



FY2017/3 Semi-Annual Investors Meeting

November 11, 2016

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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I Financial highlights

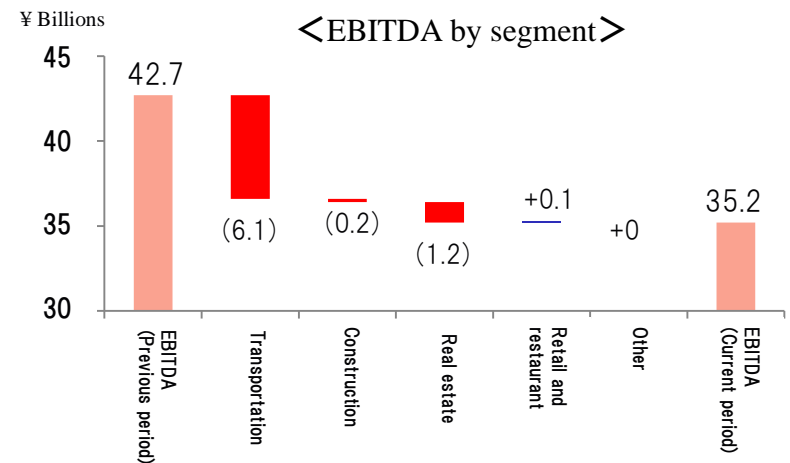
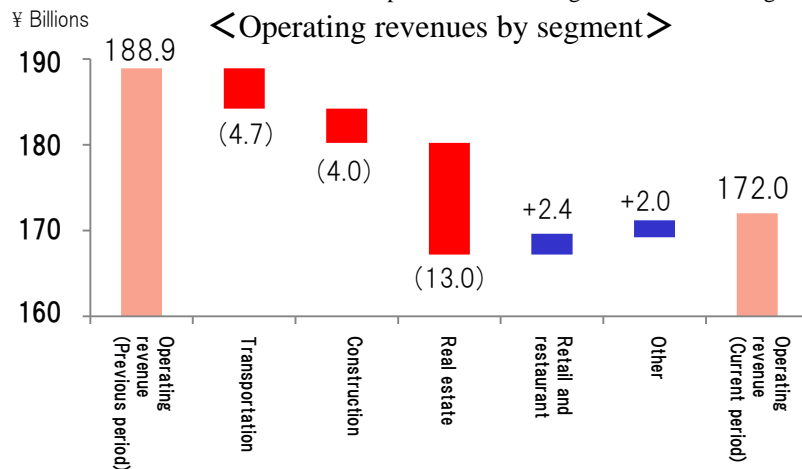
Consolidated Financial highlights for the First Half of FY2017/3 【Year on Year】

- Operating revenue fell due to a decrease in income from railway passenger traffic resulting from the impact of the 2016 Kumamoto earthquakes as well as the decline in sales of apartments.
- Net income attributable to owners of the parent decreased due to the recording of provisions for loss on disaster in response to the 2016 Kumamoto earthquakes.
- EBITDA fell due to a decrease in revenue from railway traffic passengers resulting from the impact of the 2016 Kumamoto earthquakes.

(Billions of yen)

	6 months ended Sep 30, 2015	6 months ended Sep 30, 2016	YoY	
Operating revenues	188.9	172.0	(16.8)	91.1%
Operating income	16.2	28.3	12.0	174.3%
Ordinary income	24.6	29.4	4.8	119.8%
Net income attributable to owners of the parent	21.2	19.9	(1.3)	93.8%
EBITDA	42.7	35.2	(7.5)	82.5%

Note: EBITDA for the current period = operating income + cost of depreciation, EBITDA for the previous period = operating income + cost of depreciation + earnings from use of management support funds



II Financial results for the first half of FY2017/3

Consolidated Income Statements



(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	188.9	172.0	(16.8)	91.1%	Decrease in revenue from apartment sales (14.3) Decrease in revenue from railway passenger traffic (3.6)
Operating expenses	172.7	143.7	(28.9)	83.2%	Decrease in apartment selling costs (11.5) Decrease in depreciation cost (JR Kyushu) (11.1)
Operating income	16.2	28.3	12.0	174.3%	-
Nonoperating income and expenses	8.3	1.1	(7.2)	13.9%	Decrease in earnings from use of the Management Stabilization Fund (8.3)
Ordinary income	24.6	29.4	4.8	119.8%	-
Extraordinary gains and losses	7.2	(5.2)	(12.4)	-	Decrease in gain on sales of the Management Stabilization Fund assets (7.3) Increase in disaster expenses due to the 2016 Kumamoto earthquakes (8.9)
Net income attributable to owners of the parent	21.2	19.9	(1.3)	93.8%	-
EBITDA	42.7	35.2	(7.5)	82.5%	Decrease in revenue from railway passenger traffic (3.6)

Note 1: Figures prior to the second quarter of FY 2016/3 have not been reviewed by an auditing corporation.

Note 2: EBITDA for the current period = operating income + depreciation cost, EBITDA for the previous period = operating income + depreciation cost + earnings from use of the Management Stabilization Funds

The same applies hereafter.

Segment Information (Summary)



(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase / (decrease) B-A	% B/A
Operating revenues	188.9	172.0	(16.8)	91.1%
Transportation	88.7	83.9	(4.7)	94.6%
Construction	28.8	24.7	(4.0)	86.1%
Real Estate	37.6	24.6	(13.0)	65.3%
Real Estate Lease	21.5	22.8	1.2	106.0%
Real Estate Sale	16.0	1.7	(14.3)	10.8%
Retail and Restaurant	47.5	50.0	2.4	105.2%
Other	27.0	29.0	2.0	107.5%
EBITDA	42.7	35.2	(7.5)	82.5%
Transportation	22.5	16.4	(6.1)	72.9%
Construction	1.0	0.8	(0.2)	78.8%
Real Estate	15.8	14.6	(1.2)	92.1%
Retail and Restaurant	2.4	2.5	0.1	104.8%
Other	1.3	1.4	0.0	103.3%

Note: Figures by segment are prior to eliminating intersegment transactions.
The same applies hereafter.

Segment Information ①



◆ Transportation Segment

(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	88.7	83.9	(4.7)	94.6%
Operating income	1.3	15.2	13.9	-
EBITDA	22.5	16.4	(6.1)	72.9%

◆ Construction Segment

(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	28.8	24.7	(4.0)	86.1%
Operating income	0.6	0.4	(0.2)	62.7%
EBITDA	1.0	0.8	(0.2)	78.8%

Segment Information ②



◆ Real Estate Segment

(Billions of yen)

	6 months ended Sep 30, 2015	6 months ended Sep 30, 2016	YoY	
			Increase/ (decrease)	%
	A	B	B-A	B/A
Operating revenues	37.6	24.6	(13.0)	65.3%
Real Estate Lease	21.5	22.8	1.2	106.0%
Real Estate Sale	16.0	1.7	(14.3)	10.8%
Operating income	11.9	10.3	(1.5)	87.3%
EBITDA	15.8	14.6	(1.2)	92.1%

Segment Information ③



◆ Retail and Restaurant Segment

(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	47.5	50.0	2.4	105.2%
Operating income	1.6	1.6	0.0	101.5%
EBITDA	2.4	2.5	0.1	104.8%

◆ Other Segments

(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	27.0	29.0	2.0	107.5%
Operating income	0.9	1.0	0.1	111.1%
EBITDA	1.3	1.4	0.0	103.3%

Financial Position and Status of Cash Flows (consolidated)



(Billions of yen)

Financial Position	As of March 31,2016 A	As of Sep 30,2016 B	Increase/ (decrease) B-A
Assets	646.6	635.4	(11.2)
Liabilities	340.9	312.0	(28.8)
Net assets	305.7	323.3	17.6
Equity ratio	46.4%	50.1%	3.6%
Net assets per share (¥)	1,876.72	1,988.97	112.25

(Billions of yen)

Status of Cash Flows	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	Increase/ (decrease) B-A
Cash flows from operating activities	40.1	9.9	(30.1)
Cash flows from investing activities	(31.2)	(41.7)	(10.4)
Free cash flows	8.8	(31.8)	(40.6)
Cash flows from financing activities	21.8	0.2	(21.5)
Change in cash and cash equivalents	30.6	(31.5)	(62.1)
Cash and cash equivalents at the end of the period	42.8	13.1	(29.7)

Nonconsolidated Income Statements



(Billions of yen)

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	110.4	93.2	(17.2)	84.4%	Decrease in revenue from apartment sales (14.3) Decrease in revenue from railway passenger traffic (3.6)
(Revenue from railway passenger travel)	74.8	71.1	(3.6)	95.1%	Impact of the 2016 Kumamoto earthquakes, etc. (3.6)
Operating expenses	100.0	70.2	(29.8)	70.2%	Decrease in apartment selling costs (11.5) Decrease in depreciation cost (11.1)
Operating income	10.3	22.9	12.6	222.3%	—
Nonoperating income and expenses	9.9	3.2	(6.6)	32.5%	Decrease in earnings from use of the Management Stabilization Fund (8.3)
Ordinary income	20.2	26.2	5.9	129.4%	—
Extraordinary gains and losses	7.4	(5.1)	(12.5)	-	Decrease in gain on sales of the Management Stabilization Fund assets (7.3) Increase in disaster expenses due to the 2016 Kumamoto earthquakes (8.9)
Net income	19.1	18.5	(0.5)	97.1%	—

Nonconsolidated Income Statements 【Reprint】



(Billions of yen)

		6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
				Increase/ (decrease) B-A	% B/A
Railway business	Operating revenues	82.9	78.6	(4.2)	94.8%
	Operating expenses	82.1	63.5	(18.5)	77.4%
	Operating income	0.7	15.0	14.2	—
Related businesses	Operating revenues	27.5	14.5	(12.9)	53.0%
	Operating expenses	17.9	6.6	(11.3)	37.1%
	Operating income	9.5	7.9	(1.6)	83.0%

Income from Railway Passenger Traffic and Performance of Transportation Volume



(Billions of yen)

Transportation Revenue	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	74.8	71.1	(3.6)	95.1%
Shinkansen	25.8	23.7	(2.0)	92.0%
Commuter pass	1.3	1.3	0	101.6%
Noncommuter pass	24.4	22.4	(2.0)	91.5%
Conventional Lines	49.0	47.4	(1.6)	96.7%
Commuter pass	15.1	15.0	0	99.6%
Noncommuter pass	33.8	32.3	(1.5)	95.4%

(Millions of passenger-kilometers)

Passenger-Kilometers	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	4,771	4,625	(146)	96.9%
Shinkansen	967	886	(80)	91.6%
Commuter pass	100	102	1	101.1%
Noncommuter pass	866	784	(82)	90.5%
Conventional Lines	3,804	3,738	(65)	98.3%
Commuter pass	2,110	2,107	(3)	99.9%
Noncommuter pass	1,693	1,631	(62)	96.3%

III Forecasts for FY2017/3

Consolidated Financial Forecasts



(Billions of yen)

	Results FY2016/3 A	Forecasts FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	377.9	378.8	0.8	100.2%
Operating income	20.8	51.8	30.9	247.9%
Ordinary income	32.0	53.5	21.4	167.0%
Net income attributable to owners of the parent	(433.0)	38.2	471.2	—
Net income per share (¥)	(2706.81)	238.75	—	—
EBITDA	69.1	67.0	(2.1)	96.8%

Consolidated Financial Forecasts 【By segment】

(Billions of yen)

	Results FY2016/3 A	Forecasts FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	377.9	378.8	0.8	100.2%
Transportation	180.9	173.6	(7.3)	95.9%
Construction	88.4	80.8	(7.6)	91.4%
Real Estate	62.0	64.3	2.2	103.7%
Retail and Restaurant	96.2	98.3	2.0	102.2%
Other	58.1	58.6	0.4	100.9%
Operating income	20.8	51.8	30.9	247.9%
Transportation	(10.5)	23.0	33.5	—
Construction	6.1	3.7	(2.4)	60.6%
Real Estate	20.4	21.1	0.6	103.2%
Retail and Restaurant	3.4	3.0	(0.4)	88.2%
Other	2.4	1.7	(0.7)	68.0%
EBITDA	69.1	67.0	(2.1)	96.8%
Transportation	27.0	26.2	(0.8)	97.0%
Construction	6.8	4.3	(2.5)	62.4%
Real Estate	28.4	29.7	1.2	104.5%
Retail and Restaurant	4.9	4.6	(0.3)	93.5%
Other	3.3	2.5	(0.8)	73.7%

Nonconsolidated Financial Forecasts



(Billions of yen)

	Results FY2016/3 A	Forecasts FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	211.1	208.6	(2.5)	98.8%
(Revenue from railway passenger travel)	150.1	143.5	(6.6)	95.6%
Operating expenses	205.6	168.2	(37.4)	81.8%
Operating income	5.4	40.4	34.9	746.9%
Nonoperating income and expenses	12.8	4.0	(8.8)	31.1%
Ordinary income	18.2	44.4	26.1	242.8%
Extraordinary gains and losses	(481.9)	(5.3)	476.6	—
Net income	(444.4)	34.3	478.7	—

Nonconsolidated Financial Forecasts 【Reprint】



(Billions of yen)

		Results FY2016/3 A	Forecasts FY2017/3 B	YoY	
				Increase/ (decrease) B-A	% B/A
Railway business	Operating revenues	169.1	162.3	(6.8)	95.9%
	Operating expenses	180.7	139.7	(41.0)	77.3%
	Operating income	(11.5)	22.6	34.1	—
Related businesses	Operating revenues	41.9	46.3	4.3	110.5%
	Operating expenses	24.9	28.5	3.5	114.2%
	Operating income	16.9	17.8	0.8	105.0%

IV Medium-Term Business Plan and Status of Progress

Position of the Medium-Term Business Plan 2016–2018



Aiming to be a kind and robust corporate group involved in comprehensive city-building

- Actively promoting city-building through strong railway construction and diverse businesses and further solidifying business foundations in Kyushu
- Steadily moving forward with preparations for developing the areas surrounding Kumamoto and Nagasaki Stations, with a focus on invigorating the Kyushu area
- Examining ways to earnestly take on the challenge of invigorating Japan and Asia

Tsukuru 2016 (2012–2016)

Realizing the listing of our stocks

Prepare for all the terms and conditions regarding the listing of our stocks while building a management foundation suitable for a listed company.

<FY2016/3 Consolidated
Operating Revenue>

¥377.9 billion

Medium-Term Business Plan 2016–2018 (2016–2018)

A corporate group involved in comprehensive city- building

Further accelerate the creation of a strong management foundation that enables long-term, continuous business activities that contribute to local development

<FY 2019/3 Consolidated
Operating Revenues>

¥400 billion

Future

- Open the West Kyushu Route of the Kyushu Shinkansen
- Develop the areas surrounding Kumamoto and Nagasaki Stations
- Participate further in city-building outside of city centers and urban areas
- Establish businesses outside the Kyushu area

<Target 10-Year Consolidated
Operating Revenue>

¥500 billion

Target Management Indicators

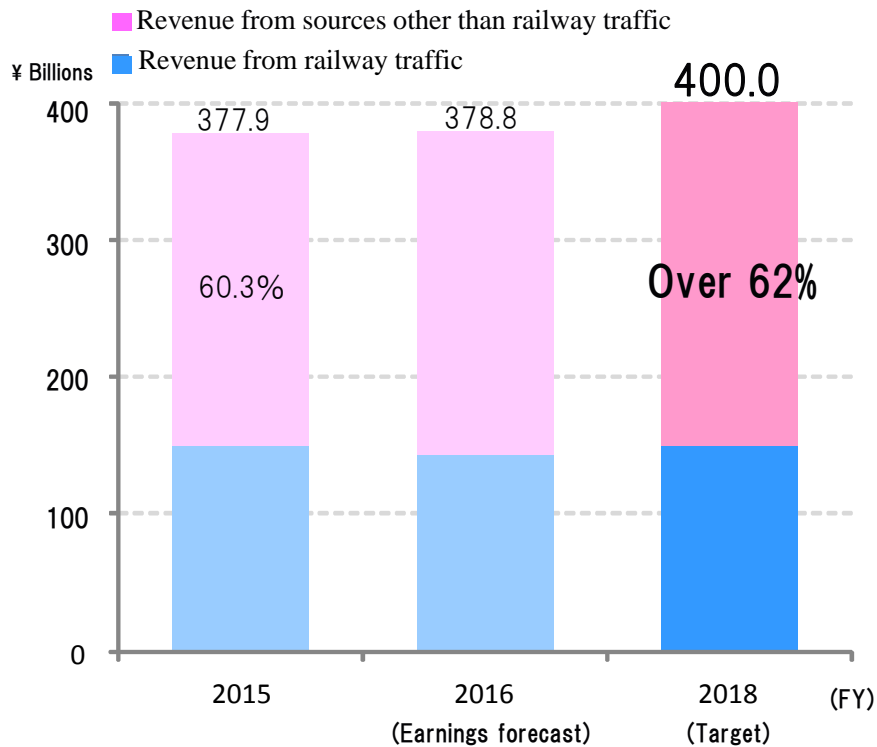


Target Indicators (FY 2019/3)

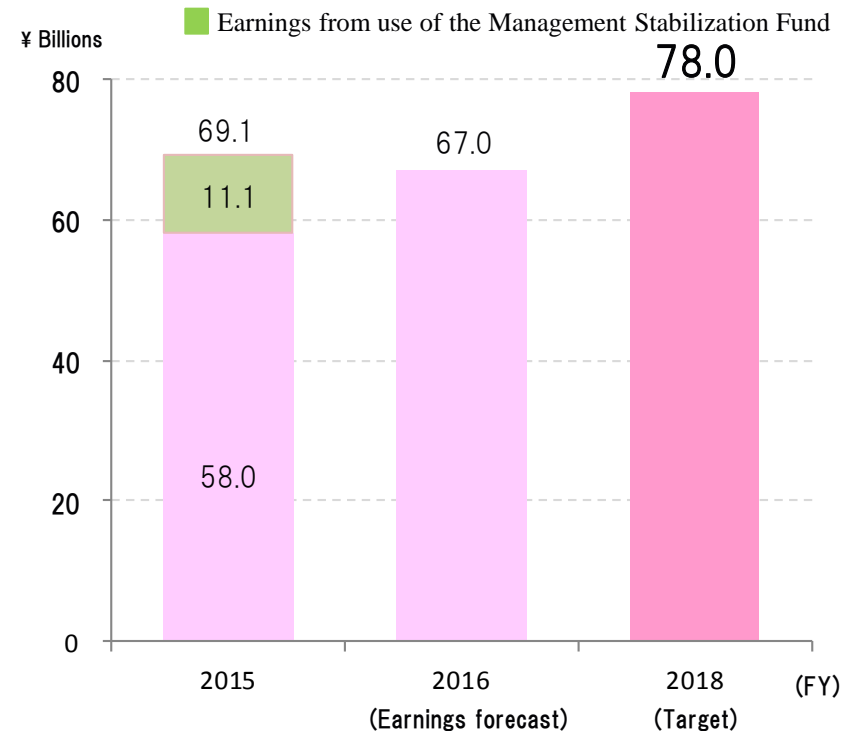
● Operating revenues ¥400 billion ● EBITDA ¥78 billion

Income from sources other than railway traffic revenues account for over 62% of total operating revenues.

< Operating revenues >



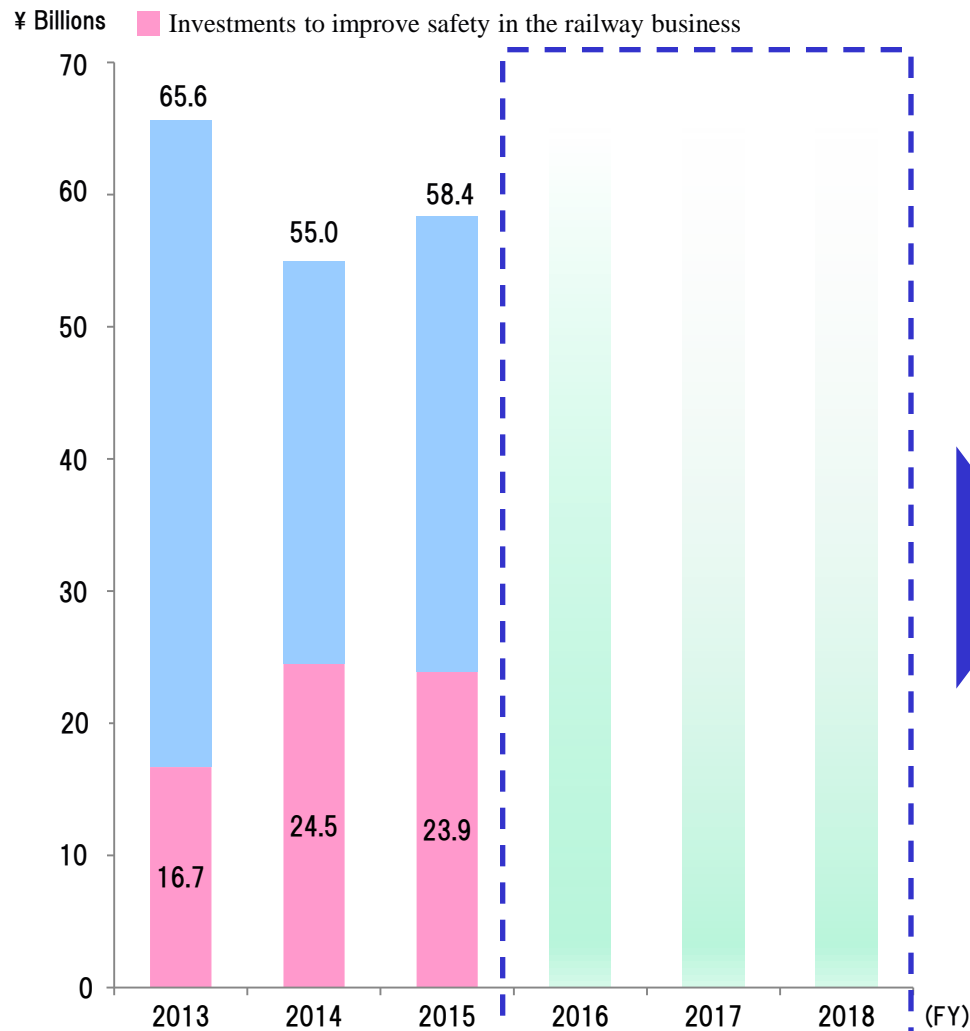
< EBITDA >



Capital Investment Amounts



<Capital Investment Amounts>



* Past results are presented on a non-consolidated basis

[Reference] Consolidated Capital Investment Amounts

¥190 billion
(FY 2017/3–2019/3 totals)

(Main details)

- Investments to improve safety in the railway business **¥65 billion**
- Growth investments **¥80 billion**



◆ Dividend Policy

Until FY 2019/3, we will aim for stable dividends per share with a consolidated payout ratio of approximately 30% as the standard guideline.

Note: Taking into account the fact that the period between the Company's public listing and the year-end dividend record date is less than six months, the Company intends to decide on the fiscal 2017 year-end dividend amount based on a consolidated payout ratio of approximately 15%.

◆ Annual dividend amount per share

FY 2017/3 (forecast): ¥37.50

Note: Number of shares: 160 million

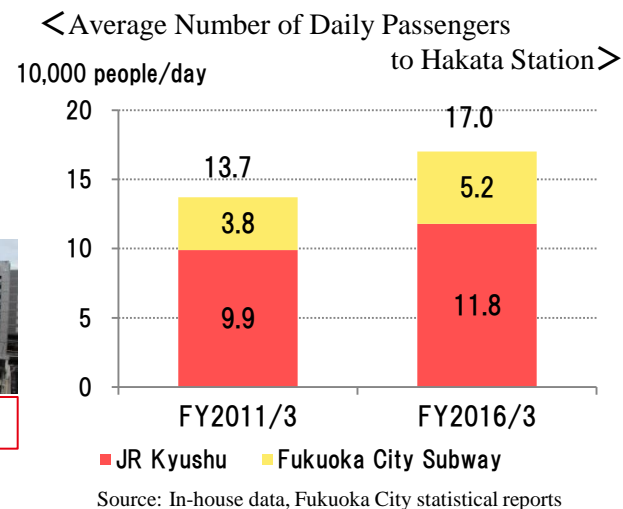
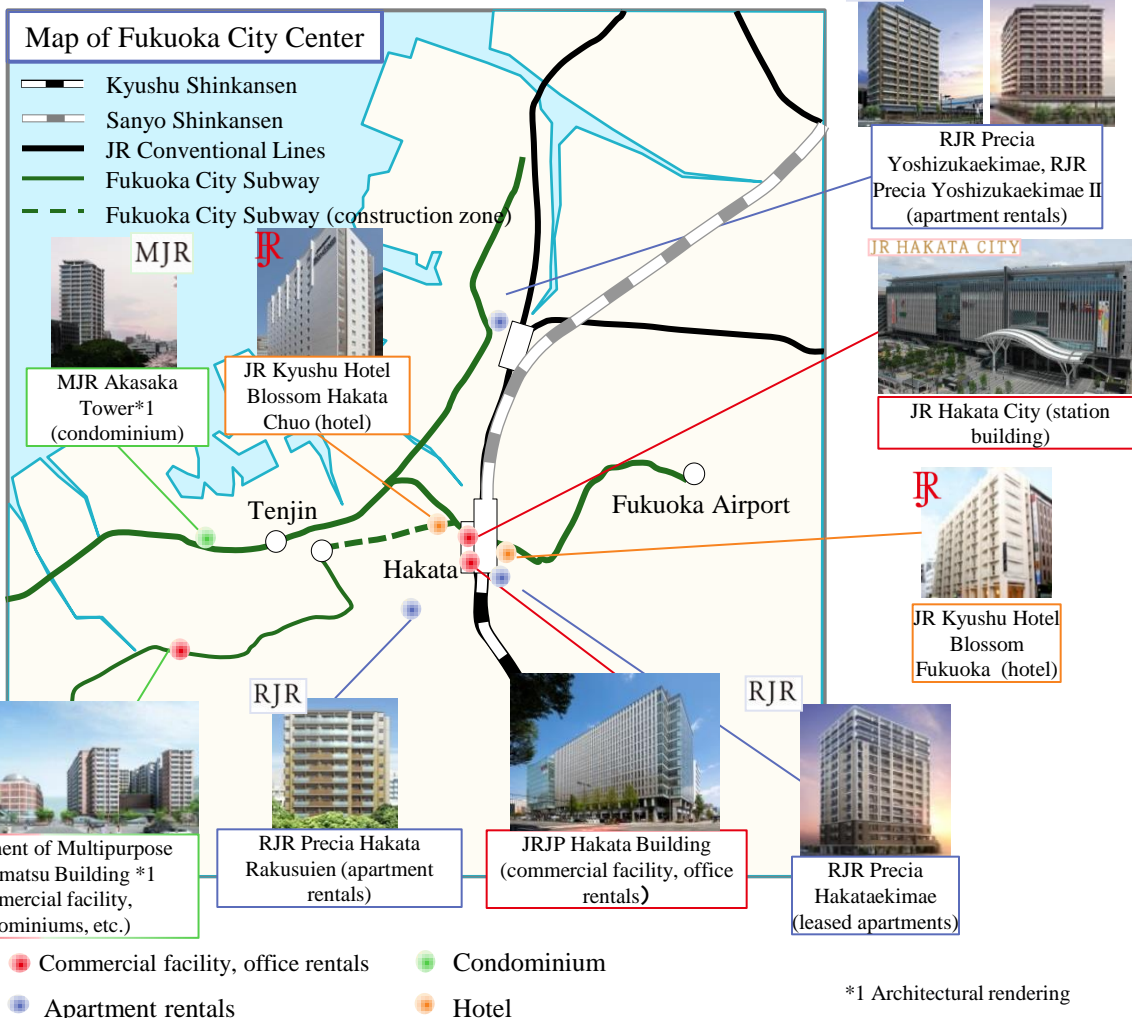
V Individual business initiatives

Creating Synergies Between Businesses through City-Building



- Development of versatile businesses that leverages the “security and trust” and “customer attraction” the railway business has established
- Contribution of city-building to increased ridership and short-distance transportation

<Examples from Fukuoka>



<Short-Distance Transportation Results (FY 2016/3)>

Fukuoka area

+5.0% YoY

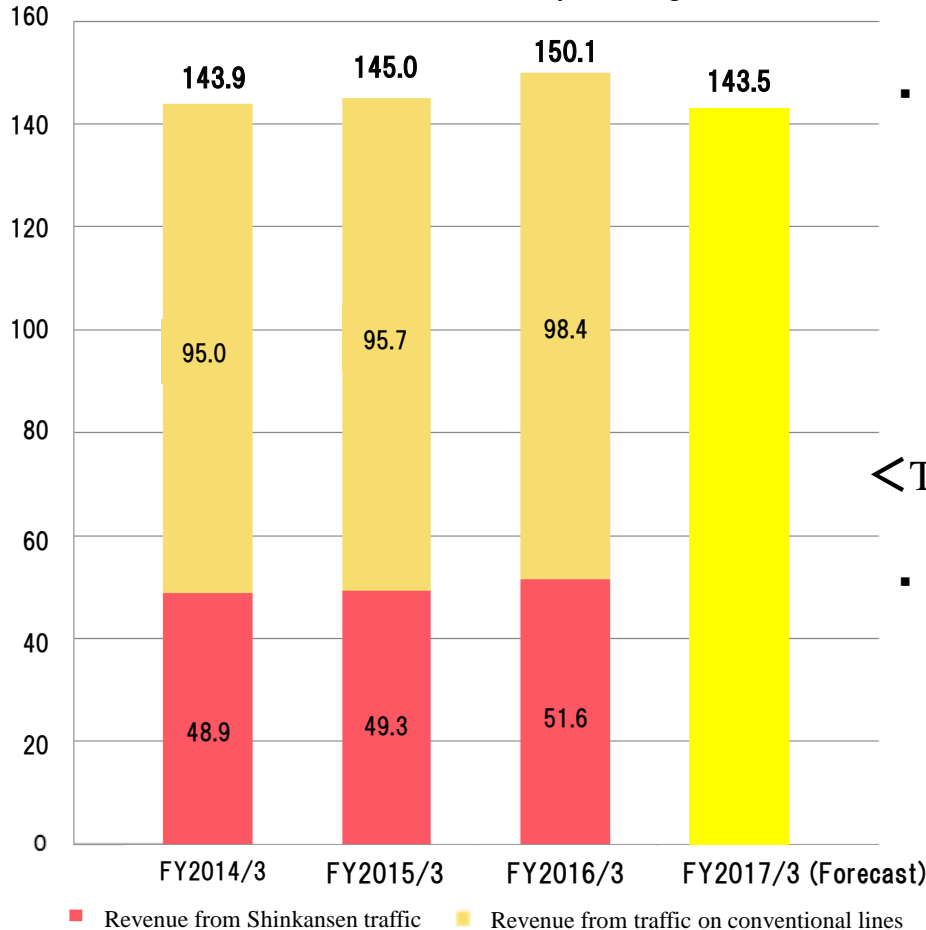
Source: In-house data

Initiatives in the Railway Business ①



- Work together with local communities to make areas surrounding train tracks more attractive, with the Kyushu Shinkansen and “Design & Story” trains as key to these efforts
- Aim to take on the challenge of producing technological innovations and establish an efficient structure for business operations while implementing policy aimed at promoting railway use

¥ Billions <Trends in Revenue from Railway Passenger Traffic>



<Initiatives to Make Areas Surrounding Train Tracks More Attractive>

- KAGOSHIMA by ROLA Campaign

Communicating the new charm of Kagoshima through SNS and other means from April of this year



<Technological Innovation and Cost Reduction Initiatives>

- Introduction of dual energy charge trains

Put into operation in October of this year (from Wakamatsu Station to Orio Station)



Note: The forecast for FY 2017/3 is based on the sum of both Shinkansen and conventional lines.

Initiatives in the Railway Business ②



- **Further increase train usage and bolster profitability by encouraging the use of the “JR Kyushu Internet Reservation Service” and actively promoting policies focused on inbound demand**

<Internet Strategy>

- **Cooperation between internet reservation and transfer search engines**

Enabled Kyushu Shinkansen ticket purchase from search results in April of this year

- **Addition of products only available through internet reservations**

Set up new products for Hakata to Miyazaki and Kumamoto/Kagoshima to Kansai in July of this year

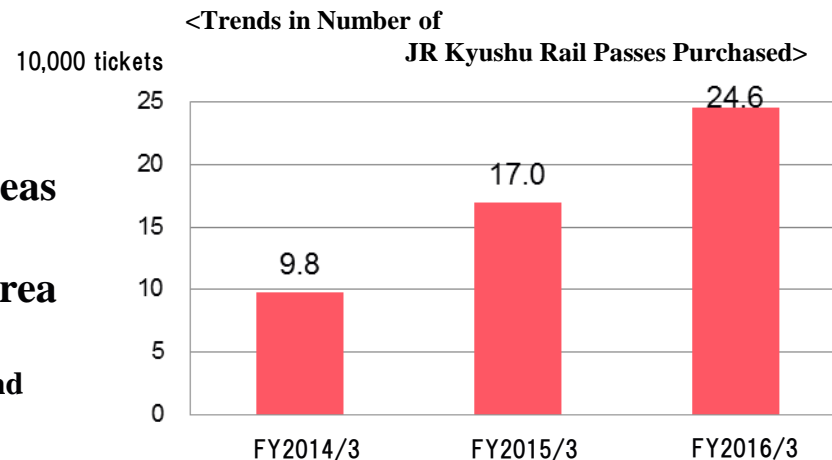
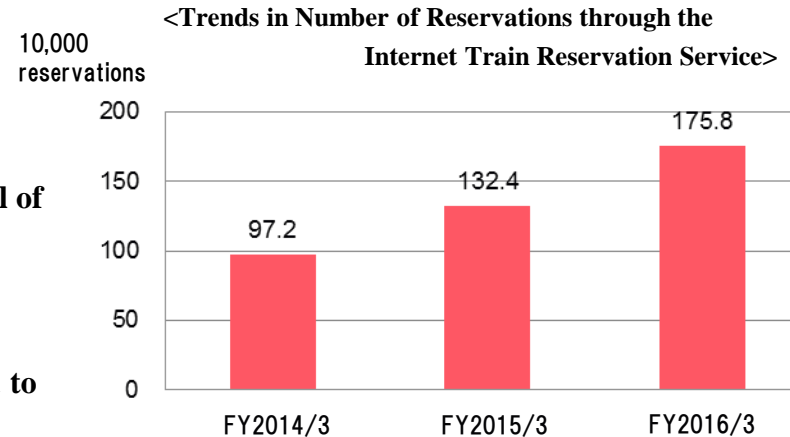
- **Promotion of internet reservation product usage**

Implemented the lowering of internet reservation product prices while raising the prices of over-the-counter products in July of this year

<Inbound Demand Initiatives>

- **Market expansion through cooperation with overseas travel agencies and airlines**
- **Implementation of sales of the Minami Kyushu Area Pass**

Set up a product for unlimited travel in the Kumamoto, Kagoshima, and Miyazaki areas in April of this year.



Initiatives in the Station Building Business



- Carry out attractive and lively city-building centered on train stations and rooted in local communities
- Maximize synergistic effects with the railway business with the aim of improving the value of our station and station buildings

<Initiatives for improving our ability to attract customers>

- Hold events at station plazas, etc.

Example: Hakata Farmers' Market

(planned to be held seven times during FY 2017/3)

- Implement renovations in such ways as changing tenants

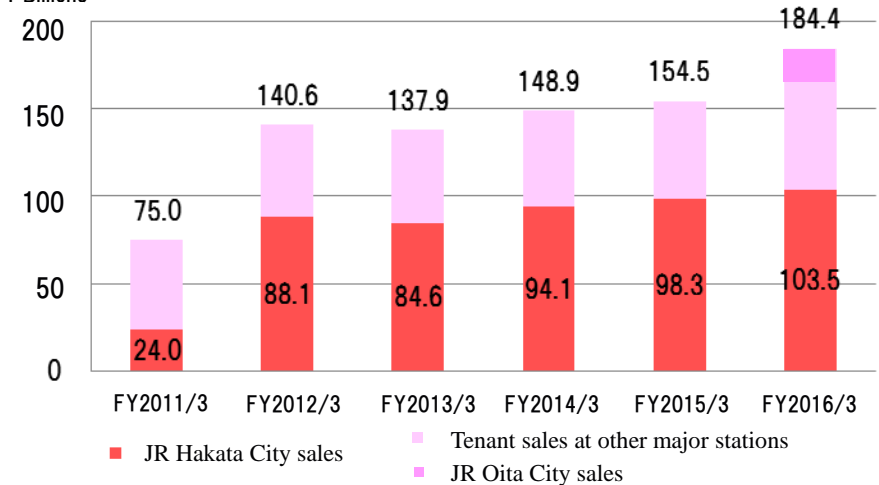
Example: JR Hakata City (27 stores in March 2016;
three stores in April 2017)

- Opening of the JRJP Hakata Building

<Overview>

Opening day	April 27, 2016
Location	8-1 Hakataekichuogai, Hakata Ward, Fukuoka, Fukuoka Prefecture 812-0012
Access	One minute walk from Hakata Station
Main purposes	Offices, stores, parking lots
Number of floors	Aboveground: 12 Underground: 3 Rooftop structure: 1
Lot area	3,354 m ²
Floor area	Approx. 44,000 m ²
Total leased space	Offices: Approx. 24,000 m ² Stores: Approx. 2,800 m ² *including Japan Post Office and Japan Post Bank
Building composition	Floors 3–12: Offices Underground floors 1–2: Stores

¥ Billions <Performance of Tenant Sales at Major Station Buildings>



*Major station buildings: AMU PLAZA Kokura, AMU PLAZA Nagasaki, AMU PLAZA Kagoshima, JR Hakata City, JR Oita City



Initiatives in the Apartment Business

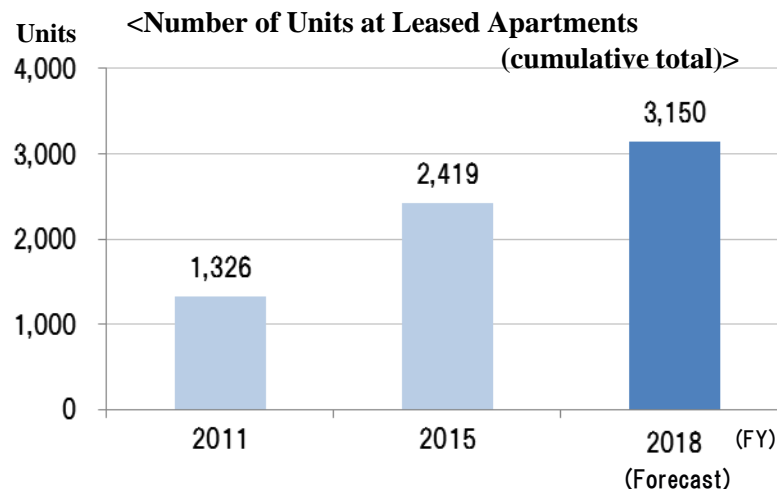


◆ Leased Apartments

We aim to secure stable profits by promoting the development of new properties.

<New properties>

Month move-ins commenced	Property names	Total number of units
February 2016	RJR Precia Hakata Ekimae	208
February 2016	RJR Precia Korimoto	164
March 2016	RJR Precia Hakata Rakusuien	78
March 2016	RJR Precia Chihaya	90
February 2017 (scheduled)	RJR Precia Hakata	218



◆ Condominiums

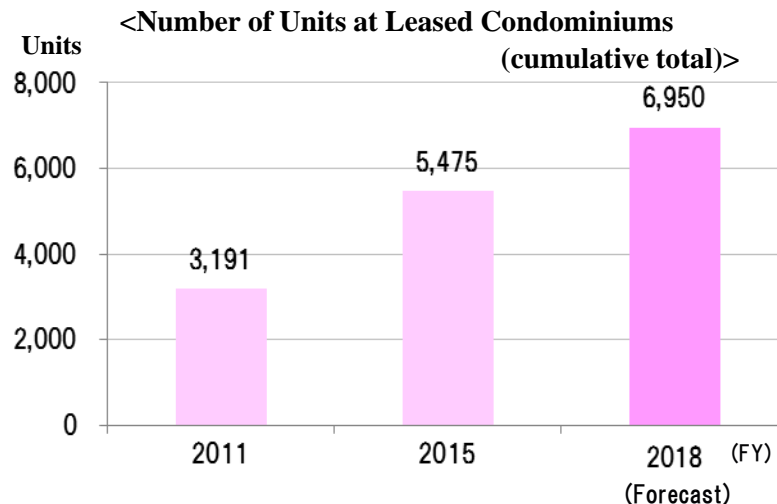
We will actively develop businesses and expand our market share within Kyushu.

<New properties>

Month of transfer	Property name	Total number of units
April 2016	MJR Usuki Park Side	93
July 2016	MJR Kamihonmachi	38
March 2017 (scheduled)	MJR Toso	91
March 2017 (or after)	MJR Ropponmatsu	351

*The transfer of MJR Usuki Park side is split between the previous fiscal year and the current fiscal year.

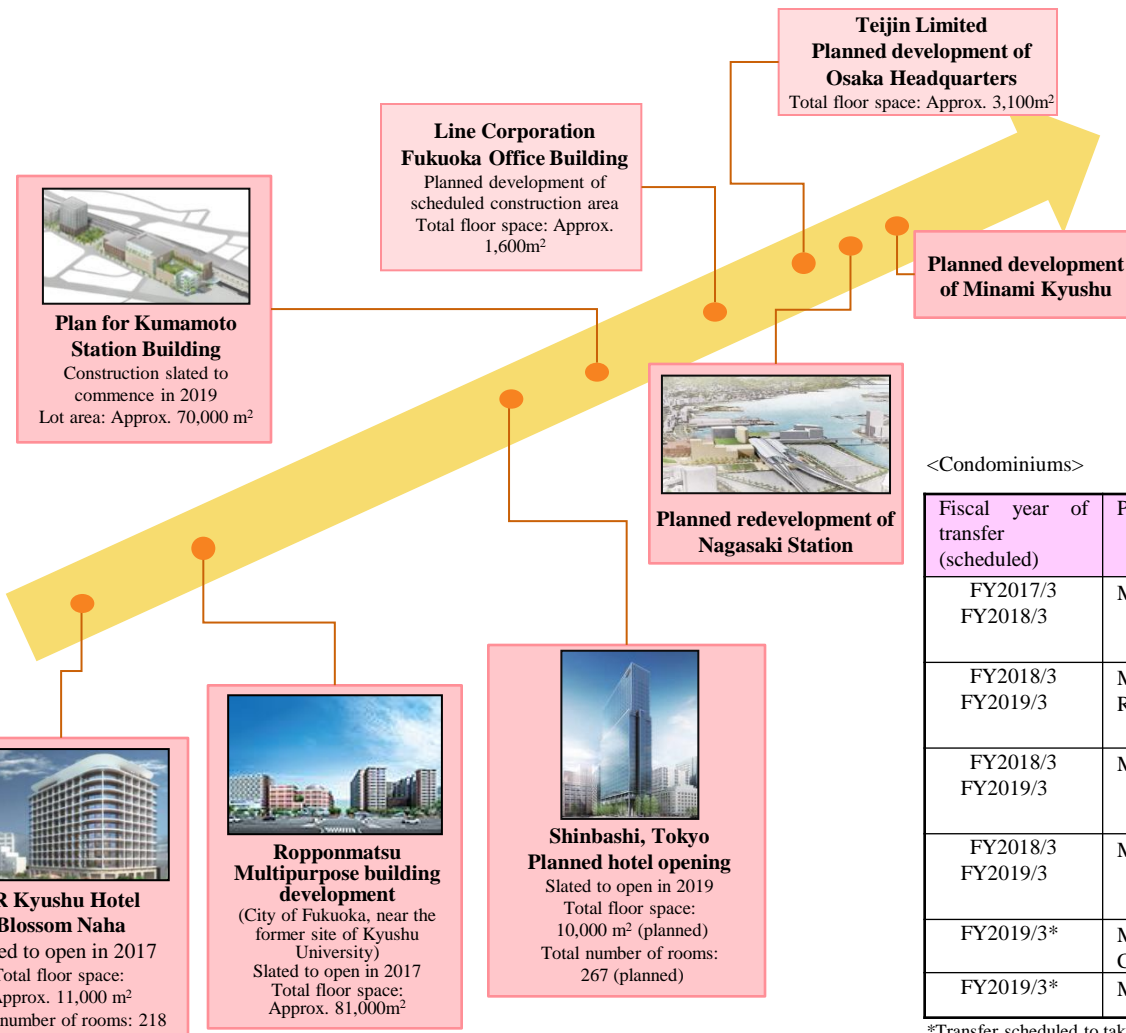
*The transfer of MJR Ropponmatsu is split between the current fiscal year and the following fiscal year.



Pipeline Going Forward



- Continue to strengthen profitability through large-scale developments
- Without being limited to areas surrounding train stations, actively pursue development in urban areas as a “city-building” company
- Promote expansion outside of the Kyushu area, including Tokyo and Okinawa



<Leased Apartments>

Period for construction completion (scheduled)	Property name (provisional)	Location	Number of units
FY2018/3	RJR Oita Ekimae II	Oita City	130
FY2018/3	RJR ChiyoKenchoguchi	Hakata Ward, Fukuoka City	132
FY2019/3	RJR Shibaura	Minato Ward, Tokyo	234
FY2019/3	RJR Korimoto II	Kagoshima City	152

<Condominiums>

Fiscal year of transfer (scheduled)	Property name (provisional)	Location	Number of units
FY2017/3 FY2018/3	MJR Ropponmatsu	Chuo Ward, Fukuoka City	351
FY2018/3 FY2019/3	MJR Kyudai-Gakkentoshi Residence	Nishi Ward, Fukuoka City	161
FY2018/3 FY2019/3	MJR The Garden Oe	Chuo Ward, Kumamoto City	195
FY2018/3 FY2019/3	MJR Akasaka Tower	Chuo Ward, Fukuoka City	172
FY2019/3*	MJR The Garden Kagoshima-Chuo	Uearata-Cho, Kagoshima City	472
FY2019/3*	MJR Kuhonji Terrace	Chuo Ward, Kumamoto City	64

*Transfer scheduled to take place after FY 2020/3

VI The 2016 Kumamoto earthquakes

The 2016 Kumamoto earthquakes (April, 2016)



◆ Major Damage from the 2016 Kumamoto Earthquakes and Status of Recovery

• Kyushu Shinkansen

Derailment of out-of-service trains between Kumamoto Station and Kumamoto General Rolling Stock Center
⇒ Restart of operations for all lines on April 27, commencement of operations with the regular number of trains as of July 4

• Conventional Trains

Slope failures (between Tateno Station and Akamizu Station), sediment in-flow, falling rocks, land deformation, etc. on the Hohi Main Line between Higo-Ozu Station and Bungo-Ogi Station, resulting in the stoppage of operations

⇒ Resumption of operations of the Hohi Main Line at Aso Station as well as between Miyaji Station and Bungo-Ogi Station

Suspension of operations between Higo-Ozu Station and Aso Station (as of November 2016)

• Retail and Restaurant

Closing of approximately 30 stores in the Kumamoto Area

⇒ Reopening of all stores

<Impact of Quakes on Business Performance in FY 2017/3>

The following impact has been reflected into the business performance forecast for FY 2017/3

- **Approx. ¥9.0 billion decrease in revenue on a consolidated basis**
(¥6.0 billion decrease in revenues from railway traffic)

- **Approx. ¥8.5 billion in damages on a consolidated basis**
(¥8.0 billion in damages in the railway business)

*Capital investments for recovery efforts not included

⇒ Transportation revenue

12.8% decrease compared to April of the previous fiscal year; 4.2% decrease compared to the second quarter of the previous fiscal year

<Train derailment>



<Washout of train line between Tateno Station and Akamizu Station due to sediment in-flow>



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 can 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.

These materials can be viewed on our corporate website.
http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/