



FY2017/3 Annual Investors Meeting

May 12, 2017

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



Contents



I	Financial results for FY2017/3	3
II	Forecasts for FY2018/3	14
III	Progress of the Medium-Term Business Plan	20
IV	Individual business initiatives	25
	Appendix	36

- Greetings, I am Toshihiko Aoyagi, president of Kyushu Railway Company. I would like to thank everyone here for taking time out of their busy schedules to join us today.
- I will be covering the topics listed on this contents slide.

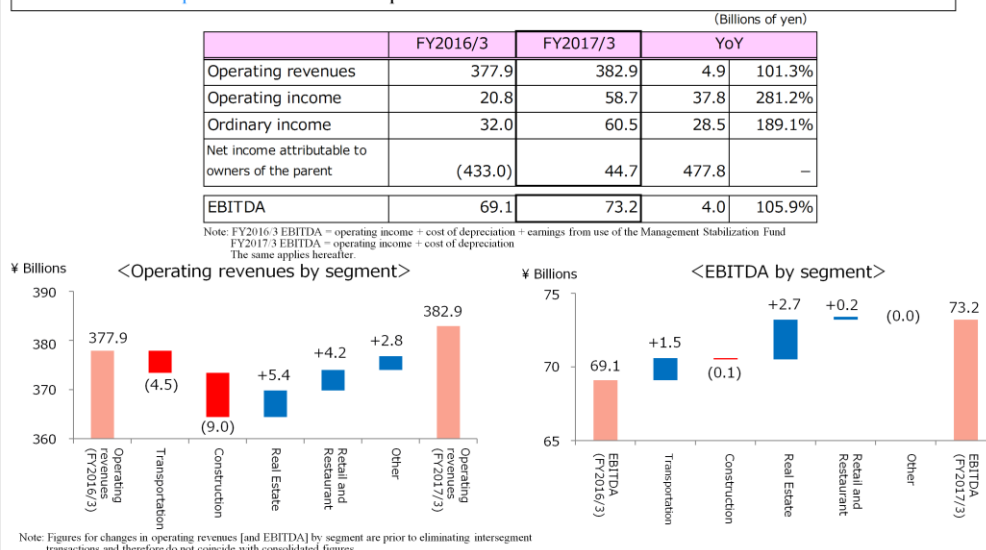
I Financial results for FY2017/3

3

- First, I would like to discuss some of the financial highlights from the fiscal year ended March 31, 2017.
- Please turn to slide 4.

Consolidated Financial highlights for FY2017/3 【Year on Year】

- Despite a decrease in revenues from railway passenger traffic resulting from the impact of the 2016 Kumamoto earthquakes, operating revenues **increased** due to higher revenues from condominium sales and from drugs stores and convenience stores.
- Net income attributable to owners of the parent **increased** due to the absence of impairment losses on fixed assets held in the railway business recorded at the end of the previous fiscal year.
- EBITDA was **up** as a result of favorable performance in the real estate lease business.



- Consolidated operating revenues in the fiscal year ended March 31, 2017, were up ¥4.9 billion year on year. Although the impact of the 2016 Kumamoto earthquakes resulted in a ¥3.6 billion decline in revenues from railway passenger traffic, this detractor was outweighed by a ¥2.3 billion increase in revenues from condominium sales coupled with a ¥4.2 billion rise in revenues from the retail and restaurant businesses.
- Net income attributable to owners of the parent increased ¥477.8 billion due to the absence of impairment losses on fixed assets held in the railway business recorded at the end of the previous fiscal year.
- EBITDA was up ¥4.0 billion as a result of favorable performance in the real estate lease business, which contributed ¥2.3 billion toward this figure.
- More details on performance can be found on slide 5.
- Next, I would like to talk about segment performance.
- Please turn to slide 6.

Consolidated Income Statements



(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	377.9	382.9	4.9	101.3%	Increase in revenues in Retail and Restaurant +4.2 Higher condominium sales +2.3
Operating expenses	357.0	324.1	(32.9)	90.8%	Depreciation cost (JR Kyushu) (22.3) Shinkansen track usage fees (10.3)
Operating income	20.8	58.7	37.8	281.2%	
Nonoperating income and expenses	11.1	1.8	(9.3)	16.4%	Decrease in earnings from use of the Management Stabilization Fund (11.1)
Ordinary income	32.0	60.5	28.5	189.1%	
Extraordinary gains and losses	(476.4)	(4.9)	471.5	—	Rebound from previous impairment losses on fixed assets held in the railway business (FY2016/3) +520.3 Decrease in gain on sales of the Management Stabilization Fund assets (42.0)
Net income attributable to owners of the parent	(433.0)	44.7	477.8	—	
EBITDA	69.1	73.2	4.0	105.9%	Increase in revenues from real estate leases +2.3

Segment Information (Summary)



(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase / (decrease) B-A	% B/A
Operating revenues	377.9	382.9	4.9	101.3%
Transportation	180.9	176.4	(4.5)	97.5%
Construction	88.4	79.3	(9.0)	89.7%
Real Estate	62.0	67.4	5.4	108.8%
(Retail and Restaurant)	43.2	46.3	3.1	107.2%
Other	96.2	100.4	4.2	104.4%
Other	58.1	60.9	2.8	104.9%
EBITDA	69.1	73.2	4.0	105.9%
Transportation	27.0	28.5	1.5	105.7%
Construction	6.8	6.7	(0.1)	98.3%
Real Estate	28.4	31.1	2.7	109.6%
(Retail and Restaurant)	25.9	28.2	2.3	108.9%
Other	4.9	5.1	0.2	105.5%
Other	3.3	3.3	(0.0)	98.7%

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

6

- This slide displays performance by segment.
- I will offer an overview of performance in major segments.
- Please turn to slide 7.

Segment Information ①



◆ Transportation Segment

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	180.9	176.4	(4.5)	97.5%
Operating income	(10.5)	25.7	36.2	—
EBITDA	27.0	28.5	1.5	105.7%

◆ Construction Segment

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	88.4	79.3	(9.0)	89.7%
Operating income	6.1	5.9	(0.1)	97.5%
EBITDA	6.8	6.7	(0.1)	98.3%

7

- First, I will explain performance in the Transportation segment.
- Operating revenues in this segment were down year on year because revenues from railway passenger traffic declined as a result of the impact of the Kumamoto earthquakes as well as the rebound from the brisk travel during Silver Week, a string of consecutive holidays that, despite not happening every year, occurred in 2015. Conversely, operating income was up following a decrease in operating expenses in the railway business. EBITDA similarly increased.
- Please turn to the next slide.

Segment Information ②



◆ Real Estate Segment

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	62.0	67.4	5.4	108.8%
Operating income	20.4	22.6	2.2	110.9%
EBITDA	28.4	31.1	2.7	109.6%

(Reprint) Real Estate Lease

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	43.2	46.3	3.1	107.2%
Operating income	17.9	19.7	1.8	110.0%
EBITDA	25.9	28.2	2.3	108.9%

8

- On this slide, we will look at the Real Estate segment.
- In the fiscal year ended March 31, 2017, both revenues and income increased year on year. Lease revenues were up following the opening of the JRJP Hakata Building and the start of move-in availability at rental apartments while condominium sales revenues grew following the turnover of such buildings as MJR Ropponmatsu. EBITDA also rose.
- If you look at slide 10, you will see information on our financial position and cash flows.
- We will now move on to discuss non-consolidated performance.
- Please turn to slide 11.

Segment Information ③



◆ Retail and Restaurant Segment

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	96.2	100.4	4.2	104.4%
Operating income	3.4	3.4	0.0	102.2%
EBITDA	4.9	5.1	0.2	105.5%

◆ Other Segments

(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	58.1	60.9	2.8	104.9%
Operating income	2.4	2.5	0.0	101.7%
EBITDA	3.3	3.3	(0.0)	98.7%

Financial Position and Status of Cash Flows (consolidated)



Financial Position	(Billions of yen)		
	As of March 31,2016	As of March 31,2017	Increase/ (decrease)
	A	B	B-A
Assets	646.6	676.6	29.9
Current assets	165.8	198.6	32.7
Non-current assets	480.8	478.0	(2.7)
Liabilities	340.9	328.2	(12.7)
Current assets	146.3	134.9	(11.4)
Non-current assets	194.5	193.2	(1.2)
Net assets	305.7	348.4	42.7
Equity ratio	46.4%	50.7%	4.3%
Net assets per share (¥)	1,876.72	2,144.00	267.28

Status of Cash Flows	(Billions of yen)		
	FY2016/3	FY2017/3	Increase/ (decrease)
	A	B	B-A
Net cash provided by operating activities	63.4	28.5	(34.8)
Net cash provided by (used in) investing activities	9.0	(18.3)	(27.3)
Free cash flows	72.4	10.2	(62.2)
Net cash used in financing activities	(40.0)	(0.6)	39.3
Change in cash and cash equivalents	32.4	9.5	(22.8)
Cash and cash equivalents, end of year the period	44.6	54.2	9.5

Nonconsolidated Income Statements



(Billions of yen)

	FY2016/3 A	FY2017/3 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	211.1	212.2	1.1	100.5%	Higher condominium sales +2.3
(Revenue from railway passenger travel)	150.1	146.4	(3.6)	97.6%	Impact of the 2016 Kumamoto earthquakes, etc. (3.6)
Operating expenses	205.6	168.7	(36.9)	82.0%	
Personnel costs	54.2	53.1	(1.0)	98.0%	Decrease in employee numbers, etc.
Nonpersonnel costs	116.2	102.5	(13.7)	88.2%	
Energy costs	8.8	8.0	(0.7)	91.3%	Lower usage volumes
Maintenance costs	38.9	37.8	(1.1)	97.1%	
Other	68.4	56.6	(11.8)	82.7%	Shinkansen track usage fees (10.3)
Taxes	5.8	6.0	0.1	103.1%	
Depreciation costs	29.3	7.0	(22.3)	24.0%	Rebound from previous impairment losses on fixed assets held in the railway business (FY2016/3) (22.2)
Operating income	5.4	43.4	38.0	804.0%	
Nonoperating income and expenses	12.8	4.0	(8.8)	31.4%	Decrease in earnings from use of the Management Stabilization Fund (11.1)
Ordinary income	18.2	47.5	29.2	259.9%	
Extraordinary gains and losses	(481.9)	(4.2)	477.6	–	Rebound from previous impairment losses on fixed assets held in the railway business (FY2016/3) + 525.6 Decrease in earnings from use of the Management Stabilization Fund (42.0)
Net income	(444.4)	37.6	482.0	–	

11

- Non-consolidated operating revenues in the fiscal year ended March 31, 2017, rose ¥1.1 billion year on year. The benefits of higher condominium sales and real estate lease revenues offset the decline in revenues from railway passenger traffic that resulted from the impact of the Kumamoto earthquakes.
- Operating expenses were down ¥36.9 billion. By category, personnel expenses decreased ¥1.0 billion following a decline in the number of employees, while non-personnel expenses decreased ¥13.7 billion as a result of lower Shinkansen track usage fees and repair costs. In addition, depreciation costs showed a large drop due to the rebound from the impairment losses recorded at the end of the previous fiscal year.
- In the presentation for the previous fiscal year, the figure for the net of non-operating income and non-operating expenses contained earnings from use of the Management Stabilization Fund. These earnings were not recorded in the fiscal year ended March 31, 2017, and were thus not added to the net figure for this year. As a result, the net figure in this presentation showed a year-on-year decrease. Meanwhile, net extraordinary losses fell as the rebound from the impairment losses on fixed assets held in the railway business recorded at the end of the previous fiscal year more than compensated for the decrease in gain on sales of the Management Stabilization Fund assets.
- Non-consolidated net income increased ¥482.0 billion year on year.
- Figures related to revenues from railway passenger traffic and transportation volumes can be found on slide 13.
- I would next like to explain our full-year consolidated financial forecasts for the fiscal year ending March 31, 2018.
- Please turn to slide 15.

Nonconsolidated Income Statements 【Reprint】



(Billions of yen)

		FY2016/3 A	FY2017/3 B	YoY	
				Increase/ (decrease) B-A	%
Railway business	Operating revenues	169.1	164.9	(4.2)	97.5%
	Operating expenses	180.7	139.8	(40.8)	77.4%
	Operating income	(11.5)	25.0	36.6	—
Related businesses	Operating revenues	41.9	47.2	5.3	112.7%
	Operating expenses	24.9	28.8	3.8	115.5%
	Operating income	16.9	18.4	1.4	108.6%

Income from Railway Passenger Traffic and Performance of Transportation Volume



(Billions of yen)

Transportation Revenues	FY2016/3 A	FY2017/3 B	YoY		Major factors
			Increase/ (decrease B-A	% B/A	
Total	150.1	146.4	(3.6)	97.6%	
Shinkansen	51.6	50.1	(1.5)	97.0%	Decrease due to impact of the 2016 Kumamoto earthquakes (2.4)
Commuter pass	2.6	2.6	0.0	101.7%	Increase in usage due to reconstruction efforts + 0.3
Noncommuter pass	49.0	47.4	(1.5)	96.7%	Rebound from brisk travel during Silver Week in 2015 (0.1)
Conventional Lines	98.4	96.3	(2.0)	97.9%	Impact of the 2016 Kumamoto earthquakes (1.4)
Commuter pass	29.5	29.4	(0.0)	99.7%	Rebound from brisk travel during Silver Week in 2015 (0.3)
Noncommuter pass	68.8	66.8	(2.0)	97.1%	

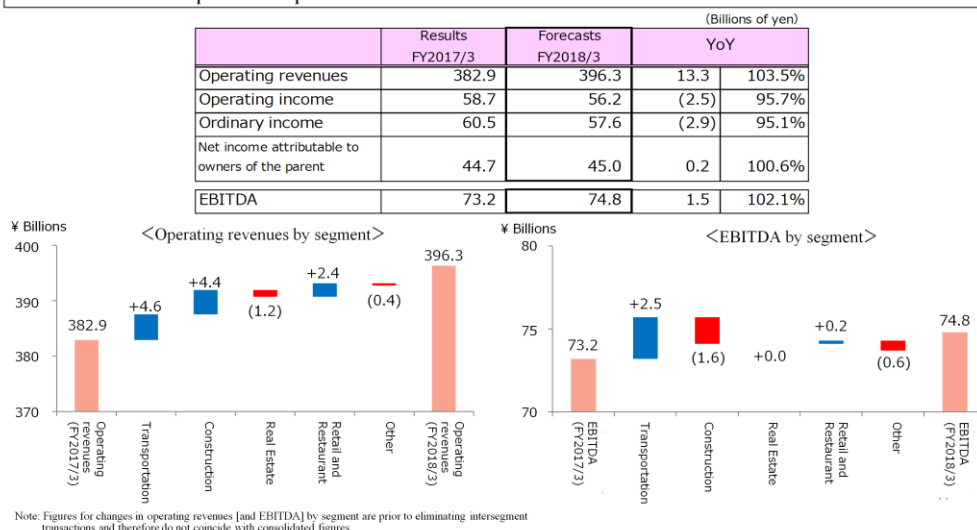
(Millions of passenger-kilometers)

Passenger-Kilometers	FY2016/3 A	FY2017/3 B	YoY	
			Increase/ (decrease B-A	% B/A
Total	9,378	9,191	(186)	98.0%
Shinkansen	1,929	1,852	(77)	96.0%
Commuter pass	194	196	2	101.2%
Noncommuter pass	1,735	1,655	(79)	95.4%
Conventional Lines	7,448	7,339	(109)	98.5%
Commuter pass	4,026	4,018	(8)	99.8%
Noncommuter pass	3,421	3,320	(100)	97.0%

II Forecasts for FY2018/3

Consolidated Financial highlights for FY2018/3 【Year on Year】

- Operating revenues are forecast to **increase** due to a rise in revenues from railway passenger traffic as the impacts of the 2016 Kumamoto earthquakes dissipate.
- Despite higher taxes and depreciation costs in the railway business, net income attributable to owners of the parent is projected to **increase** following a decline in extraordinary losses associated with the 2016 Kumamoto earthquakes.
- EBITDA is set to **increase** due to a rise in revenues from railway passenger traffic as the impact of the 2016 Kumamoto earthquakes dissipates.



15

- In the fiscal year ending March 31, 2018, operating revenues are forecast to increase ¥13.3 billion year on year. Contributors to this increase will include a rise of ¥3.0 billion in revenues from railway passenger traffic set to occur as the impact of the 2016 Kumamoto earthquakes dissipates. Other contributions will likely come from revenue growth in the Retail and Restaurant segment anticipated to result from new store openings.
- Operating income and ordinary income are both projected to decline year on year due to the higher taxes and depreciation costs expected in the railway business.
- Net income attributable to owners of the parent, meanwhile, is forecast to increase ¥0.2 billion following a decline in extraordinary losses associated with the Kumamoto earthquakes.
- Similarly, EBITDA is set to increase due to a rise in revenues from railway passenger traffic that will likely occur as the impact of the Kumamoto earthquakes subsides.
- Next, I would like to take a look at our segment forecasts.
- Please turn to slide 17.

Consolidated Financial Forecasts



(Billions of yen)

	Results FY2017/3 A	Forecasts FY2018/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	382.9	396.3	13.3	103.5%
Operating income	58.7	56.2	(2.5)	95.7%
Ordinary income	60.5	57.6	(2.9)	95.1%
Net income attributable to owners of the parent	44.7	45.0	0.2	100.6%
Net income per share(¥)	279.70	281.25	1.55	100.6%
EBITDA	73.2	74.8	1.5	102.1%

Consolidated Financial Forecasts 【By segment】

(Billions of yen)



	Results FY2017/3 A	Forecasts FY2018/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	382.9	396.3	13.3	103.5%
Transportation	176.4	181.1	4.6	102.7%
Construction	79.3	83.8	4.4	105.6%
Real Estate	67.4	66.2	(1.2)	98.1%
Retail and Restaurant	100.4	102.9	2.4	102.4%
Other	60.9	60.5	(0.4)	99.3%
Operating income	58.7	56.2	(2.5)	95.7%
Transportation	25.7	25.1	(0.6)	97.6%
Construction	5.9	4.4	(1.5)	73.9%
Real Estate	22.6	22.1	(0.5)	97.5%
Retail and Restaurant	3.4	3.6	0.1	103.6%
Other	2.5	1.5	(1.0)	59.0%
EBITDA	73.2	74.8	1.5	102.1%
Transportation	28.5	31.1	2.5	109.0%
Construction	6.7	5.1	(1.6)	75.3%
Real Estate	31.1	31.2	0.0	100.2%
Retail and Restaurant	5.1	5.4	0.2	104.1%
Other	3.3	2.7	(0.6)	80.6%

17

- This slide displays financial forecasts by segment.
- Let me take a moment to explain the forecasts for our main segments.
- In the Transportation segment, revenues are expected to increase while income is predicted to decline. This outcome will be a result of the rise in revenues from railway passenger traffic from the rebound from the prior impact of the Kumamoto earthquakes combined with higher operating expenses arising from increases in taxes and depreciation costs.
- In the Real Estate segment, year-on-year declines are projected for both revenues and income. Although a rise in revenues will be experienced in relation to the openings of the commercial area portion of the Ropponmatsu development project and of rental apartment buildings, the benefits of this rise will be offset by the absence of large-scale orders recorded in the fiscal year ended March 31, 2017, namely, MJR Ropponmatsu.
- Let us now look at the forecasts for non-consolidated performance.
- Please turn to slide 18.

Nonconsolidated Financial Forecasts

(Billions of yen)

	Results FY2017/3 A	Forecasts FY2018/3 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	212.2	215.5	3.2	101.5%
(Revenue from railway	146.4	149.5	3.0	102.1%
Operating expenses	168.7	173.0	4.2	102.5%
Personnel costs	53.1	51.3	(1.8)	96.6%
Nonpersonnel costs	102.5	103.0	0.4	100.5%
Energy costs	8.0	9.1	1.0	113.0%
Maintenance costs	37.8	34.9	(2.9)	92.2%
Other	56.6	59.0	2.3	104.2%
Taxes	6.0	7.9	1.8	131.1%
Depreciation costs	7.0	10.8	3.7	153.1%
Operating income	43.4	42.5	(0.9)	97.7%
Nonoperating income and expenses	4.0	3.4	(0.6)	84.2%
Ordinary income	47.5	45.9	(1.6)	96.6%
Extraordinary gains and	(4.2)	—	4.2	—
Net income	37.6	39.0	1.3	103.6%

18

- Non-consolidated operating revenues are forecast to increase ¥3.2 billion as revenues from railway passenger traffic rise due to the downward pressure from the Kumamoto earthquakes on performance being alleviated.
- We are also projecting a ¥4.2 billion increase in operating expenses. Personnel expenses and repair costs will decrease, but the Company will lose some of the special tax breaks it has enjoyed since Japanese National Railways was privatized and provisions extending the period of these breaks will be abolished, developments that will result in higher taxes. In addition, higher depreciation costs will be incurred following the acquisition of new non-current assets.
- Consequently, operating income is slated to decline ¥0.9 billion year on year. However, net income is anticipated to increase due to a decrease in extraordinary losses related to the Kumamoto earthquakes from the previous fiscal year.
- With this, I conclude my explanation of our financial results and forecasts.
- Next, please turn to slide 21.

Nonconsolidated Financial Forecasts 【Reprint】



(Billions of yen)

		Results FY2017/3 A	Forecasts FY2018/3 B	YoY	
				Increase/ (decrease) B-A	% B/A
Railway business	Operating revenues	164.9	169.0	4.0	102.4%
	Operating expenses	139.8	144.6	4.7	103.4%
	Operating income	25.0	24.4	(0.6)	97.3%
Related businesses	Operating revenues	47.2	46.5	(0.7)	98.4%
	Operating expenses	28.8	28.4	(0.4)	98.5%
	Operating income	18.4	18.1	(0.3)	98.3%

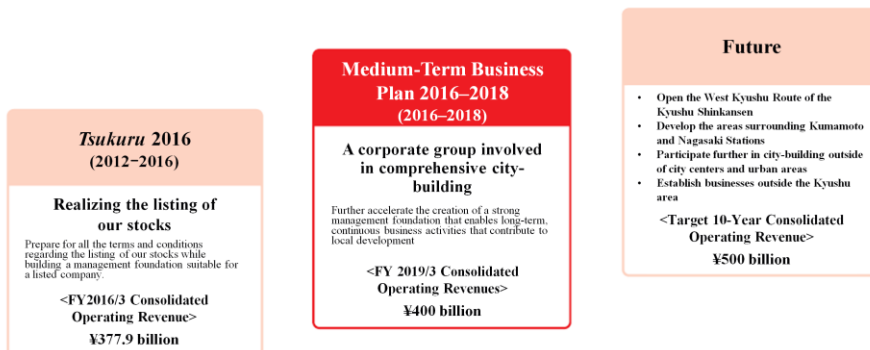
III Progress of the Medium-Term Business Plan

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

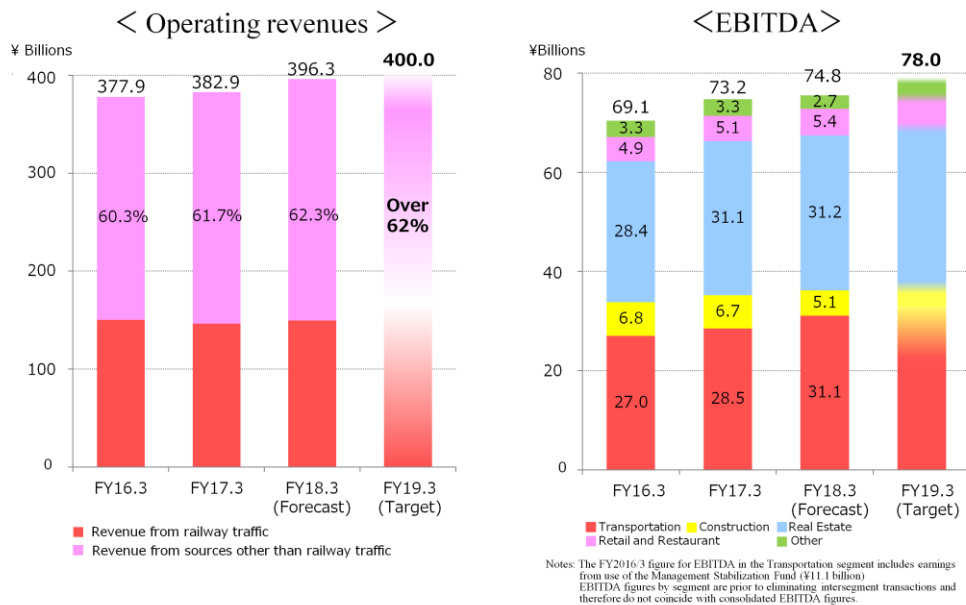


21

- Moving on, we will now discuss the progress of the JR Kyushu Group Medium-Term Management Plan 2016–2018.

Target Management Indicators

◆ Target Indicators (FY 2019/3)



22

- Under the Medium-Term Business Plan, we are targeting consolidated operating revenues of ¥400.0 billion and EBITDA of ¥78.0 billion in the fiscal year ending March 31, 2019.
- In the fiscal year ended March 31, 2017, the first year of this plan, operations were impacted by the Kumamoto earthquakes. However, this impact has since begun to dissipate, and we have been making steady progress with regard to the plan. In the fiscal year ending March 31, 2018, we will continue to forge ahead with the various measures described in the plan as we pursue its targets.
- Please turn to the next slide.

Target Management Indicators

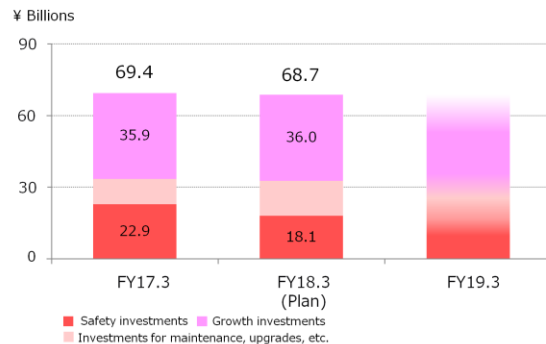


<Capital Investment Amounts[Reference]>

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

(Main details)

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



<Major Growth Investments under Medium-Term Business Plan>

- Ropponmatsu development project
- JR Kyushu Hotel Blossom Naha
- Shinbashi 1-chome hotel project
- Hakata ekimae 2-chome development project (Site formerly intended for Line Corporation Fukuoka Office Building)
- Apartment rentals
- RJR Oita Ekimae II (provisional name)
- Grand Precia Shibaura, etc.



■ Ropponmatsu development project



■ JR Kyushu Hotel Blossom Naha



■ Shinbashi 1-chome hotel project

- With this slide, I will discuss capital investment amounts.
- We have earmarked ¥190.0 billion for capital investments on a consolidated basis over the three-year period of the plan. As a breakdown of this amount, ¥65.0 billion is slated to go to investments to improve safety in the railway business and ¥80.0 billion will be devoted to growth investments.
- Growth investments totaled ¥35.9 billion in the fiscal year ended March 31, 2017, and we are anticipating another ¥36.0 billion to be conducted in the fiscal year ending March 31, 2018. Accordingly, we are allowing for the possibility that the actual three-year investment amount might exceed ¥80.0 billion.
- Major growth investments to be conducted over the period of the plan are shown on this slide.
- Going forward, we will continue to conduct the necessary safety investments for reinforcing our railway business, which serves as the foundation for all our businesses, while also carrying out growth investments aimed at city-building and community revitalization.
- Please turn to the next slide.

Returns to Shareholders



◆ Dividend Policy

Until FY 2019/3, we will aim for stable dividends per share with a consolidated payout ratio at a level 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 and Payout Ratio

FY2017/3 year-end dividends will be increased by ¥1 per share from the most recent forecast, to ¥38.50 per share.

An annual dividend of ¥78 per share is forecast for FY2018/3.

	Annual dividend amount per share	Consolidated dividend payout ratio
FY2017/3 (Plan) * For half fiscal year	¥38.50	13.8%
FY2018/3 (Forecast)	¥78.00	27.7%

24

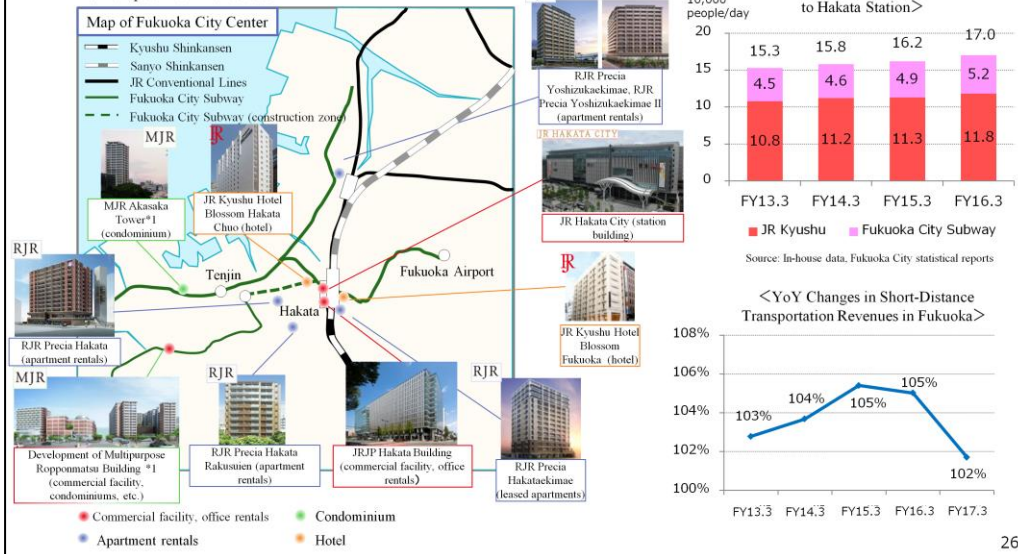
- Let me now explain our dividend policy.
- Our basic policy is to issue stable dividends per share with a consolidated dividend payout ratio at a level of approximately 30% as the standard guideline over the period leading up to the fiscal year ending March 31, 2019.
- Year-end dividends for the fiscal year ended March 31, 2017, will be increased by ¥1 per share from the most recent forecast, to ¥38.50 per share. For the fiscal year ending March 31, 2018, the Company currently plans to issue annual dividends of ¥78 per share.
- We will next look at our initiatives in specific businesses.
- Please turn to slide 26.

IV Individual business initiatives

Creating Synergies Between Businesses through City-Building

- Development of versatile businesses that leverages the security and trust and customer attraction capabilities cultivated in the railway business
- Contribution of city-building to increased ridership and short-distance transportation in railway business

<Examples from Fukuoka>

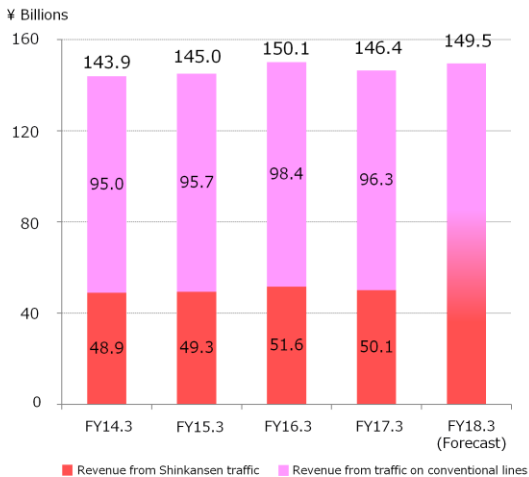


- In all of the businesses of JR Kyushu, we are looking to foster inter-business synergies through city-building activities centered on train stations that leverage the security and trust and customer attraction capabilities cultivated in our railway business.
- Our initiatives in Fukuoka City serve as a good example of the Company's city-building activities. Looking at these initiatives, we will see that our development projects, which are centered on railways and integrate station buildings, office buildings, condominiums, and hotels, have been contributing to the brisk movement of people throughout the region. These efforts have also had a positive impact on our railway business.
- I would now like to look at initiatives in the railway business.
- Please turn to the next slide.

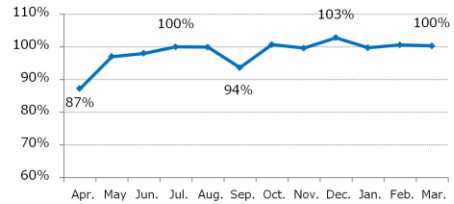
Strong Railway Business as the Foundation for All Business

- Stable revenues from railway passenger traffic following establishment of position as an important transportation method connecting all of Kyushu
- Strong JR Kyushu brand known for safety and reliability in Kyushu to be cultivated by operating safe and reliable railway business and fostering trusting relationships with communities

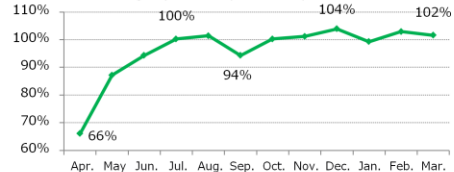
<Revenue from Railway Passenger Traffic>



<YoY Changes in Revenues from Railway Passenger Traffic by Month (FY2017/3)>



<YoY Changes in Kyushu Shinkansen Usage by Month (FY2017/3)>



Note: Figures above represent YoY changes in aggregate monthly railway passenger traffic volume from Hakata Station to Kumamoto Station.

- The railway business serves as the foundation for all of the JR Kyushu Group's businesses. In this business, we have been securing stable revenues from railway passenger traffic as an important transportation method that connects all of Kyushu.
- Performance in the railway business during the fiscal year ended March 31, 2017, was impacted by the Kumamoto earthquakes that struck in April 2016. However, we still managed to achieve revenues and usage figures that were in line with the previous fiscal year due in part to our ability to quickly resume operation of the Kyushu Shinkansen.
- Please turn to the next slide.

Initiatives in the Railway Business ①: Bolstering Profitability

- 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>

- ✓ Accelerate shift toward Internet reservations

- March 2017: Launched advertisements
- May 2017 : Commenced initiatives targeting individuals without credit cards



- ✓ Bolster profitability by promoting yield management

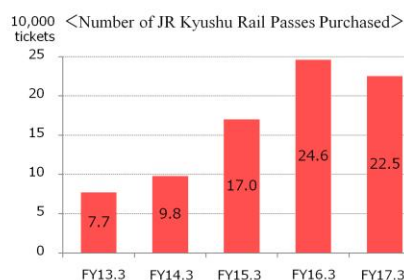
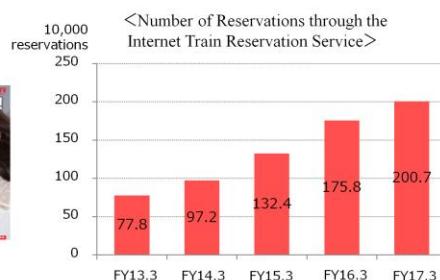
<Inbound Demand Initiatives>

- ✓ Promote sales of the JR Kyushu Rail Pass

- Coordinate with overseas travel agencies and airlines

- ✓ Communicate information in a manner that caters to specific countries and regions

- Solicit appeal of Kyushu together with rail passes (Distribute free guidebooks to rail pass purchasers that propose model travel courses and contain coupons)



28

- As one facet of our yield management efforts, we are promoting usage of our “JR Kyushu Internet Reservation Service.” In May 2016, we enabled payments for this service to be made at convenience stores.
- At the same time, we worked to take advantage of inbound demand by coordinating with overseas travel agencies and airlines to promote sales of the JR Kyushu Rail Pass, a product that is offered exclusively to inbound visitors to Japan and that allows for unlimited usage of trains within Kyushu.
- Please turn to the next slide.

Initiatives in the Railway Business ②: Pursuing Efficient Business Operations

- Pursue technological innovation and efficient business operations to respond flexibly to rapidly changing operating environment and diversifying customer needs

<Streamlining of Business Operation System>

✓ Expand Smart Support Station

【Overview】

- Provides customers with ideal services based on usage opportunities
- Entails installing cameras, intercoms, and other equipment in stations to enable support center operators to conduct remote surveillance to ensure safety and provide guidance to customers over intercoms

【Introduction Schedule】

- March 2015: Stations between Saitozaki Station and Umi Station (14 stations excluding Kashii Station and Chojabaru Station)
- March 2017: Stations between Wakamatsu Station and Shinnyu Station (11 stations excluding Orio Station)



<Development of New Eco-Friendly Rolling Stock>

✓ Introduce DENCHA dual energy charge train

【Overview】

- Realizes efficient energy usage by charging storage batteries with energy recovered during braking
- Employs energy-efficient design specifications including LED lighting in passenger cars, energy-efficient air-conditioning equipment, and smart doors

【Introduction Schedule】

- October 2016: Commencement of operations
Between Wakamatsu Station and Orio Station on Chikuhō Main Line (Wakamatsu Line)



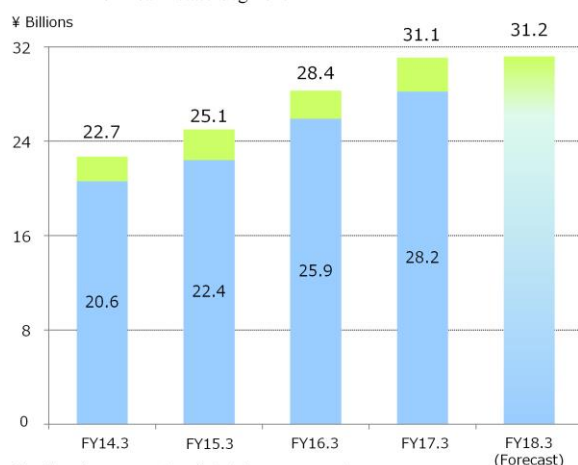
29

- In the railway business, we are pursuing technological innovation and efficient business operations in order to enable the Company to respond more flexibly to the rapidly changing operating environment and to diversifying customer needs.
- On this slide, you will find information regarding major initiatives to this end, namely, the introduction of Smart Support Station and DENCHA dual energy charge trains.
- Looking ahead, we will continue to improve the safety and service quality we offer customers while also pursuing technological innovation and promoting efficient business operations.
- Next, we will take a look at initiatives in the Real Estate segment.
- Please turn to the next slide.

Real Estate Segment Driving Growth and Evolution

- Important segment comprising real estate lease and sales operations and accounting for approximately 40% of consolidated EBITDA
- Develops operations focused on station buildings and other commercial facilities, office buildings, and condominiums in Kyushu and other areas
- Generates approximately 90% of segment EBITDA through real estate lease business

<EBITDA of Real Estate Segment>



Real Estate Sale

<Condominiums>



Real Estate Lease

<Station and office buildings>



<Rental apartments>



- The Real Estate segment drives the growth and evolution of the Group. This segment comprises real estate lease and sales operations and thus develops important businesses that account for approximately 40% of consolidated EBITDA.
- In the real estate lease business, we handle station buildings and other commercial facilities, office buildings, and rental apartments. This business accounts for approximately 90% of the Real Estate segment's EBITDA.
- The real estate sale business generates stable revenues by selling condominiums in areas throughout Kyushu.
- Please turn to the next slide.

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 stations and station buildings

<Initiatives for Improving Our Ability to Attract Customers>

- ✓ Implement renovations in such ways as changing tenants

Examples:

- JR Hakata City
(46 stores opened between February and April 2017)
- Amu Plaza Nagasaki (TOKYU HANDS opened in April 2016)
- Amu Plaza Kokura
(9 restaurants and other stores opened in April 2017)
- Amu Plaza Kagoshima
(8 restaurants and other stores scheduled to be opened in July 2017)

- ✓ Hold events at station plazas, etc.

(Example: JR Hakata City)

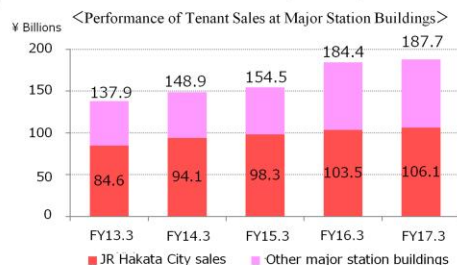
- Hakata Farmers' Market
- Kyushu Gospel Festival 2016 in Hakata
- Christmas Market in Hikari no Machi-Hakata



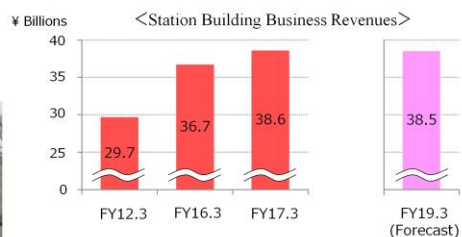
■ Illumination light-up ceremony (JR Hakata City)



■ Talk show featuring popular celebrity Ryucheri (Amu Plaza Nagasaki)



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



Notes: Figures above are the total of business revenues from six station building business subsidiaries and the JR/JP Hakata Building. Forecasts for FY2019.3 were formulated at the time of the establishment of the Medium-term Business Plan.

31

- With this slide, I will explain initiatives in the station building business.
- By conducting tenant leasing in a manner that appropriately addresses market trends and holding events in cooperation with local communities and businesses operating in the surrounding areas, the Company's station building business promotes highly attractive and lively city-building activities centered on station buildings. In this way, we are working to improve the Group's value and invigorate local economies.
- In JR Hakata City and other major station buildings, we have been actively deploying initiatives for improving our ability to attract customers, including renovations and events held at areas such as station plazas. These initiatives are contributing to steady growth in the sales of tenants.
- We will continue to advance these initiatives in the future in order to bolster our already high profitability and contribute to the invigoration of communities.
- Please turn to the next slide.

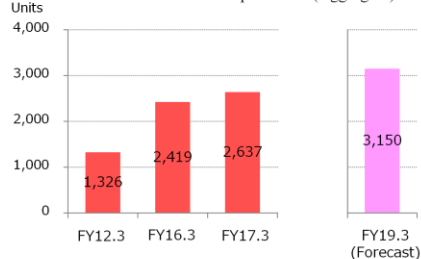
Initiatives in the Apartment Business

<Rental Apartments>

- Secure stable profits by promoting new business development

Name	Location	Start of move-in availability	Number of units
RJR Oita Ekimae II (Provisional)	Oita City	FY2018.3 (scheduled)	130
RJR ChiyoKenchohuchi (Provisional)	Hakata Ward, Fukuoka	FY2018.3 (scheduled)	132
RJR Nishikoen (Provisional)	Chuo Ward, Fukuoka	FY2018.3 (scheduled)	45
Grand Precia Shibaura	Minato Ward, Tokyo	FY2019.3 (scheduled)	234
RJR Korimoto II (Provisional)	Kagoshima City	FY2019.3 (scheduled)	142
RJR Hakata Eki Minami (Provisional)	Hakata Ward, Fukuoka	FY2019.3 (scheduled)	140

<Number of Units at Rental Apartments (Aggregate)>



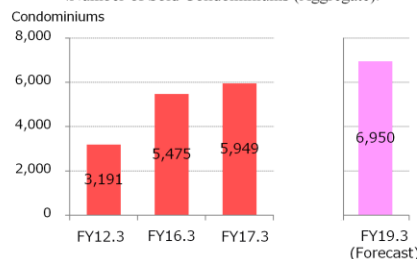
Notes: Figures are as of March 31 of each fiscal year.
Forecasts for FY2019.3 were formulated at the time of the establishment of the Medium-term Business Plan.

<Condominiums>

- Expand share through proactive business development activities

Name	Location	Start of move-in availability	Number of Condominiums
MJR Kyudai-Gakkentoshi Residence	Nishi, Fukuoka	FY2018.3 (scheduled)	161
MJR Akasaka Tower	Chuo, Fukuoka	FY2018.3 (scheduled)	172
MJR The Garden Oe	Chuo, Kumamoto	FY2018.3 (scheduled)	193
MJR Kuhonji Terrace	Chuo, Kumamoto	FY2019.3 (scheduled)	64
MJR The Garden Kagoshima-Chuo	Kagoshima	FY2019.3 (scheduled)	472
MJR Onojo Ekimae	Onojo City, Fukuoka Prefecture	FY2019.3 (scheduled)	52
MJR Sakurazaka the Residence	Chuo, Fukuoka	FY2019.3 (scheduled)	26
MJR Shimizucho (Provisional)	Kagoshima	FY2019.3 (scheduled)	51
MJR Shin-Oe (Provisional)	Chuo, Kumamoto	FY2019.3 (scheduled)	28

<Number of Sold Condominiums (Aggregate)>



Notes: Figures are as of March 31 of each fiscal year.
Forecasts for FY2019.3 were formulated at the time of the establishment of the Medium-term Business Plan.

32

- I will next explain some of the initiatives in the apartment business.
- The number of rental apartments we handle is growing alongside related sales. Going forward, we will move ahead with new development projects centered on urban areas with the aim of securing stable profits.
- In condominium sales, we have an established brand in the Kyushu area, and we ranked No. 1 in condominium unit sales in Kyushu in both 2015 and 2016 . We hope to expand our share going forward through new development projects.
- Please turn to the next slide.

Ropponmatsu Development Project



◆ Overview of Ropponmatsu Development Project

- Location : Chuo Ward, Fukuoka City
- Closest station : Ropponmatsu Station
(Fukuoka City Subway)

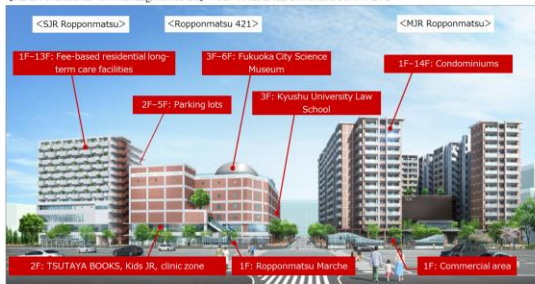
<Ropponmatsu 421, etc. (Eastern area)>

- Lot area : Approx. 9,950 m²
- Total floor space : Approx. 37,000 m²
- Scale : 13 above-ground floors,
1 underground floor
- Uses : Commercial facilities
Kyushu University Law School
Fukuoka City Science Museum
Fee-based residential long-term care facilities (SJR Ropponmatsu)
- Opening : Fall 2017

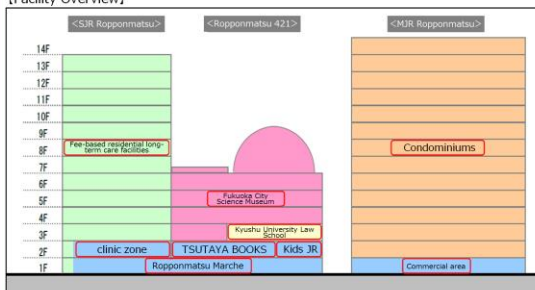
<MJR Ropponmatsu, etc. (Western area)>

- Lot area : Approx. 11,200 m²
- Total floor space : Approx. 44,000 m²
- Scale : 14 above-ground floors
- Units : 351
- Turnover date : March 2017

[Artist rendition of building exteriors] *As seen from National Route 202



[Facility Overview]



33

- I would now like to provide an overview of the Ropponmatsu development project, for which openings of buildings in the eastern area of the project are scheduled for fall 2017.
- Located in the Chuo Ward of Fukuoka City, the closest station to the development project is Ropponmatsu Station on the Fukuoka City Subway. The project is being developed on the former site of the Kyushu University campus, which was acquired by the Company.
- We have divided the site of the development project into eastern and western areas. The eastern area will house commercial facilities as well as the Kyushu University Law School, the Fukuoka City Science Museum, and SJR Ropponmatsu, a facility belonging to the Company. The western area will be home to MJR Ropponmatsu, a condominium complex with a total of 351 units for which turnover has already been completed.
- We intend to continue proactively taking part in city-building activities that will contribute to the growth of the Company and to enhanced appeal for the respective regions, whether or not that region may lie alongside our railway belts.
- Please turn to the next slide.

Retail, Restaurant, and Hotel Businesses Pursuing Further Growth



<Retail and Restaurants>

- Aim to be industry's leading company by accelerating urban development projects centered on stations

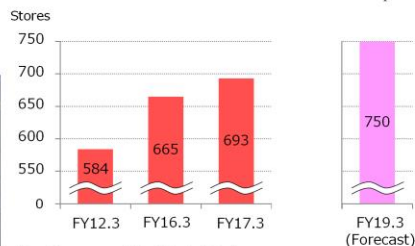


■ Integrated DRUG ELEVEN-FamilyMart store



■ Akasaka Umaya Jingan, Shanghai Location

<Number of Stores in Retail and Restaurant Group>



Notes: Figures are as of March 31 of each fiscal year.
Forecasts for FY2019.3 were formulated at the time of the establishment of the Medium-term Business Plan.

<Hotel Business>

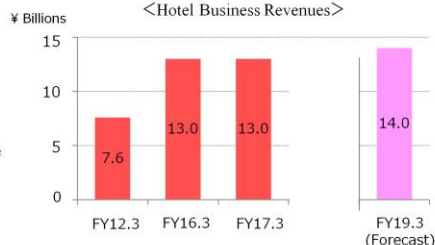
- Expand chain through development of hotels mainly consisting of guest rooms for overnight stays



<JR Kyushu Hotel Blossom Naha>

Location : Naha City, Okinawa Prefecture
Ownership : ORION BREWERIES, LTD.
Operator : JR Kyushu Hotels Inc.
Guest rooms : 218
Opening : June 24, 2017

<Hotel Business Revenues>

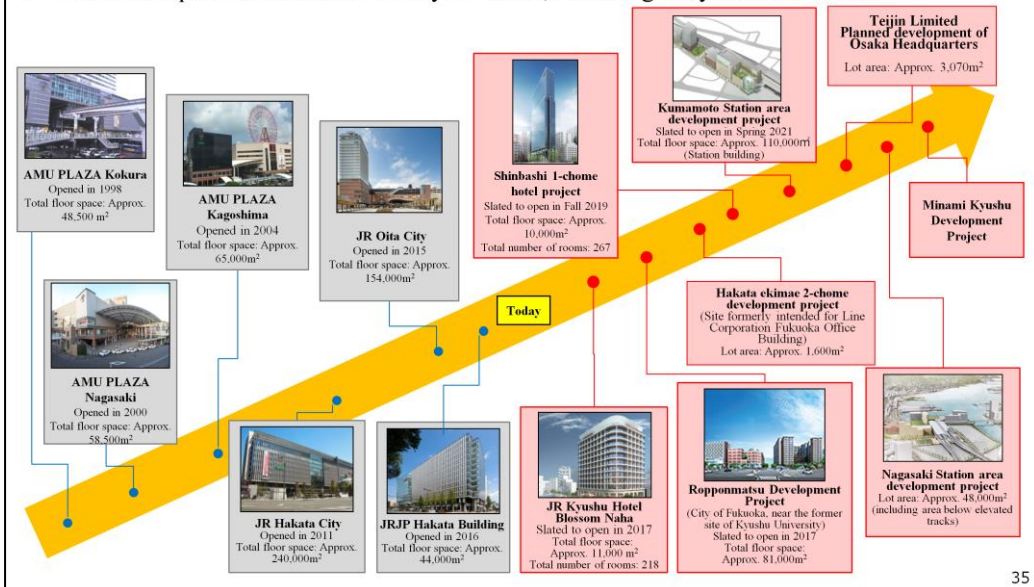


Note: Figures above are the total of business revenues from five subsidiaries operating hotel and Japanese-style lodge businesses.
Forecasts for FY2019.3 were formulated at the time of the establishment of the Medium-term Business Plan.

- I will now briefly touch on our initiatives in the retail, restaurant, and hotel businesses.
- In these businesses, we are pursuing further growth by expanding our operations both inside and outside of the Kyushu area. As one such initiative, we will open JR Kyushu Hotel Blossom Naha in June 2017.
- Please turn to the next slide.

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



35

- Lastly, I would like to talk about our development pipelines.
- As shown on this slide, while maintaining our focus on Kyushu, we are also developing pipelines for which we can leverage our strengths in regions outside of Kyushu. In addition, we are scheduled to undertake development projects in areas surrounding Kumamoto Station and Nagasaki Station after the period of the JR Kyushu Group Medium-Term Management Plan 2016–2018.
- This concludes my presentation. I thank you for your attention.

Appendix

EBITDA by Segment



Notes: Figures for the Transportation segment EBITDA up to and including FY2016/3 contain earnings from use of the Management Stabilization Fund (¥12.0 billion in FY2014/3, ¥12.5 billion in FY2015/3, and ¥11.1 billion in FY2016/3).
Figures by segment are prior to eliminating intersegment transactions.

Major Properties



*As of March 2017

Asset type	Name	Location	Timings (Opening / Acquisition)	Floor space / Units / Rooms	Tenant sales (FY2017/3)	Major tenants
Station building	AMU PLAZA Kokura	Kokura Kita Ward, Kita Kyusyu City	Mar. 1998	Approx. 48,500m ²	¥12.0 billion	UNITED ARROWS, Francfranc, etc.
	AMU PLAZA Nagasaki	Onoemachi, Nagasaki City	Sep. 2000	Approx. 58,500m ²	¥20.8 billion	TOKYU HANDS, MUJI, UNITED CINEMAS, etc.
	AMU PLAZA Kagoshima	Chuocho, Kagoshima City	Sep. 2004	Approx. 65,000m ²	¥26.4 billion	TOKYU HANDS, ZARA, Cinema Kagoshima Mitte 10, etc.
	JR Hakata City	Hakata Ward, Fukuoka City	Mar. 2011	Approx. 240,000m ²	¥106.1 billion	Hankyu Department Store, TOKYU HANDS, T-Joy Hakata, etc.
	JR Oita City	Kanamemachi, Oita City	Apr. 2015	Approx. 154,000m ²	¥22.3 billion	TOKYU HANDS, TOHO CINEMAS, etc.
Office buildings	Akasaka Sanno Center Building	Chiyoda Ward, Tokyo	Acquired in Mar. 2011	Approx. 5,000m ²	—	—
	Nibancho Center Building	Chiyoda Ward, Tokyo	Acquired in Mar. 2014	Approx. 44,000m ²	—	—
	JRJP Hakata Building	Hakata Ward, Fukuoka City	Opened in Apr. 2016	Approx. 44,000m ²	—	—
	Hirakawacho Center Building	Chiyoda Ward, Tokyo	Acquired in Sep. 2016	Approx. 8,000m ²	—	—
Rental apartments	RJR Precia Yoshizukaekimae II	Hakata Ward, Fukuoka City	Feb. 2014	177	—	—
	RJR Oita Ekimae	Kanamemachi, Oita City	Feb. 2015	130	—	—
	RJR Precia Korimoto	Korimotocho, Kagoshima City	Feb. 2016	164	—	—
	RJR Precia Hakata	Hakata Ward, Fukuoka City	Feb. 2017	218	—	—
And 25 other buildings						
Hotels	JR Kyushu Hotel Blossom Hakata Chuo	Hakata Ward, Fukuoka C	Apr. 2013	247	—	—
	JR Kyushu Hotel Blossom Shinjuku	Shibuya Ward, Tokyo	Aug. 2014	239	—	—
And 12 other buildings						

Overview of Major Development Pipelines

*As of March 2017



Name	Location	Timings	Floor space / Lot area / Units / Rooms	Additional comments (uses, etc.)
Ropponmatsu Development				
Ropponmatsu 421, etc. (Eastern area)	Chuo Ward, Fukuoka City	Slated to open in fall 2017	Lot area: Approx. 9,950㎡ Total floor space: Approx. 37,000㎡	Commercial facilities (Ropponmatsu Marche, TSUTAYA BOOKS, etc.) ; Kyushu University Law School, Fukuoka City Science Museum; Fee-based residential long-term care facilities (SJR Ropponmatsu)
MJR Ropponmatsu, etc. (Western area)	Chuo Ward, Fukuoka City	March 2017: Start of turnovers	Condominiums: 351 units Total floor space: Approx. 44,000㎡	Condominium turnover completed 1F commercial area
Kumamoto Station area development Kumamoto City				
		Spring 2018: Scheduled start of operations in area under elevated tracks Spring 2019: Scheduled start of station building construction Spring 2021: Scheduled commencement of station building operations	Lot area: Approx. 70,000 m ² (including area below elevated tracks) Total floor space: Approx. 110,000 m ² (station building)	Area below elevated tracks: Commercial area Station building: Commercial area, movie theaters, hotels, etc. Multilayered parking lots: 2,100 parking spaces Residential areas: MJR, SJR, etc.
Nagasaki Station area development Nagasaki City				
		Undecided * Scheduled for opening in FY2020/3 or later	Lot area: Approx. 48,000㎡ (including area below elevated tracks)	Promotion of development in area surrounding station out of consideration for Shinkansen opening and change to elevated tracks for conventional lines; Potentially integrated development of commercial areas, hotels, office buildings, etc.
Minami Kyushu development project				
Kagoshima-Chuo Station West Exit	Kagoshima City	Undecided * Scheduled for opening in FY2020/3 or later	Lot area: Approx. 8,500㎡	Potentially integrated development including commercial areas, hotels, residential areas, etc.
Kagoshima Station area	Kagoshima City	Undecided * Scheduled for opening in FY2020/3 or later	Lot area: Approx. 14,000㎡	—
Miyazaki Station West Exit	Miyazaki City	Undecided * Scheduled for opening in FY2020/3 or later	Lot area: Approx. 4,000㎡	Potentially integrated development including commercial areas, hotels, residential areas, etc.
Area surrounding Kagoshima Rolling Stock Depot	Kagoshima City	Undecided * Scheduled for opening in FY2020/3 or later	Lot area: Approx. 12,000㎡	—
Hakata ekimae 2-chome development (Site formerly intended for Line Corporation Fukuoka Office Building)	Hakata Ward, Fukuoka City	Undecided	Lot area: Approx. 1,600㎡	Potentially integrated development including commercial areas, hotels, office areas, etc.
Teijin Limited Planned development of Osaka Headquarters	Chuo Ward, Osaka	Undecided	Lot area: Approx. 3,070㎡	—
JR Kyushu Hotel Blossom Naha	Naha City, Okinawa	Slated to open in Jun. 2017	Total number of rooms: 218 Total floor space: Approx. 11,000㎡	Ownership: ORION BREWERIES, LTD. Hotel operator: JR Kyushu Hotels Inc.
Shinbashi 1-chome hotel project	Minato Ward, Tokyo	Slated to open in fall 2019	Total number of rooms: 267 (planned) Total floor space: Approx. 10,000㎡	Integrated development of office buildings and hotels, joint development projects with NTT Urban Development Hotel owner: Kyushu Railway Company Hotel operator: JR Kyushu Hotels Inc.

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/