



FY2017/3 Semi-Annual Investors Meeting

November 11, 2016
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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- Thank you very much, everyone, for taking time out of your busy schedules to be here today. I am Maeda, a managing director at JR Kyushu Railway Company.
- Allow me to explain the points I will be covering in regard to the financial results of the second quarter of FY 2017/3 and the earnings forecast for the full year, which were both disclosed yesterday.

I Financial highlights

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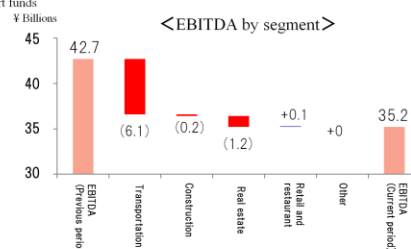
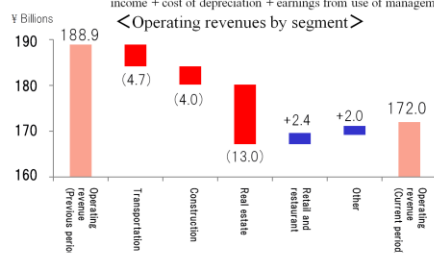
- First, I will provide an explanation of the consolidated performance highlights for the second quarter

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.

	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



- Due to decreases in revenue from railway passenger traffic and apartment sales (¥3.6 billion and ¥14.3 billion, respectively) brought on by such influences as the 2016 Kumamoto earthquakes, operating income fell by ¥16.8 billion year on year.
- Due to such influences as the 2016 Kumamoto earthquakes, revenue from railway passenger traffic and other sources fell, leading to a ¥7.5 billion year-on-year decrease in EBITDA.
- Further, operating income and ordinary income reached a record high due to an increase in profits from such factors as the decrease of depreciation caused by impairment of fixed assets in the railway business at the end of the previous fiscal year.
- Quarterly net income attributable to owners of the parent decreased ¥1.3 billion year on year due to the recording of provision for loss on disaster related to the 2016 Kumamoto earthquakes as an extraordinary loss.

II Financial results for the first half of FY2017/3

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- Next, I will talk about the financial results of the second quarter

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.

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- I will start with an explanation of our consolidated performance
- As previously explained
 - Operating revenues decreased (¥16.8 billion, or 91.1% , year on year)
 - Operating income increased (¥12.0 billion, or 174.3%, year on year)
 - Ordinary income was up (¥4.8 billion, or 119.8%, year on year)
 - Net income attributable to owners of the parent was down (¥1.3 billion, or 93.8%, year on year)
 - EBITDA declined (¥7.5 billion, 82.5%, year on year)
- The main reasons for increase and decreases are as stated.

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.

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- Results by segment are as shown.
- Next, I will touch on trends per segment.
- Please take a look at the next page.

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%

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- An explanation of the transportation segment
 - Operating revenue decreased due to such factors as a fall in revenue from railway passenger traffic because of effects of the 2016 Kumamoto earthquakes and decreased traffic in comparison to the previous year's Silver Week.
 - Operating income increased due to such influences as decreases in depreciation from impairment in fixed assets in the railway business in the previous fiscal year.
 - EBITDA decreased due to such factors as a fall in revenue from railway passenger traffic because of effects of the 2016 Kumamoto earthquakes.
- Next is the construction segment
 - Revenue, income, and EBITDA fell due to a decrease in apartment and elevated railway construction projects.

Segment Information ②



◆ Real Estate 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	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%

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➤ Moving on to the real estate segment

Real Estate Lease

Revenue increased due to a rise in income from building rentals following the opening of JRJP Hakata Building and the rental of new apartment units made available for move-in.

Real Estate Sale

- Revenue decreased due to such factors as a fall in revenue from sales of apartment building lots.
- Reasons for decreased revenue are that dates of delivery in the previous fiscal year were concentrated in the first half. Dates of delivery for MJR Ropponmatsu (351 units), among others, are planned for the second half of this fiscal year.

➤ As a result of the preceding, revenue, income, and EBITDA in the real estate segment decreased.

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%

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- Let's turn to the retail and restaurant segment
- Revenue, income, and EBITDA increased due to such factors as a rise in drugstore and convenience store sales that followed the opening of new stores.
- Now I will provide an explanation of the other segments
- Revenue, income, and EBITDA increased due to such factors as a rise in sales of materials and the opening of SJR Oita in the senior residence business.

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)

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- Next, I will explain the state of finances on a consolidated basis as well as cash flows
- In assets, due to such factors as the sales of trusts, total assets decreased ¥11.2 billion despite increases in securities and tangible fixed assets.
- Liabilities decreased ¥28.8 billion due to factors such as decreases in payables and accounts payable-trade.
- Operating cash flows decreased ¥30.1 billion due to such factors as a decrease in revenue from railway passenger traffic and an increase in payments, including corporate taxes on sales of the Management Stabilization Fund Assets in the previous fiscal year. Moreover, the increase in corporate tax payments is temporary as it accompanies the sale of the Management Stabilization Fund Assets in the previous fiscal year.
- Investment cash flows decreased ¥10.4 billion due to factors such as an increase in expenditures accompanying the acquisition of fixed assets.

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%	—

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- Next, I will talk about non-consolidated accounts
- Trends are the same as for consolidated accounts. Decreases such as in revenue from railway passenger traffic due to factors including a decrease in revenue from the sale of apartments and the effects of the 2016 Kumamoto earthquakes caused a fall in operating revenues. Despite this, decreases such as in apartment selling costs and depreciation from impairment at the end of the previous fiscal year led to a fall in operating expenses and a rise in operating income.
- Main reasons for fluctuations are as stated.

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%

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- For reference, gains and losses in the railway business and related businesses that served as the accounting base for the railway business are as shown.

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%

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- Next, I will comment on revenue from railway passenger traffic and the results of traffic volume.
- Due to such factors as the effects of the 2016 Kumamoto earthquakes and decreased traffic in comparison to the previous year's Silver Week, both Shinkansen lines and conventional lines recorded particularly irregular revenues, falling below those of the previous year.

III Forecasts for FY2017/3

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- Next, I will explain the earnings forecast for FY 2017/3.

Consolidated Financial Forecasts



	Results FY2016/3 A	Forecasts FY2017/3 B	(Billions of yen) 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%

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- The earnings forecast remains unchanged from that announced on October 25.
- Revenue and profit are expected to increase despite the effects of the 2016 Kumamoto earthquakes due to such factors as a rise in revenue from the sale of apartment lots, the opening of the JRJP Hakata Building, and a decrease in depreciation from impairment of fixed assets in the railway business, which was carried out at the end of the previous fiscal year.

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%

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- The earnings forecast by segment also remains unchanged from the previously announced forecast.

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	—

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- There was no announcement of a non-consolidated earnings forecast on the previous forecast presentation date; however, there is no change from the earnings forecast made at the time of the financial results announcement for the first quarter.

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%

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- Further, the earnings forecast based on the accounts of the railway business is as stated.

IV Medium-Term Business Plan and Status of Progress

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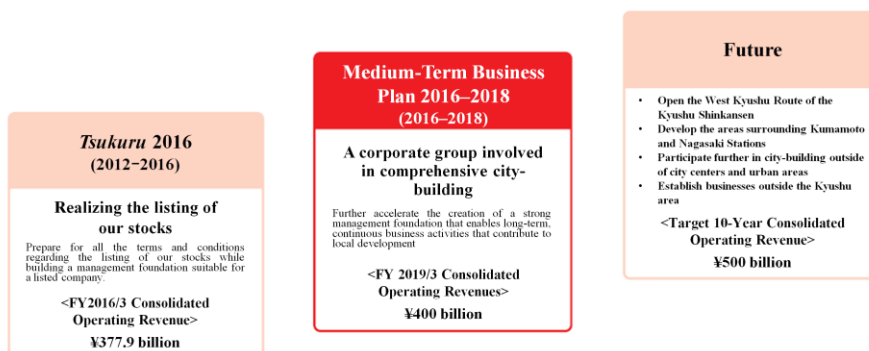
- Next, I will provide an explanation on the main points of the Medium-Term Business Plan 2016–2018 as well as on how the plan is progressing.

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



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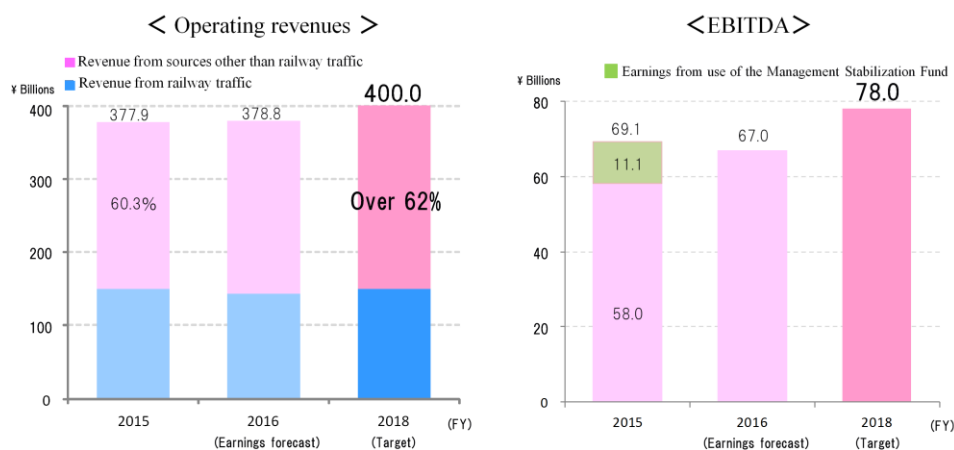
- First I will talk about where we position the current business plan.
- Taking into account the significant changes that occurred in the status of the Company's income due to the collapse of its stable management foundation at the previous fiscal year-end, we have reconsidered our vision for the future as well as the condition of the business environment in which we operate. Upon these reconsiderations, we have formulated business strategies and management targets for a three-year period that includes the current fiscal year.
- During the next 10 years, the Company will undertake such large-scale projects as opening the west Kyushu route for the Kyushu Shinkansen, which will be crucial in invigorating the Kyushu area, and developing the area surrounding Kumamoto and Nagasaki stations. In addition, we will set initiatives for the further growth and advancement of the JR Kyushu Group as we aim for consolidated operating revenues of ¥500.0 billion.
- With a vision for the future, the Company positions the three years of the Medium-Term Business Plan as a period in which it will accelerate the establishment of a solid business foundation that will allow for sustainable business activities that contribute to the development of local communities.

Target Management Indicators

Target Indicators (FY 2019/3)

● Operating revenues ¥400 billion ● EBITDA ¥78 billion

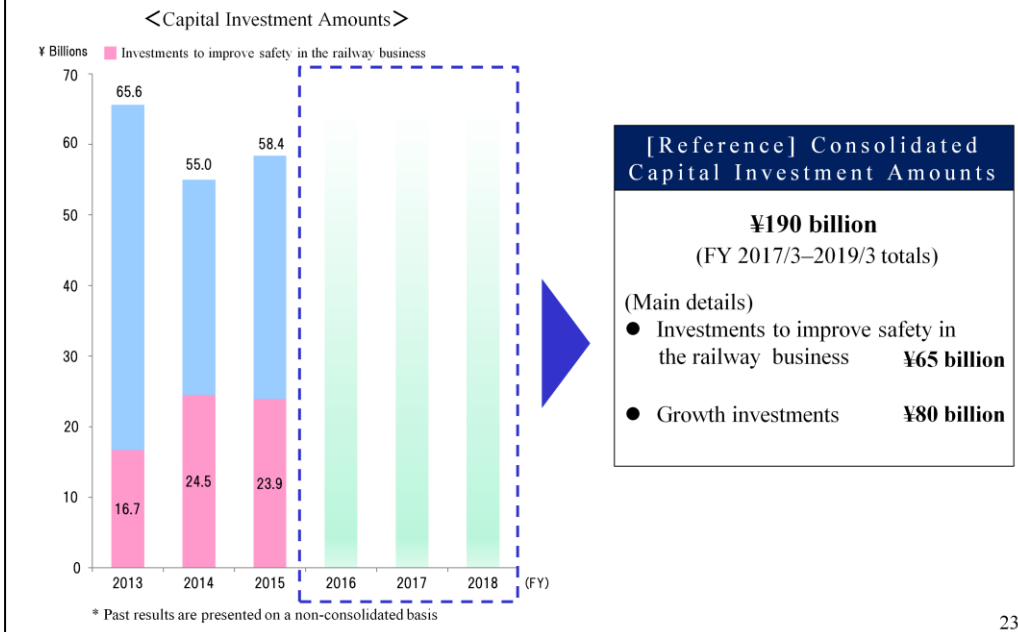
Income from sources other than railway traffic revenues account for over 62% of total operating revenues.



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- Moving on, I will explain the numerical targets of the Medium-Term Business Plan
- The Company has set consolidated operating revenues and consolidated EBITDA as its target indicators.
- The Company aims for consolidated operating revenues of ¥400.0 billion and a consolidated EBITDA of ¥78.0 billion by FY 2018/3 and is promoting a variety of initiatives to reach these targets.
- Also, operating revenues from the railway business are down due to the impact of the 2016 Kumamoto earthquakes. As such, operating revenues from businesses other than railway currently exceed 62% of total operating revenues. However, from the next fiscal year and on, we will make concerted efforts to reach our target for operating revenues.

Capital Investment Amounts



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- Next I will talk about capital investments
- Over the next three years, we plan on capital investments totaling ¥190.0 billion on a consolidated basis. As for a breakdown of major capital investments, ¥65.0 billion will be used in investments to improve the safety for our railway business and ¥80.0 billion will be used in growth investments.
- While making continuous efforts to invest in improving safety, which reinforces the foundation of our core business of railway, we will actively carry out growth investments that contribute to future urban development and invigorate local communities.

Returns to Shareholders



◆ 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

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- I will now explain our dividend policy.
- The Company positions shareholder returns as one of its most important management policies. As such, our basic policy is to continuously carry out stable divided payments in accordance with our business performance.
- In order to realize steady shareholder returns, we will aim for a stable divided per share going forward by targeting a consolidated payout ratio of 30% until FY 2019/3.

V Individual business initiatives

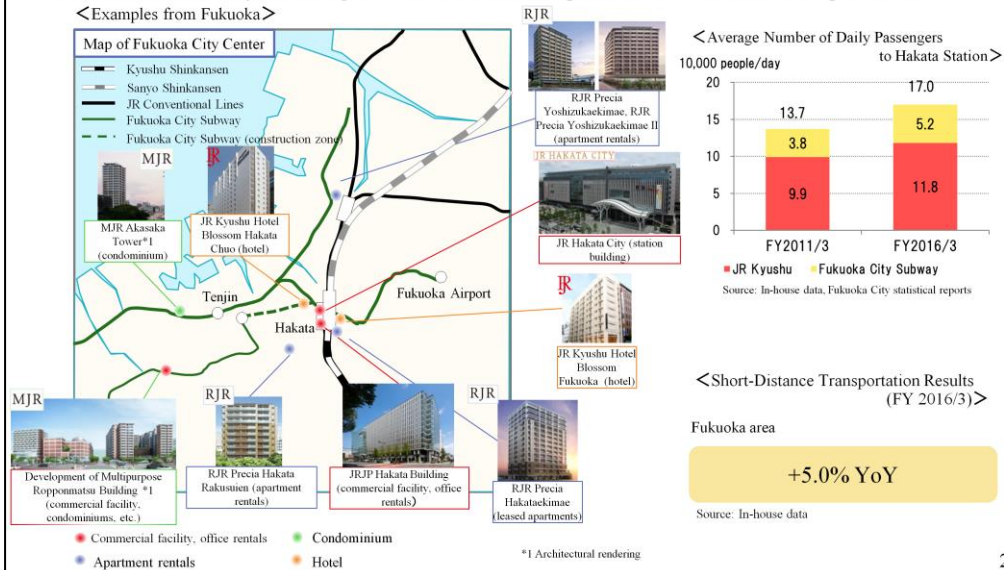
25

- Next, I will provide an explanation of initiatives by business.

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>



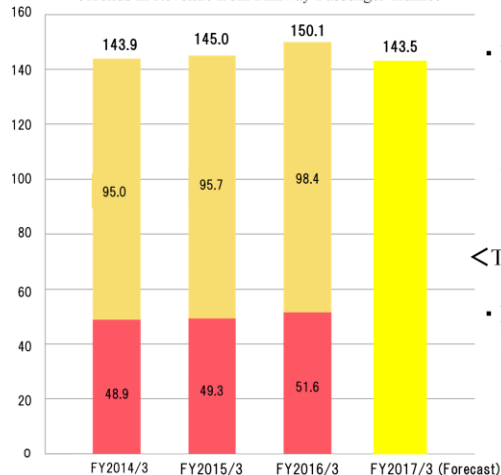
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- Through promotion of city-building efforts centered on train stations, we are creating inter-business synergies between the respective businesses of the Company. The “security and trust” and “customer attraction” the railway business has established provides the foundation for these efforts.
- I will now use the city of Fukuoka as an example of how the Company undertakes city-building.
- We are revitalizing the flow of the local community through the integrated development of train stations, offices, apartments, and hotels centered on railways, in addition to convenience stores, drugstores, and restaurants.
- Not only do these initiatives increase the value of land surrounding railways, they also create a virtuous circle that contributes to increased revenue and profit in our mainstay business, the railway business, through increasing railway users such as train station customers and employees as well as apartment residents.

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>



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

<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)



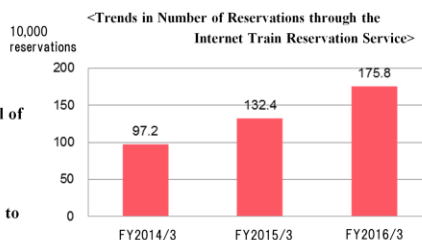
- In the railway business, the mainstay business of the Group, not only do we base business operations on a foundation of safety and service, we are actively promoting increased profits and reduced costs through the implementation of a wide variety of business policies.
- In order to promote railway use centered on the Kyushu Shinkansen, which has been in operation for five years, we engaged in a wide range of initiatives in the first half, including a variety of sales promotions such as the “Kyushu Shinkansen Nimai Kippu” campaign, which involves train coupon books, and the Shinkansen commuter pass “Shinkansen Excel Pass.” We also developed the “KAGOSHIMA by ROLA” sales promotion campaign.
- In addition, we will work to reduce power costs in the second half through the introduction of dual energy charge trains.
- Please take a look at the next page.

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**

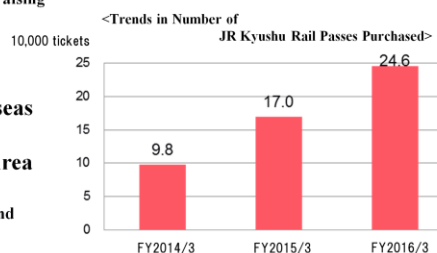
<Internet Strategy>

- **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.



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- I will elaborate on our internet strategy and inbound demand initiatives, which serve as business policies in the railway business
- As part of yield management for the Kyushu Shinkansen, we are promoting the use of the “Internet Train Reservation Service.” In the first half, we enhanced our lineup of products available only online and worked to improve the service’s convenience through collaboration with train transfer search engines and other means.
- Additionally, along with product and market expansion for the JR Kyushu Rail Pass, a top-seller with overseas customers, we made efforts to tailor communicated information and sales promotions to individual countries and regions.

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 FY2017/3)

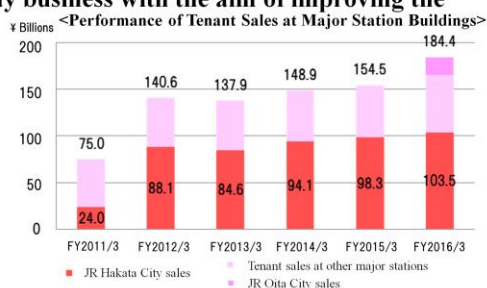
- Implement renovations in such ways as changing tenants

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



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



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- Let's move on to the train station business.
- By conducting tenant leasing in a manner that appropriately captures market trends and holding events in cooperation with local and surrounding businesses, the Company's train station business promotes highly attractive and lively city-building centered on train stations. In this way, we are working to improve the Group's value and invigorate local economies.
- In the first half, we carried out renovations and actively held events at each train building.
- In addition, the JRJP Hakata Building opened for business in April this year. By the end of October, all rooms on the office floor were occupied, and since opening, the commercial floor has been making a smooth transition to 100% functionality.
- Additionally, as we announced on November 9, an office building located in Hirakawachou in Chiyoda-ku, Tokyo was purchased at the end of September. All rooms in this building are currently rented out, and we therefore believe that profits from this building can be steadily secured.

Initiatives in the Apartment Business

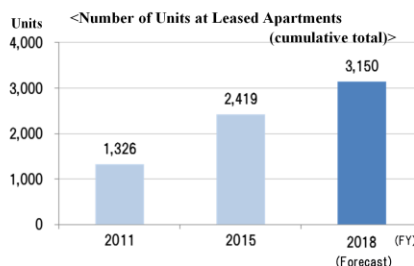


◆ Leased Apartments

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

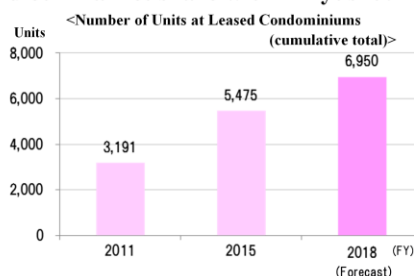
We will actively develop businesses and expand our market share within Kyushu.

<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.

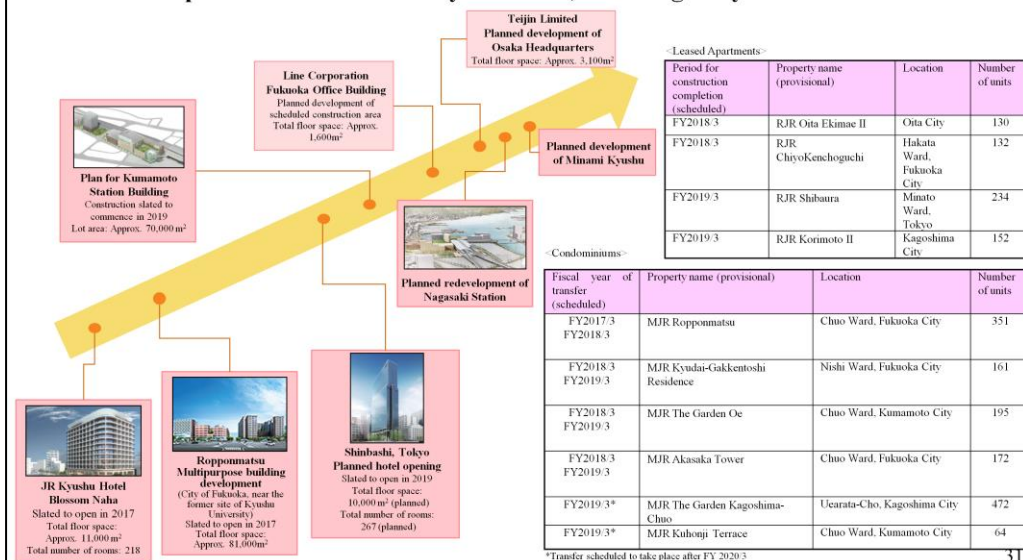


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- Next is the apartment business.
- In rental apartments, as two new properties (RJR Precia Hakata Ekimae and RJR Precia Korimoto) were made available for move-in in March, the end of the previous fiscal year, thereby increasing revenues from real estate **lease**, we plan to open another property (RJR Precia Hakata) in February of this fiscal year.
- In sales of apartment lots, transfer of MJR Ropponmatsu (351 units) is slated to commence from March of this fiscal year, and revenues from the sale of apartments are expected to increase year on 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



- Next, I will talk about the pipeline.
- Going forward, we have plans for the development of properties such as train stations and apartments, and are gaining new sources of revenue by using past successes as an example in places both inside Kyushu and outside, such as Tokyo and Okinawa.

VI The 2016 Kumamoto earthquakes

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- Last, I will make a few comments regarding the 2016 Kumamoto earthquakes that struck this April

The 2016 Kumamoto earthquakes (April, 2016)



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

- **Kyushu Shinkansen**

Derailement 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

⇒ Recommencement 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>



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- Although the 2016 Kumamoto earthquakes this past April harmed, in particular, the railway business, we are working toward a quick recovery. The Kyushu Shinkansen reopened on all lines roughly two weeks after the quakes, on April 27. From July 4, all lines for conventional trains were reopened, albeit at slower speeds through certain sections.
- Effects on performance are reflected in the earnings forecast, as stated. However, we are seeing a gradual recovery in transportation revenue.
- Going forward, in addition to making Groupwide efforts that give the utmost priority to safety, we will make cooperative efforts to restore disaster-stricken areas in pursuit of a swift recovery.
- This concludes the presentation.

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/