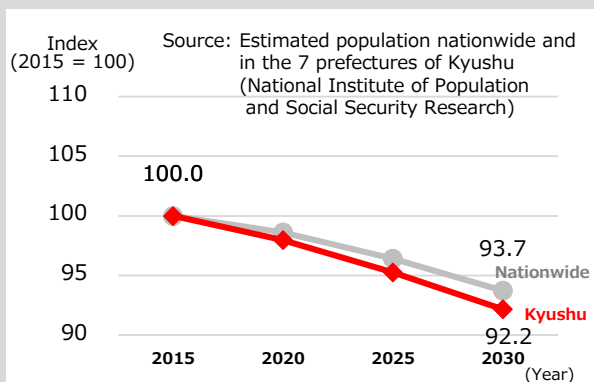


2030 Long-Term Vision

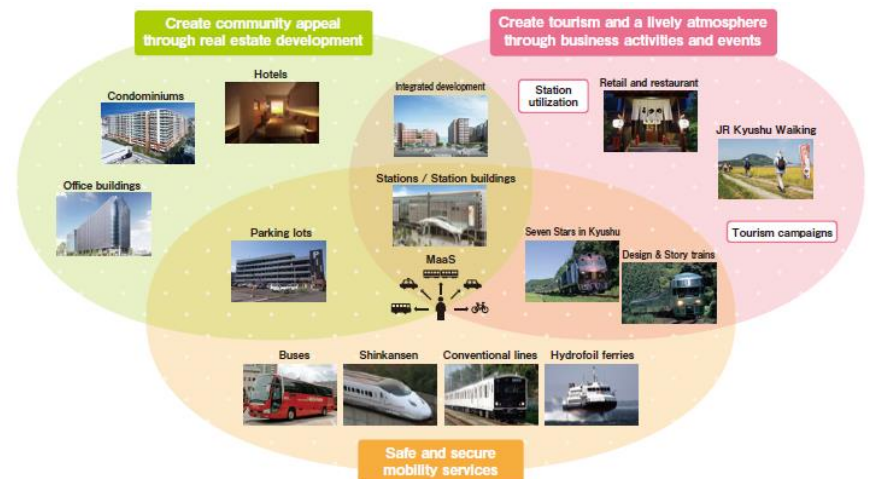
We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

- 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)

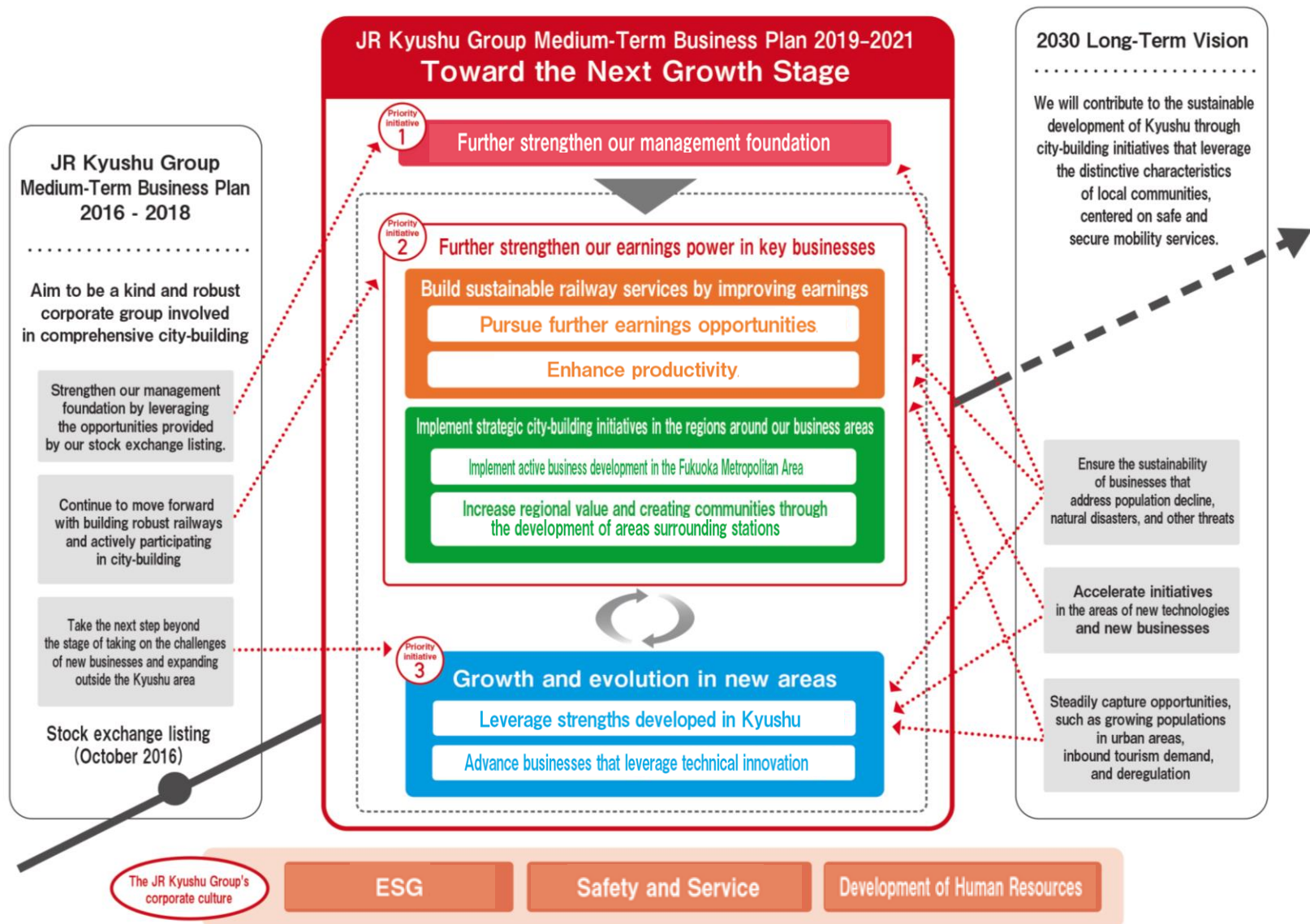
Declining population in Kyushu, where the pace of the decline exceeds that in the nationwide population



Initiatives to increase the population in areas around our railway lines

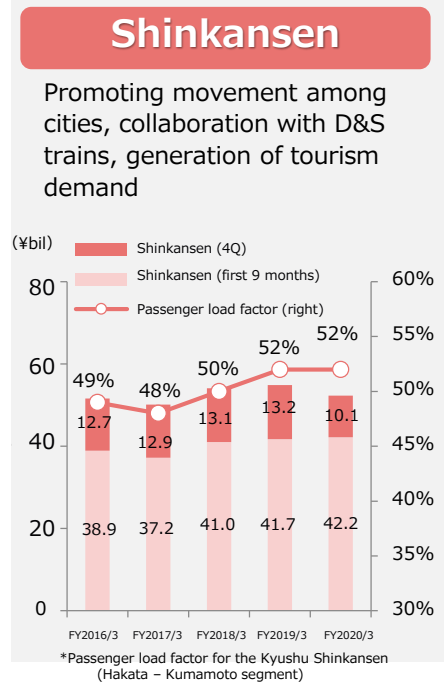
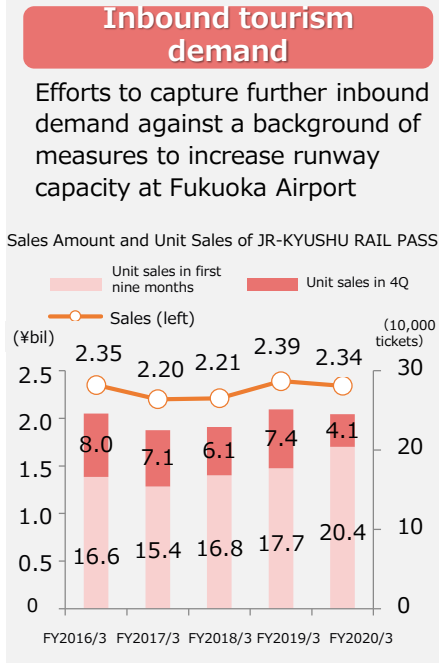
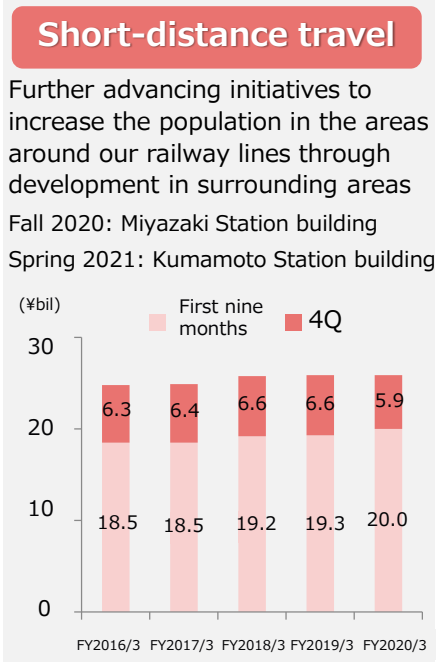
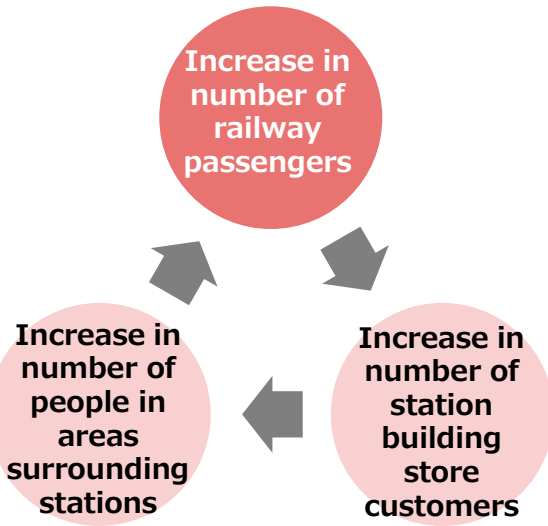


Position and Priority Initiatives of the JR Kyushu Group Medium-Term Business Plan 2019-2021



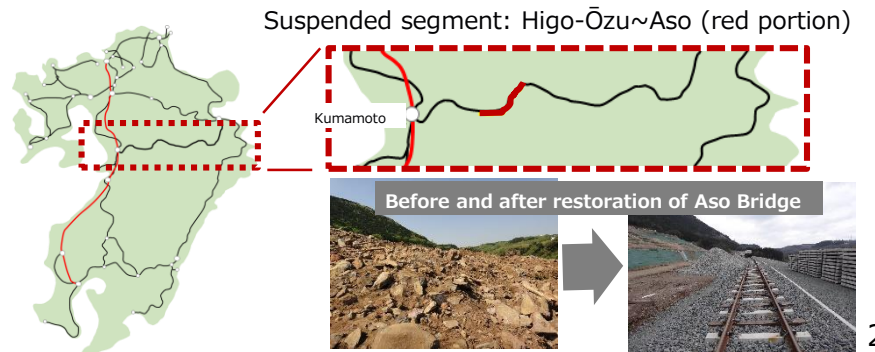
Building Sustainable Railway Services by Improving Revenues and Expenditures

- We will further strengthen our efforts to increase our earning power in short-distance, inbound, and Shinkansen operations. In this way, we will continue to implement measures to maximize a favorable operating cycle under which growth in railway passengers leads our businesses in areas surrounding stations.
- On the other hand, there is a heightened possibility that the influence of COVID 19 will change the social structure and will become a major business model turning point. Accordingly, we will also focus on considering new measures, such as restructuring our strategies, etc.



Full restoration of Hoho Main Line

- In FY2021.3, we plan to restart operation of the Higo-Ozu~Aso segment of the Hoho Main Line, which was damaged by the Kumamoto earthquakes in April 2016 and had been suspended.
- We anticipate an increase in transportation revenue of approximately ¥300 million a year (expectation before COVID 19). We also anticipate increased revenues in the future from the opening of the Kumamoto Airport Access Railway (provisional name), which is planned by Kumamoto Prefecture..



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



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

Kumamoto Station Area Development (Opening in Spring 2021)

- Site area: Approx. 70,000m² (including area below elevated tracks)
- Total floor space: 107,000m² (station building: same scale as JR Oita City)
- Use: Commercial areas (station building, etc.), hotels, offices, residential areas
- Recent status of construction: Work was halted from April 26 to May 6 but restarted from May 7. [Construction]



Miyazaki Station West Entrance Development (Opening in Fall 2020)

- Site area: Approx. 7,300m²
- Total floor space: Approx. 37,700m²
- Use: Commercial facilities, offices, etc.
- JR Miyako Twin Building (joint development with Miyakohgroup)
- Recent status of construction: Work was halted from April 26 to May 6 but restarted from May 7.

[Construction]



Nagasaki Station Area Development

- 2023: Partial opening 2025: Full opening
- Site area: Approx. 18,000m² (including existing Amu Plaza section, approx. 35,000m²)
- Total floor space: Approx. 114,000m²
- Use: Commercial facilities, hotels, offices, etc.

[Elevated tracks at Nagasaki Station]



Development in the Fukuoka City Metropolitan Area

Development through the acquisition of projects via recruitment/bidding

Project to utilize the former site of Sunoko elementary school

(Uses: hospital, senior citizens facility, etc.) [January 2024]

Project for effective use of site of Fukuoka east government building

(Uses: offices, commerce) [Spring 2024]

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.

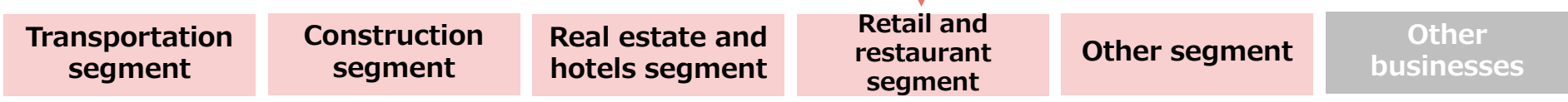


Reevaluating Our Business Portfolio

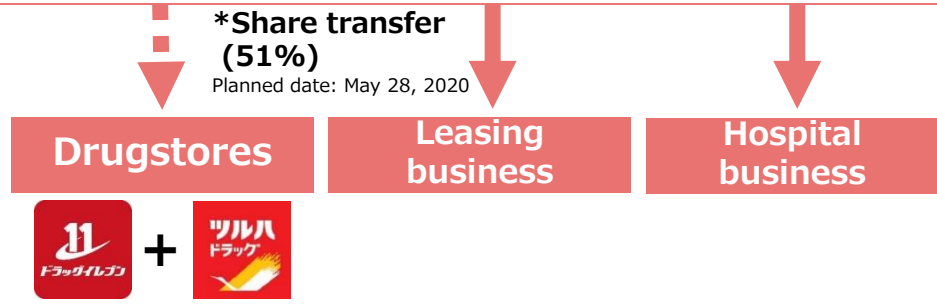


To achieve strategic business portfolio formation and appropriate management resource allocation, we have implemented acquisition, reorganization, and sales initiatives, as described below. Moving forward, we will continue to implement initiatives while focusing on trends in market conditions.

Acquisitions of businesses that lead to synergies with existing businesses, promotion of tourism in Kyushu, and the fostering of demand for railway transportation



Reorganize/sell low-profit businesses



Transfer of a portion of shares of DRUG ELEVEN

- [Overview]**
- Transfer of 51% of shares to TSURUHA Holdings. (change to equity-method affiliate)
 - DRUG ELEVEN will aim to use the business know-how and other management resources of both companies to record growth as a company that has both local roots and profitable operations.
- [Background]**
- Became a subsidiary in 2007. Results improved as a result of such initiatives as T-point sales promotion, measures to address inbound demand, etc., but the management environment remained challenging due to changes in industry circumstances.
- [Influence on financial results]**
- FY2020.3: Net sales, approximately ¥52.2 billion; operating income, approximately ¥0.9 billion
 - Gain on transfer of approximately ¥9.0 billion due to share transfer

Transfer of leasing business and hospital business

- Leasing business

[Overview/Background]

 - Business transferred to Higo Bank in October 2019. Methods of fund-raising have diversified against a background of lower market interest rates, and lease accounting standards have changed. Due to these and other factors, we determined that it would be difficult to achieve significant growth.
 - Hospital business

[Overview/Background]

 - Business transferred to Medical Corporation Wakaba in April 2020. The location has an excess of hospital beds, and the management environment is expected to remain challenging. We determined that the best course of action was to entrust management to an external medical institution with a strong track record.
- * For both of the above transfers, the effect on financial results will be insignificant.

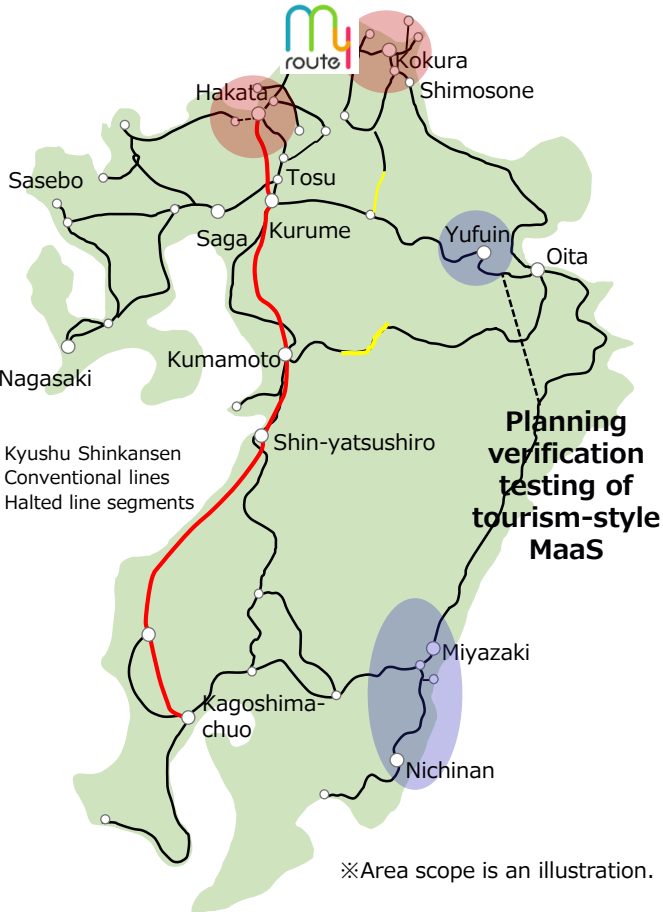
Take on the challenge of new mobility services (MaaS)



Initiatives with Other Regional Transportation Companies in FY2020/3

Planning to implement business alliances with a focus on rolling out seamless mobility services and start verification testing

- Concluded a business alliance agreement with Nishi-Nippon Railroad Co., Ltd., and DAIICHI KOUTSU SANGYO Co., Ltd.
- Full-scale launch of "my route" MaaS app for smartphones together with Toyota Motor Corporation, Nishi-Nippon Railroad, Fukuoka City, and Kitakyushu City.
- Announced plans to start verification testing of tourism-style MaaS in Yufu City, Oita Prefecture, and in Miyazaki City and Nichinan City, Miyazaki Prefecture.
- As an initiative targeting the establishment of a highly convenient public transportation network together with Nishi-Nippon Railroad Co., Ltd., from the March 2020 timetable revision, we have increased train/bus connection convenience at JR Shimosone Station.



Increasing convenience of train/bus connections at JR Shimosone Station

At JR Shimosone Station (Kokuraminami-ku, Kitakyushu City), new connecting bus routes were established, the number of connecting buses was increased, and the mutual provision of information was strengthened.

Nishitetsu Bus

Guidance regarding train timetables provided on the fare display monitors inside buses

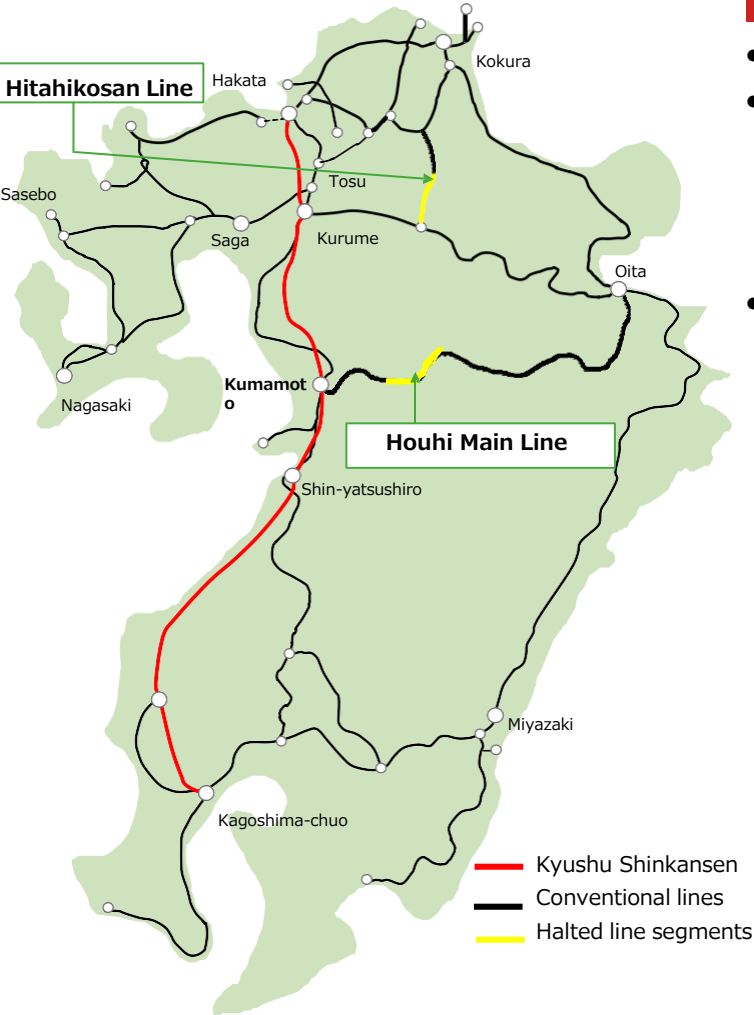


JR Shimosone Station

Convenience of train to bus transfers increased through the installation of guidance monitors within Shimosone Station to display the timetable for the closest bus stop and information about approaching buses



Regional Transportation Initiatives



Status of progress toward restoration of Hitahikosan Line

- Held five restoration meetings between April 2018 and April 2020
- In regard to maintaining the transportation network, we presented a restoration plan involving railways, BRT, and buses. Subsequently, at briefings hosted by local governments in the areas around our railway lines, the Company provided explanations to local residents about the restoration plan, etc.
- The timing of the next restoration meetings has not yet been determined due to the influence of COVID 19.

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

Disclosure of profitability by railway line

- Moving forward, we plan to disclose train line profitability, which will enable us to work together with local governments and residents in the areas around our railway lines to consider the future policies for the use of those lines.
- We had planned to implement this disclosure at the end of April 2020, but this has been temporarily postponed in consideration of the declaration of a state of emergency, etc., due to the spread of the COVID 19 infection.

Duties that the JR Kyushu Group Must Fulfill Now



We will work together with stakeholders to overcome COVID 19 and fulfill our social duty as a mobility services company in Kyushu.

Society

- Maintaining transportation network as social infrastructure
- Suspending operation of all conventional line limited express trains during the Golden Week holiday period with the objective of preventing the spread of infection resulting from travel between prefectures.
- Exercising self-restraint in regard to events held by the JR Kyushu Group.
- Implementing temporary closure or reduced operating hours at certain station buildings, hotels, etc.

Customers Business partners

- Frequent cleaning and disinfecting of railway facilities, station buildings, hotels, and other facilities.
- Implementing measures to support station building tenants, such as offering reduced rent payments and delaying payment timing.

Employees

- Providing information, such as comments from Company leaders to employees.
- Implementing short-term employment adjustments, such as temporary leave, while remaining committed to maintaining employment.
- Utilizing staggered commuting times and teleworking, with the objective of securing the safety of employees and their family members.

Shareholders

- Advancing measures to maintain corporate value, with the highest priority on securing liquidity at hand.

Purpose of the JR Kyushu Group: "Regional Invigoration"



For details, please refer to the following site:
<https://www.jrkyushu.co.jp/train/sonohimade/>



APPENDIX



KYUSHU RAILWAY COMPANY

Consolidated Income Statements



(¥bil)

	FY19.3	FY20.3	YoY		Major factors
Operating revenue	440.3	432.6	(7.7)	98.2%	Decline in railway transportation revenue, etc.
Operating expense	376.4	383.2	6.7	101.8%	Elimination of special tax measures (JR Kyushu) Increase in depreciation cost (JR Kyushu), etc.
Operating income	63.8	49.4	(14.4)	77.3%	
Non-operating income and expense	2.6	1.2	(1.4)	45.5%	Decline in gains on investment securities (JR Kyushu), etc.
Ordinary income	66.5	50.6	(15.9)	76.1%	
Extraordinary gains and losses	(2.1)	(7.5)	(5.4)	-	Extraordinary loss on the new-style passenger ship QUEEN BEETLE, etc.
Net income attributable to owners of the parent	49.2	31.4	(17.7)	64.0%	
EBITDA	85.4	75.0	(10.3)	87.9%	

Balance Sheet and Cash Flow Statement



Balance Sheet

(¥bil)

	FY19.3	FY20.3	YoY	Major factors
Total Assets	801.4	828.5	27.1	
Cash and time deposits	16.9	23.8	6.8	
Short-tem securities	19.9	-	(19.9)	
Property, plant and equipment	461.3	517.9	56.6	
Railway business assets	72.4	89.1	16.6	
Interest-bearing debt	107.9	141.5	33.5	Increase due to issuance of bonds, etc.
Net assets	420.7	418.2	(2.4)	
Capital and paid-in capital	249.9	240.0	(9.9)	
Retained earnings	160.5	176.3	15.7	

ROE	12.4%	7.6%
ROA	6.4%	3.9%
D/E B I T D A	1.26	1.89
Equity ratio	51.8%	49.9%

Cash flow statement

(¥bil)

	FY19.3	FY20.3	YoY	Major factors
Cash flows from operating activities	41.4	60.4	18.9	
Depreciation expense	21.9	26.7	4.8	
Cash flows from investing activities	(74.6)	(76.9)	(2.3)	
Capital expenditures	(105.9)	(109.9)	(4.0)	
Free cash flow	(33.1)	(16.4)	16.6	
Cash flows from financing activities	5.6	3.3	(2.2)	
Cash and cash equivalents	36.8	23.8	(13.0)	

Railway business



Railway Transportation Revenues

(¥bil)

	FY19.3	FY20.3	YoY		Major Factors
Total	151.4	147.3	(4.1)	97.3%	
Commuter pass	32.4	32.5	0.1	100.4%	
Non-commuter pass	119.0	114.7	(4.2)	96.4%	
Shinkansen	54.9	52.3	(2.6)	95.2%	• Basic trend (approx. 101%)
Commuter pass	2.7	2.8	0.0	102.9%	• Increase due to longer Golden Week holiday period
Non-commuter pass	52.2	49.5	(2.6)	94.8%	• Decline due to influence of COVID 19, etc.
Conventional Lines	96.5	95.0	(1.4)	98.5%	• Basic trend (approx. 100%)
Commuter pass	29.7	29.7	0.0	100.2%	• Increase due to longer Golden Week holiday period
Non-commuter pass	66.8	65.2	(1.5)	97.7%	• Decline due to influence of COVID 19, etc.

Passenger-Kilometers

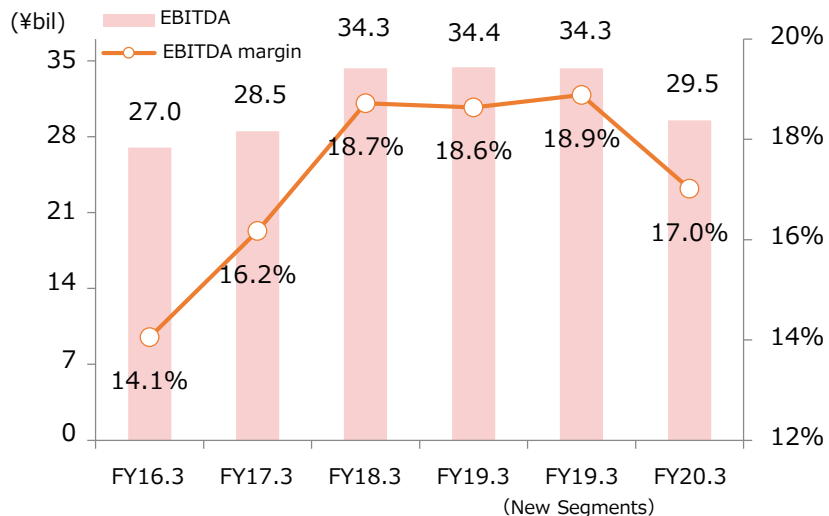
(Millions of passenger-kilometer)

	FY19.3	FY20.3	YoY	
Total	9,285	9,059	(226)	97.6%
Commuter pass	4,214	4,211	(3)	99.9%
Non-commuter pass	5,070	4,847	(223)	95.6%
Shinkansen	2,032	1,950	(82)	96.0%
Commuter pass	199	204	5	102.6%
Non-commuter pass	1,832	1,745	(87)	95.2%
Conventional Lines	7,252	7,108	(144)	98.0%
Commuter pass	4,015	4,006	(8)	99.8%
Non-commuter pass	3,237	3,102	(135)	95.8%

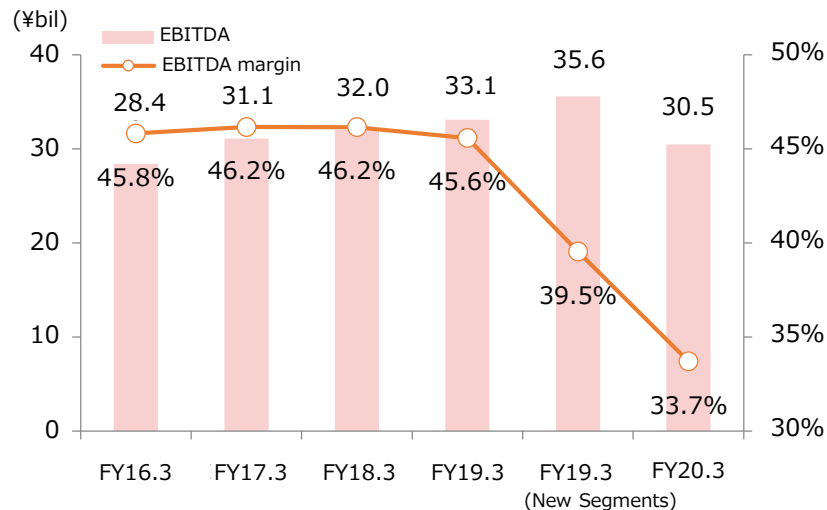
EBITDA by Segment



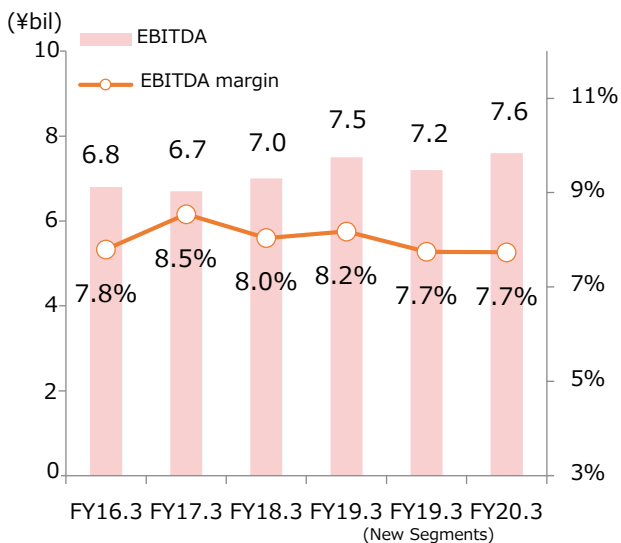
Transportation



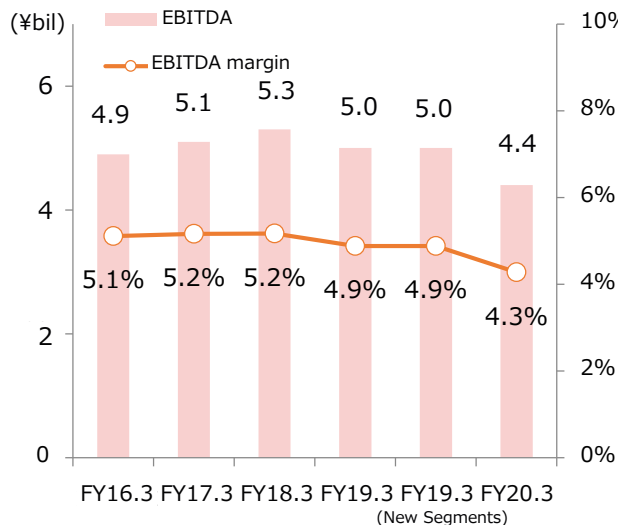
Real Estate and Hotels



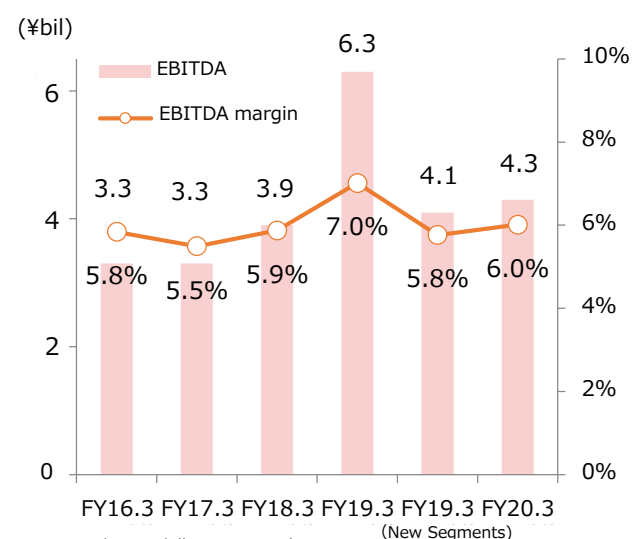
Construction



Retail and Restaurant



Other



※ 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).

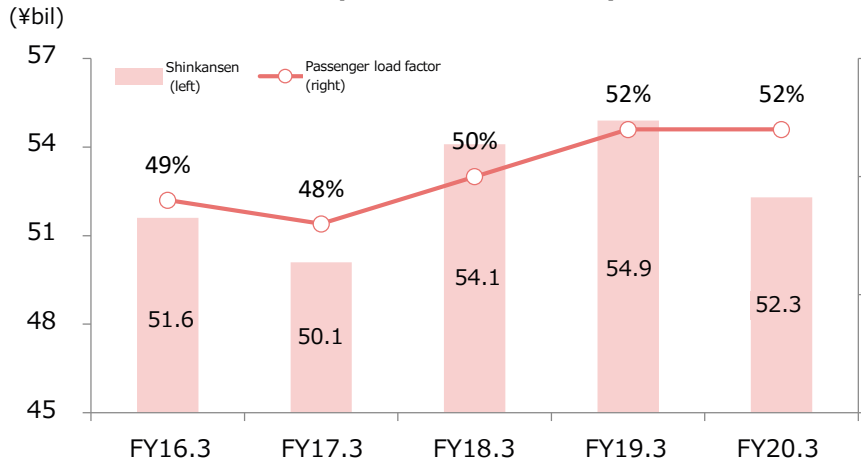
※ Figures by segment are prior to eliminating intersegment transactions.

Initiatives in the Railway Business

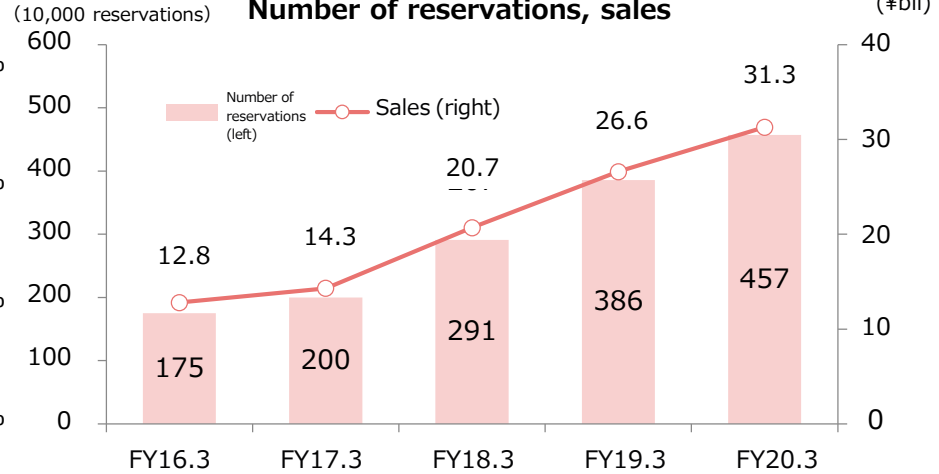
—Strengthening Earning Power



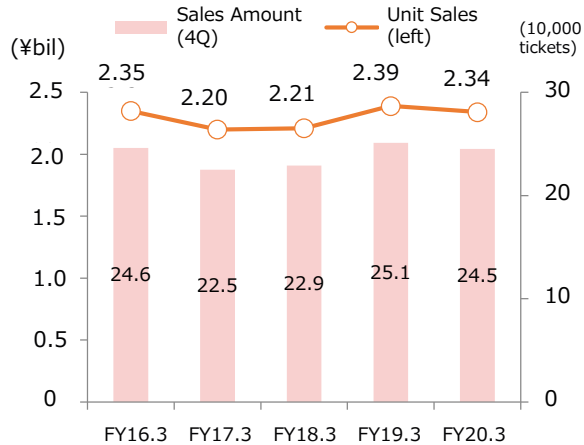
Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



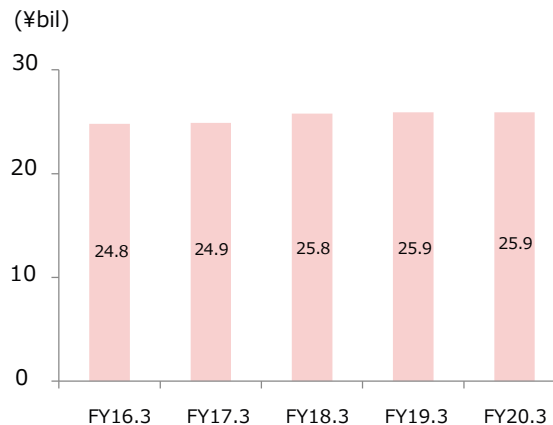
Internet train reservation services: Number of reservations, sales



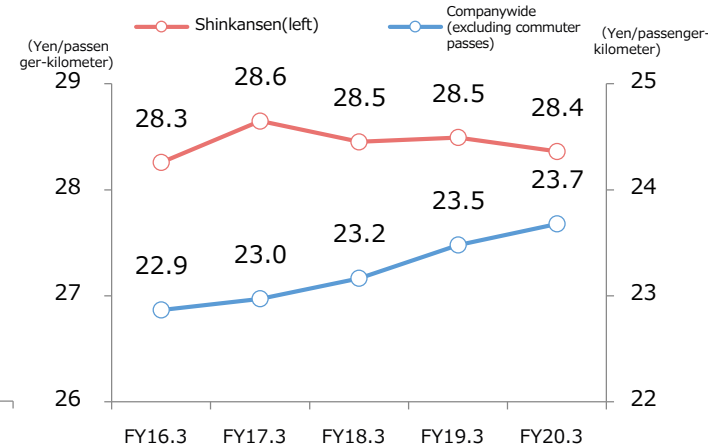
Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



Railway transportation revenues (short distance)



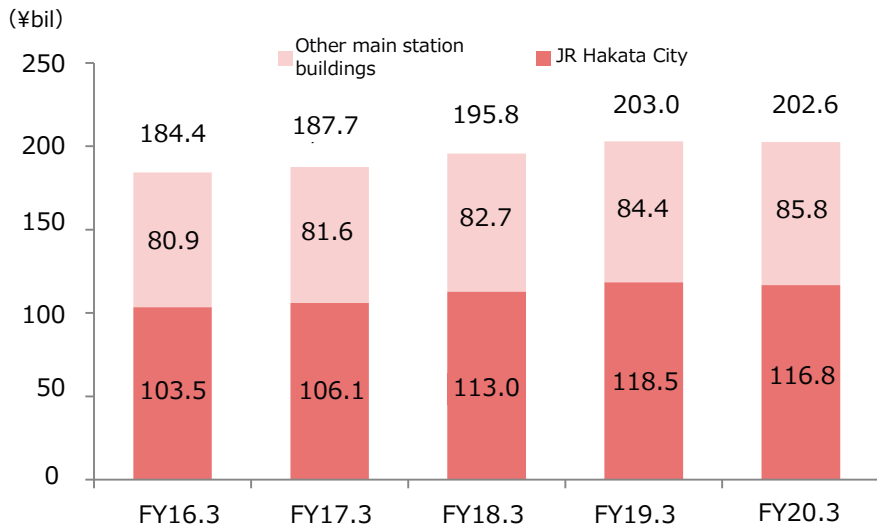
Yield (Companywide (excluding commuter passes), Shinkansen)



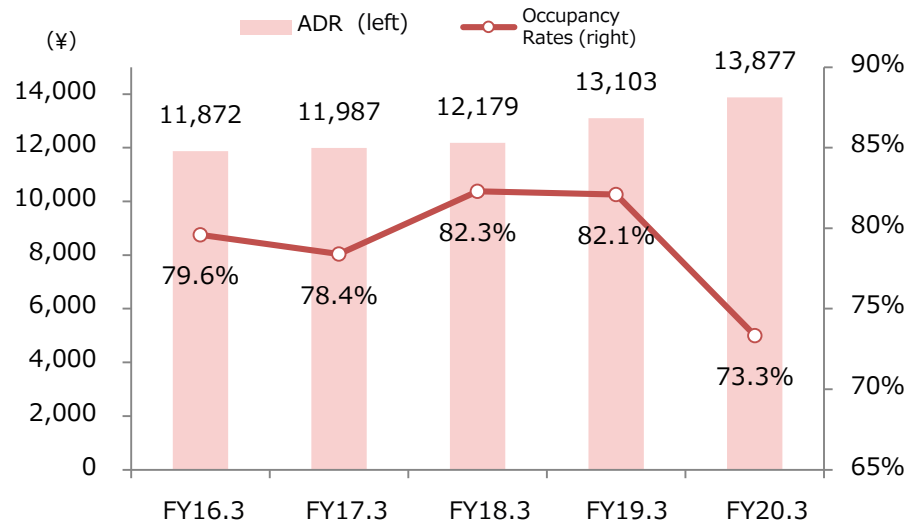
Revenues, Occupancy Rates, Etc., in the Real Estate and Hotel Businesses



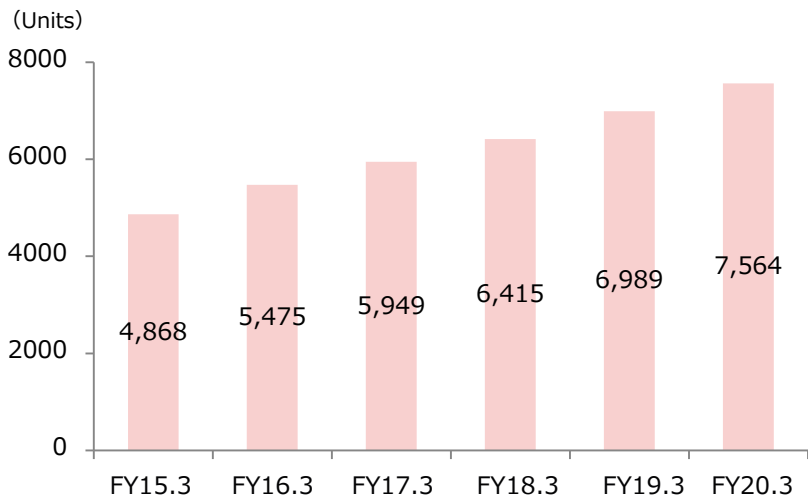
Station building tenant sales



Hotel occupancy rates and average unit prices

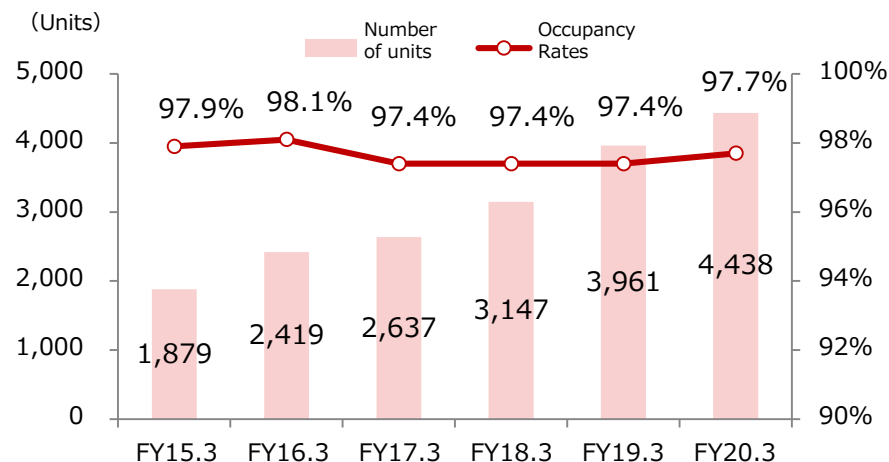


Unit sales of condominiums



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

Rental apartment numbers and 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)

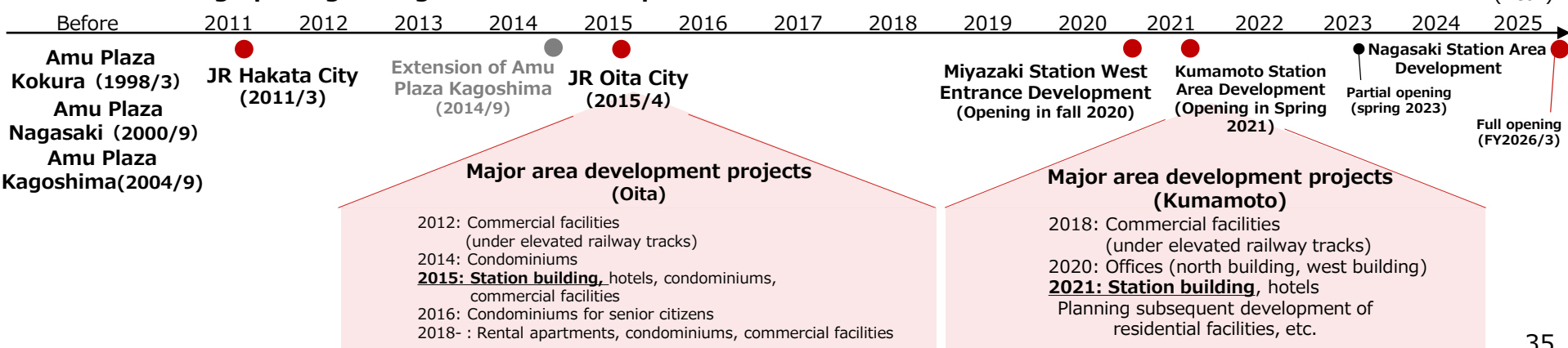
Categories of Growth Investment



	Investment category	Characteristics	Major investments
Within Kyushu	① Station building development	<ul style="list-style-type: none"> Development centered on commercial facilities, using sites owned by the Company Generating synergy effects between the railway business and related businesses 	<ul style="list-style-type: none"> JR Hakata City (Commercial facilities, etc.) JR Oita City (Commercial facilities, etc.) Amu Plaza Kagoshima (Commercial facilities, etc.)
	② Development in areas surrounding station buildings and around railway lines	<ul style="list-style-type: none"> In addition to the use of sites owned by the Company, we will acquire public recruitment/bidding projects and develop a wide range of assets. Generating synergy effects between the railway business and related businesses 	<ul style="list-style-type: none"> Ropponmatsu 421, etc. (Commercial facilities, etc.) JRJP Hakata Building (Offices, etc.) Fukuoka east government building (Offices, etc.)※planned JR Kyushu Hotel Blossom Hakata Chuo (Hotels) Rental/condominium/senior citizen housing
Outside of Kyushu	③ Development outside of Kyushu	<ul style="list-style-type: none"> Acquiring public recruitment/bidding projects and developing a wide range of assets. 	<ul style="list-style-type: none"> Nibancho Center Building (Offices) JR Kyushu Hotel Blossom Shinjuku (Hotels) MJR/RJR Sakaisuji Honmmachi Tower (Condominium/rental)

- In investment category ①, the timing of the opening cannot be controlled due to urban planning, etc.
- Accordingly, we will work to achieve ongoing increases in cash generating capability by continuing to implement investments in categories ② and ③.

【Station building opening timing and area development in Oita and Kumamoto】



Overview of Major Development Pipelines



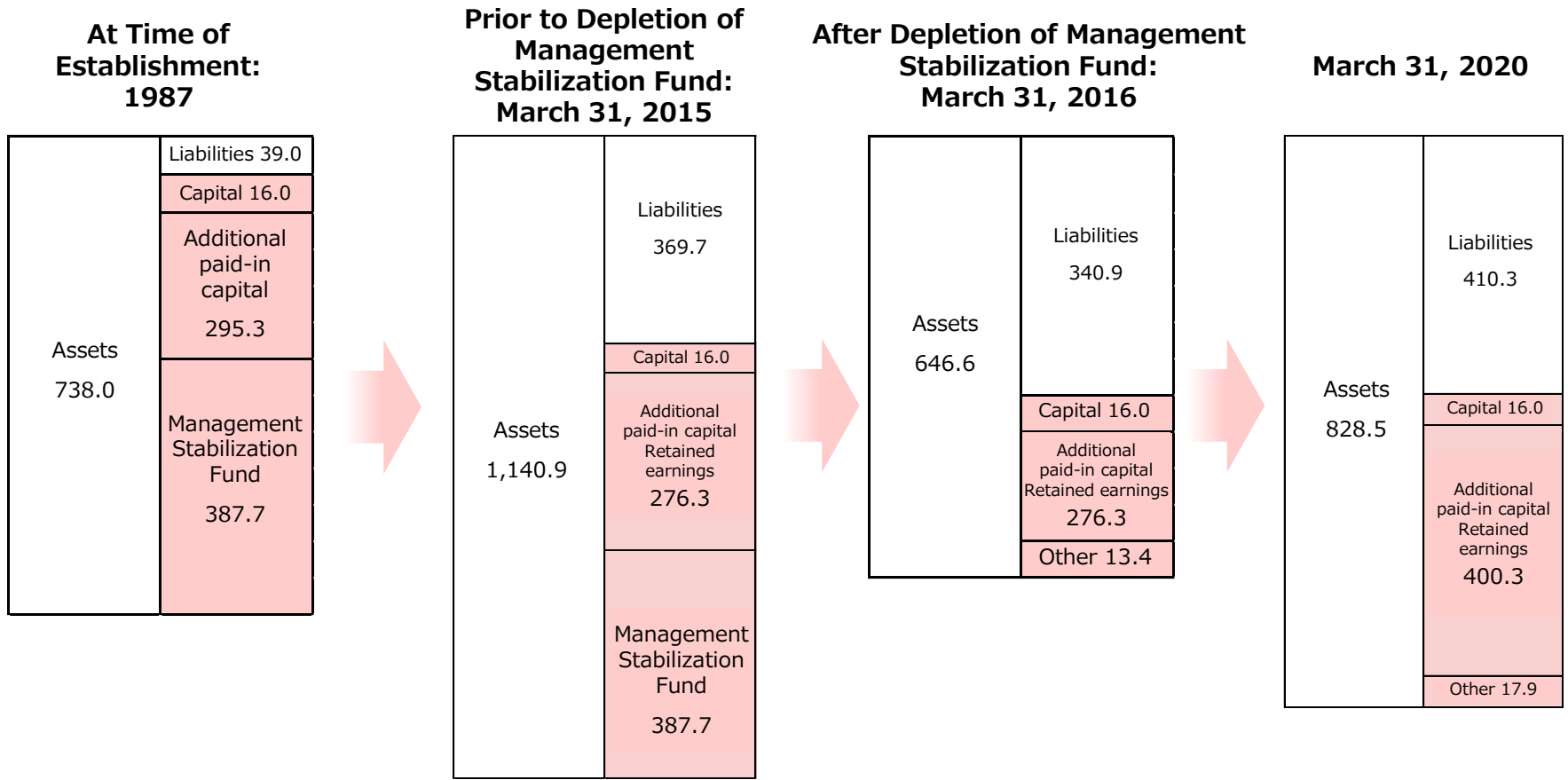
Name	Location	Schedule	Floor space/Lot area Units Rooms	Notes (Uses, etc.)
Miyazaki Station West Entrance Development	Miyazaki City	Scheduled for commencing construction in spring 2019 Scheduled to open in fall 2020	Lot area: Approx. 7,300㎡	Development of commercial areas, office buildings, etc.
Kumamoto Station area development	Kumamoto City	Sta. building: Commenced construction in spring 2019, opening in spring 2021	Lot area: Approx. 70,000㎡ (including area below elevated tracks) Floor space: Approx. 107,000㎡ (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.
Nagasaki City Station area development	Nagasaki City	Scheduled to open under elevated railway tracks in FY2023/3 Scheduled for partial opening of new station building in spring 2023 Scheduled for opening of new station building in FY2026/3	Lot area: Approx. 18,000㎡	Promotion of development in area surrounding station out of consideration for Shinkansen tentative opening Potentially integrated development of commercial areas, hotels, office buildings, etc.
Kagoshima-Chuo Station West Entrance Development	Kagoshima City	Undecided	Undecided	Potentially integrated development of commercial areas, office buildings, residential areas, etc.
RJR Precia Tenjin South	Chuo Ward, Fukuoka City	Scheduled to be completed in April 2020	Floor space: Approx. 15,000㎡	Apartment building (202 units)
SJR Chihaya Garden	Higashi Ward, Fukuoka City	Scheduled to be completed in September 2020	Floor space: Approx. 5,200㎡	88 units
MJR/RJR Sakaisuji Honmachi Tower	Chuo Ward, Osaka City	Scheduled to be completed at end of February 2021	Floor space: Approx. 47,470㎡	296 condominium units 144 apartment units

Note: Schedules are subject to change

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



Changes in Cost Structure

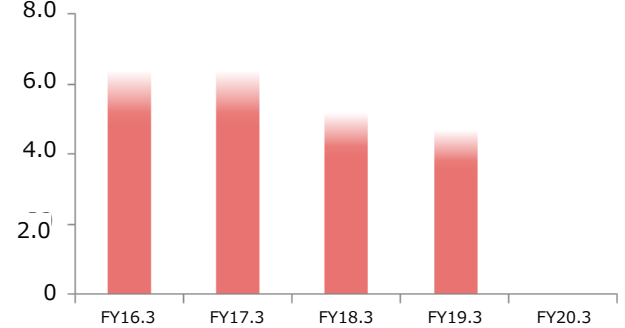


Elimination of Special Tax Measures

- 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)

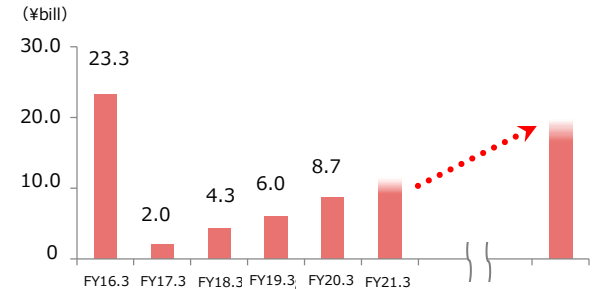
	Details of special tax measure					Affected line items
	Taxation category	Taxation standard				
		Up to FY17.3	FY18.3	FY19.3	FY20.3	
Period extending provisions	Property tax and city planning tax	3/5	Eliminated	Eliminated	Eliminated	Taxes
Tax breaks following privatization of Japanese National Railways	Property tax and city planning tax	1/2	3/5	3/5	Eliminated	<ul style="list-style-type: none"> • JR Kyushu: Taxes • JR TT*: 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)



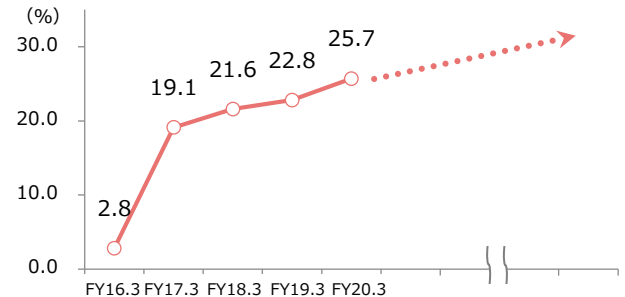
Depreciation Costs of the Railway Business

- 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 FY20.3) 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

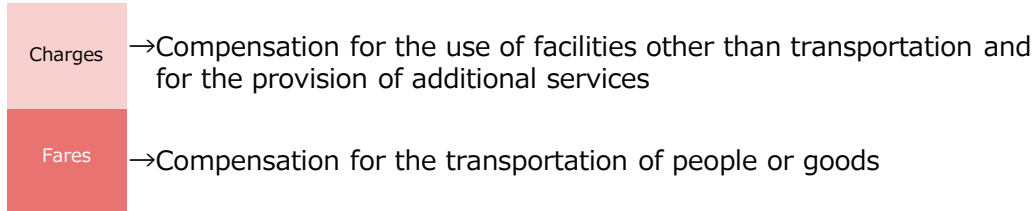


Railway Business

— Outline of Fares/Charges and Measures to Increase Revenues



● Fares/charges



● Procedures for establishing and adjusting fares/charges

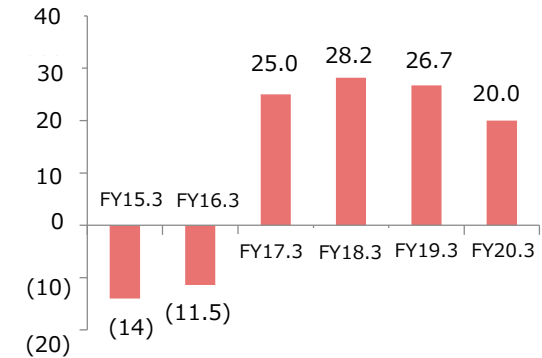
- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting conventional line express charges, etc., can be handled by notification to the Minister of the MLIT.

● Examination standards for upper limit fares/charges

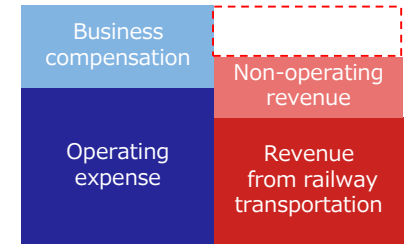
- Prior to giving approval for establishing/adjusting the upper limit on fares, the Minister of the MLIT must confirm that the new upper limit does not exceed "total cost," which is the sum of the proper operating costs if it were to carry out efficient management and the proper profit calculated pursuant to specified methods.

(The Company implemented a substantial fare revision, other than consumption tax revision, in 1996)

(¥bil) Operating income in the railway business



If examination standards are met (illustration)



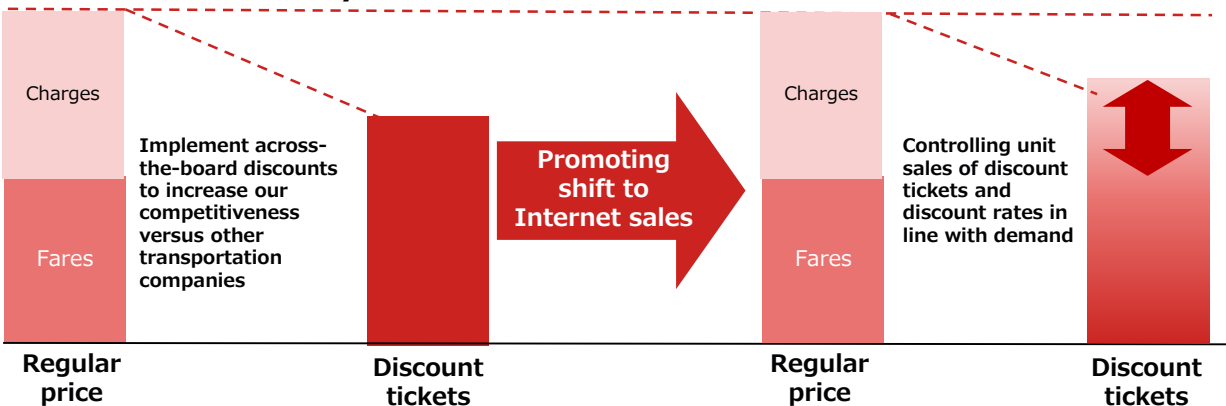
Expense > Revenue

(Reference) MLIT web site

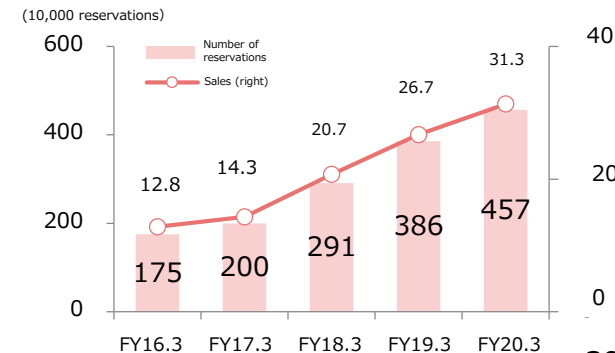
Advancing measures to increase sales using Internet sales

Previously

Current initiatives



Internet train reservation services: Number of reservations, sales



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/