



FY2018/3 Semi-Annual Investors Meeting

November 10, 2017

Kyushu Railway Company



KYUSHU RAILWAY COMPANY



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I Financial results for the first half of FY2018/3

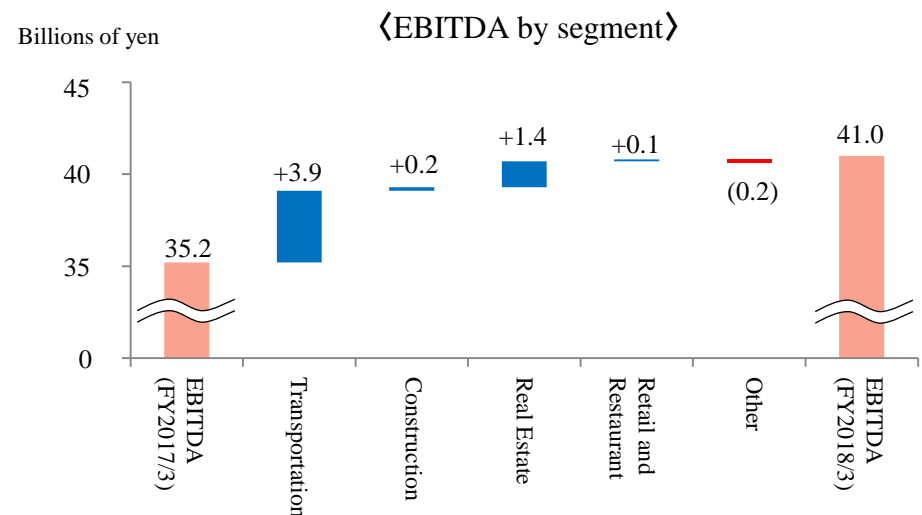
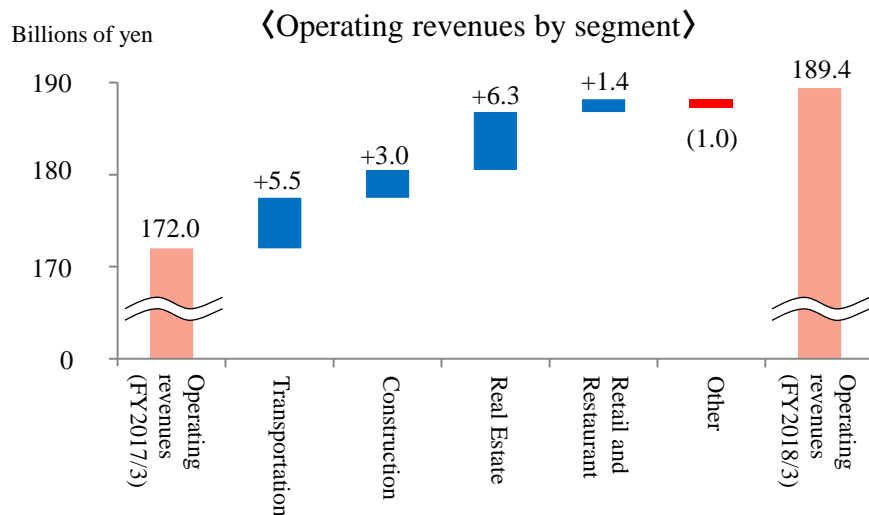
Consolidated Financial highlights for the First Half of FY2018/3 (Year on Year)

- Operating revenues **increased** due to a rise in railway transportation revenues owing to such factors as the dissipating impact from the 2016 Kumamoto earthquakes, in addition to higher revenues from condominium sales.
- Net income attributable to owners of the parent **increased** due to a decline in extraordinary losses associated with the 2016 Kumamoto earthquakes, although extraordinary losses associated with the heavy rain in northern Kyushu and typhoon No. 18 are recorded.
- EBITDA **increased** due to a rise in railway transportation revenues.

(Billions of yen)

	6 months ended Sep 30, 2016	6 months ended Sep 30, 2017	YoY	
Operating revenues	172.0	189.4	17.3	110.1%
Operating income	28.3	32.7	4.4	115.8%
Ordinary income	29.4	33.9	4.5	115.4%
Net income attributable to owners of the parent	19.9	22.9	3.0	115.2%
EBITDA	35.2	41.0	5.7	116.4%

Note: EBITDA = operating income + cost of depreciation The same applies hereafter.



Note: Figures for changes in operating revenues and EBITDA by segment are prior to eliminating intersegment transactions and therefore do not coincide with consolidated figures.

Consolidated Income Statements



(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Operating revenues	172.0	189.4	17.3	110.1%	Railway transportation revenues +4.1 Revenues from condominium sales + 5.1
Operating expenses	143.7	156.6	12.8	108.9%	Condominium selling costs + 4.3 Depreciation costs (JR Kyushu) + 1.2
Operating income	28.3	32.7	4.4	115.8%	—
Non-operating income and expenses	1.1	1.2	0.0	104.2%	—
Ordinary income	29.4	33.9	4.5	115.4%	—
Extraordinary gains and losses	(5.2)	(4.9)	0.3	—	Decrease in disaster expenses due to the 2016 Kumamoto earthquakes + 8.8 Increase in disaster expenses due to heavy rain in northern Kyushu and typhoon No. 18 (4.8) — Decrease in gain on sales of trusts (3.0)
Net income attributable to owners of the parent	19.9	22.9	3.0	115.2%	—
EBITDA	35.2	41.0	5.7	116.4%	Railway transportation revenues + 4.1

Segment Information (Summary)



(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	172.0	189.4	17.3	110.1%
Transportation	83.9	89.5	5.5	106.6%
Construction	24.7	27.8	3.0	112.3%
Real Estate	24.6	30.9	6.3	125.6%
(Real Estate Lease)	22.8	23.9	1.1	104.9%
Retail and Restaurant	50.0	51.5	1.4	102.9%
Other	29.0	28.0	(1.0)	96.5%
EBITDA	35.2	41.0	5.7	116.4%
Transportation	16.4	20.3	3.9	123.9%
Construction	0.8	1.0	0.2	127.2%
Real Estate	14.6	16.0	1.4	109.8%
(Real Estate Lease)	14.9	15.3	0.4	103.2%
Retail and Restaurant	2.5	2.6	0.1	105.8%
Other	1.4	1.1	(0.2)	83.7%

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, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	83.9	89.5	5.5	106.6%
Operating income	15.2	18.0	2.7	118.1%
EBITDA	16.4	20.3	3.9	123.9%

◆ Construction Segment

(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	24.7	27.8	3.0	112.3%
Operating income	0.4	0.6	0.2	153.0%
EBITDA	0.8	1.0	0.2	127.2%

Segment Information ②



◆ Real Estate Segment

(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	24.6	30.9	6.3	125.6%
Operating income	10.3	11.7	1.3	113.1%
EBITDA	14.6	16.0	1.4	109.8%

(Reprint) Real Estate Lease

(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	22.8	23.9	1.1	104.9%
Operating income	10.6	11.0	0.4	103.9%
EBITDA	14.9	15.3	0.4	103.2%

Segment Information ③



◆ Retail and Restaurant Segment

(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	50.0	51.5	1.4	102.9%
Operating income	1.6	1.8	0.1	110.4%
EBITDA	2.5	2.6	0.1	105.8%

◆ Other Segments

(Billions of yen)

	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Operating revenues	29.0	28.0	(1.0)	96.5%
Operating income	1.0	0.6	(0.3)	64.2%
EBITDA	1.4	1.1	(0.2)	83.7%

Financial Position and Status of Cash Flows (consolidated)



(Billions of yen)

Financial Position	As of March 31, 2017 A	As of Sep 30, 2017 B	Increase/ (decrease) B-A
Assets	676.6	682.7	6.0
Current assets	198.6	181.6	(16.9)
Non-current assets	478.0	501.0	22.9
Liabilities	328.2	317.4	(10.7)
Current assets	134.9	121.6	(13.2)
Non-current assets	193.2	195.7	2.4
Net assets	348.4	365.2	16.8
Equity ratio	50.7%	52.7%	2.0%
Net assets per share (¥)	2,144.00	2,249.06	105.06

(Billions of yen)

Status of Cash Flows	As of Sep 30, 2016 A	As of Sep 30, 2017 B	Increase/ (decrease) B-A
Net cash provided by operating activities	9.9	46.9	37.0
Net cash provided by (used in) investing activities	(41.7)	(39.8)	1.8
Free cash flows	(31.8)	7.1	38.9
Net cash used in financing activities	0.2	(6.7)	(6.9)
Change in cash and cash equivalents	(31.5)	0.4	31.9
Cash and cash equivalents, end of year the period	13.1	54.6	41.5

Nonconsolidated Income Statements



(Billions of yen)

	6 months ended Sep 30, 2016	6 months ended Sep 30, 2017	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
	A	B	B-A	B/A	
Operating revenues	93.2	104.1	10.9	111.8%	Revenues from condominium sales +5.1
(Railway transportation revenues)	71.1	75.3	4.1	105.9%	Dissipating impacts from the 2016 Kumamoto earthquakes, etc. +4.1
Operating expenses	70.2	77.5	7.2	110.4%	—
Personnel expenses	26.9	25.4	(1.5)	94.3%	—
Non-personnel expenses	36.5	43.2	6.6	118.3%	—
Energy costs	4.0	4.4	0.4	110.5%	—
Maintenance costs	13.0	13.3	0.2	102.3%	—
Other	19.4	25.3	5.9	130.8%	Condominium selling costs +4.3
Taxes	3.4	4.3	0.9	126.5%	Abolition of Inheritance Exception, lessened rate of tax reduction from Three Island Exception, etc.
Depreciation costs	3.2	4.4	1.2	136.7%	—
Operating income	22.9	26.6	3.6	116.1%	—
Non-operating income and expenses	3.2	3.3	0.1	104.9%	—
Ordinary income	26.2	30.0	3.8	114.7%	—
Extraordinary gains and losses	(5.1)	(4.5)	0.5	—	Decrease in disaster expenses due to the 2016 Kumamoto earthquakes +8.9 Increase in disaster expenses due to heavy rain in northern Kyushu and typhoon No. 18 (4.8) Increase in disaster expenses due to heavy rain in Decrease in gain on sales of trusts (3.0)
Net income	18.5	21.4	2.8	115.4%	—

Non-consolidated Income Statements (Reprint)



(Billions of yen)

		6 months ended Sep 30, 2016	6 months ended Sep 30, 2017	YoY	
				Increase/ (decrease)	%
		A	B	B-A	B/A
Railway business	Operating revenues	78.6	83.5	4.9	106.2%
	Operating expenses	63.5	65.8	2.2	103.6%
	Operating income	15.0	17.6	2.6	117.5%
Related businesses	Operating revenues	14.5	20.6	6.0	141.6%
	Operating expenses	6.6	11.6	5.0	175.1%
	Operating income	7.9	8.9	1.0	113.4%

Railway Transportation Revenues and Performance of Transportation Volume



(Billions of yen)

Transportation Revenues	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY		Major factors
			Increase/ (decrease) B-A	% B/A	
Total	71.1	75.3	4.1	105.9%	—
Shinkansen	23.7	26.9	3.1	113.4%	Dissipating impacts from the 2016 Kumamoto earthquakes +2.3
Commuter pass	1.3	1.3	(0.0)	99.6%	
Non-commuter pass	22.4	25.5	3.1	114.2%	
Conventional Lines	47.4	48.4	1.0	102.1%	Dissipating impacts from the 2016 Kumamoto earthquakes +0.9
Commuter pass	15.0	15.2	0.1	100.8%	
Non-commuter pass	32.3	33.2	0.8	102.7%	

(Millions of passenger-kilometers)

Passenger-Kilometers	6 months ended Sep 30, 2016 A	6 months ended Sep 30, 2017 B	YoY	
			Increase/ (decrease) B-A	% B/A
Total	4,625	4,758	133	102.9%
Shinkansen	886	998	111	112.6%
Commuter pass	102	101	(0.0)	99.7%
Non-commuter pass	784	896	112	114.3%
Conventional Lines	3,738	3,760	21	100.6%
Commuter pass	2,107	2,106	(0.1)	99.9%
Non-commuter pass	1,631	1,654	22	101.4%

II Forecasts for FY2018/3

Consolidated Financial Forecasts



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of August 10 B	As of November 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	382.9	396.3	405.3	22.3	105.8%	9.0
Operating income	58.7	56.2	59.1	0.3	100.6%	2.9
Ordinary income	60.5	57.6	61.0	0.4	100.7%	3.4
Net income attributable to owners of the parent	44.7	45.0	45.0	0.2	100.6%	—
Net income per share (yen)	279.70	281.25	281.25	1.55	100.6%	—
EBITDA	73.2	74.8	77.4	4.1	105.6%	2.6

Consolidated Financial Forecasts (By segment)



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of August 10 B	As of November 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	382.9	396.3	405.3	22.3	105.8%	9.0
Transportation	176.4	181.1	182.1	5.6	103.2%	1.0
Construction	79.3	83.8	84.4	5.0	106.4%	0.6
Real Estate	67.4	66.2	68.0	0.5	100.8%	1.8
Retail and Restaurant	100.4	102.9	102.9	2.4	102.4%	—
Other	60.9	60.5	67.5	6.5	110.8%	7.0
Operating income	58.7	56.2	59.1	0.3	100.6%	2.9
Transportation	25.7	25.1	27.2	1.4	105.8%	2.1
Construction	5.9	4.4	4.4	(1.5)	73.9%	—
Real Estate	22.6	22.1	22.6	(0.0)	99.7%	0.5
Retail and Restaurant	3.4	3.6	3.6	0.1	103.6%	—
Other	2.5	1.5	1.8	(0.7)	70.8%	0.3
EBITDA	73.2	74.8	77.4	4.1	105.6%	2.6
Transportation	28.5	31.1	32.8	4.2	114.9%	1.7
Construction	6.7	5.1	5.1	(1.6)	75.3%	—
Real Estate	31.1	31.2	31.6	0.4	101.4%	0.4
Retail and Restaurant	5.1	5.4	5.4	0.2	104.1%	—
Other	3.3	2.7	3.3	(0.0)	98.5%	0.6

Non-consolidated Financial Forecasts



(Billions of yen)

	Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of August 10 B	As of November 9 C	Increase/ (decrease) C-A	% C/A	
Operating revenues	212.2	215.5	218.1	5.8	102.8%	2.6
(Railway transportation revenues)	146.4	149.5	149.5	3.0	102.1%	—
Operating expenses	168.7	173.0	173.3	4.5	102.7%	0.3
Personnel expenses	53.1	51.3	51.0	(2.1)	96.0%	(0.3)
Non-personnel expenses	102.5	103.0	104.1	1.5	101.5%	1.1
Energy costs	8.0	9.1	8.8	0.7	109.3%	(0.3)
Maintenance costs	37.8	34.9	35.6	(2.2)	94.1%	0.7
Other	56.6	59.0	59.7	3.0	105.4%	0.7
Taxes	6.0	7.9	7.9	1.8	131.1%	—
Depreciation costs	7.0	10.8	10.3	3.2	146.0%	(0.5)
Operating income	43.4	42.5	44.8	1.3	103.0%	2.3
Non-operating income and expenses	4.0	3.4	4.3	0.2	106.4%	0.9
Ordinary income	47.5	45.9	49.1	1.5	103.3%	3.2
Extraordinary gains and losses	(4.2)	0.0	(3.0)	1.2	—	(3.0)
Net income	37.6	39.0	39.0	1.3	103.6%	—

Non-consolidated Financial Forecasts (Reprint)



(Billions of yen)

		Results FY2017/3 A	Forecast FY2018/3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
			As of August 10 B	As of November 9 C	Increase/ (decrease) C-A	% C/A	
Railway business	Operating revenues	164.9	169.0	170.2	5.2	103.2%	1.2
	Operating expenses	139.8	144.6	143.7	3.8	102.7%	(0.9)
	Operating income	25.0	24.4	26.5	1.4	105.7%	2.1
Related businesses	Operating revenues	47.2	46.5	47.9	0.6	101.4%	1.4
	Operating expenses	28.8	28.4	29.6	0.7	102.7%	1.2
	Operating income	18.4	18.1	18.3	(0.1)	99.4%	0.2

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

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



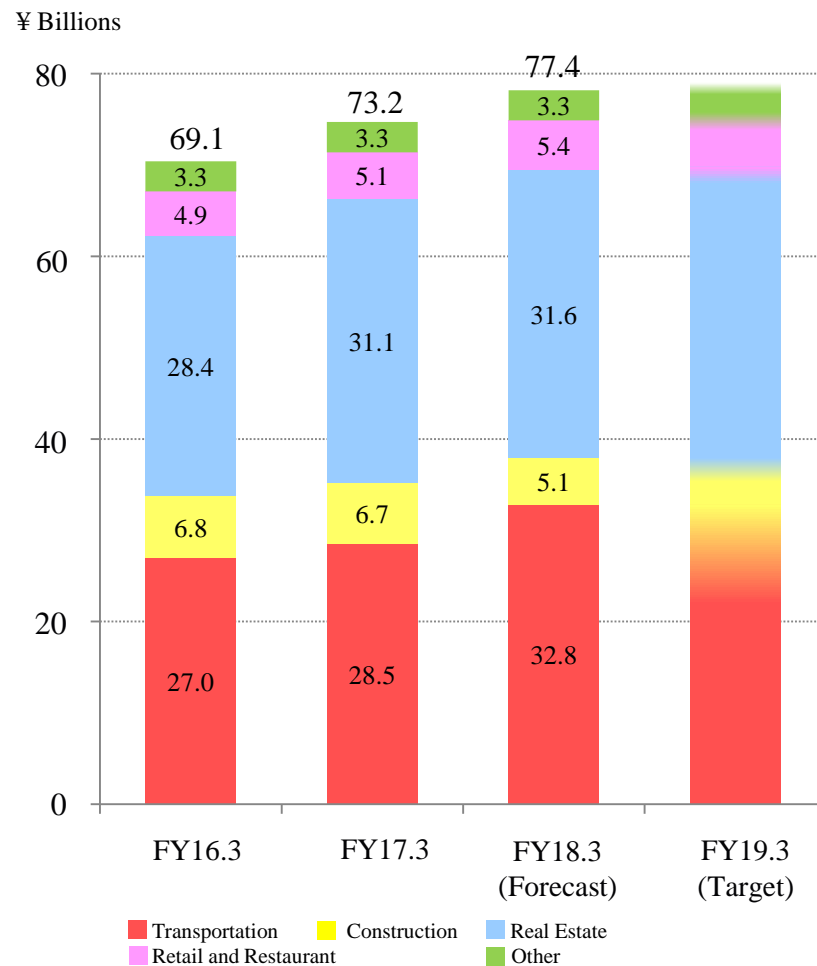
◆ Target Indicators (FY 2019/3)

< Operating revenues: **¥400 billion** >

Share of revenues excluding those from railway transportation
Over 62%



< EBITDA: **¥78 billion** >



Notes: The FY2016/3 figure for EBITDA in the Transportation segment includes earnings from use of the Management Stabilization Fund (¥11.1 billion)
EBITDA figures by segment are prior to eliminating intersegment transactions and therefore do not coincide with consolidated EBITDA figures.

Target Management Indicators



<Capital Investment Amounts[Reference]>

¥190 billion

(FY 2017/3–2019/3 totals)

(Main details)

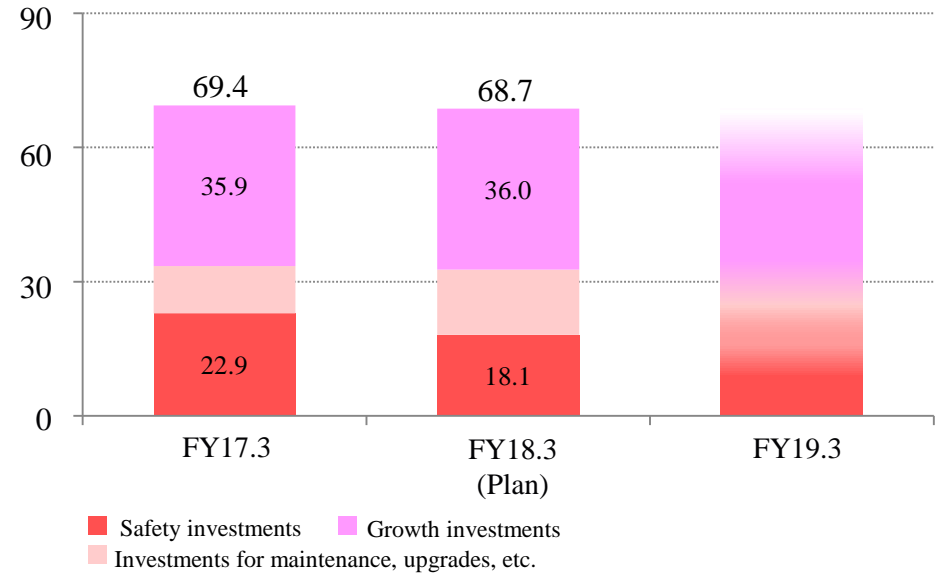
● Investments to improve safety
in the railway business

¥65 billion

● Growth investments

¥80 billion

¥ Billions



<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
Grand Precia Shibaura, etc.



■ Ropponmatsu development project



■ JR Kyushu Hotel Blossom Naha



■ Shinbashi 1-chome hotel project



◆ 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

- Dividend of **¥38.5 per share** for FY2017/3
 - Planned dividend of **¥78.0 per share** for FY2018/3
- * Interim dividend of **¥39.0 per share** for FY2018/3

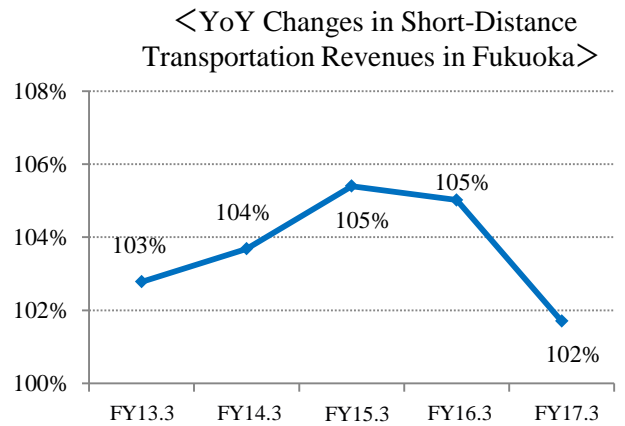
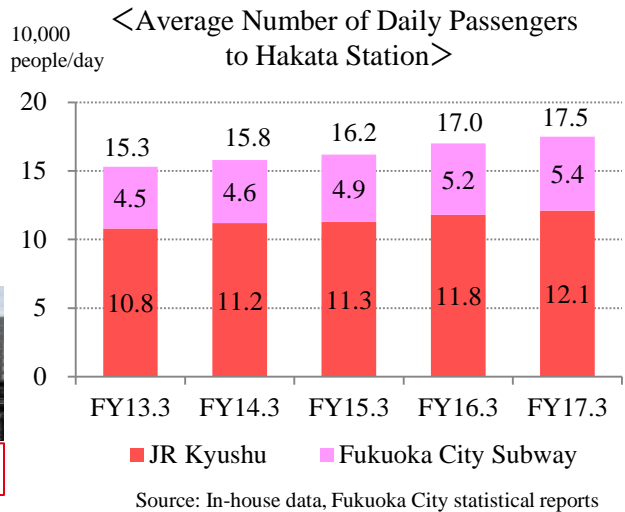
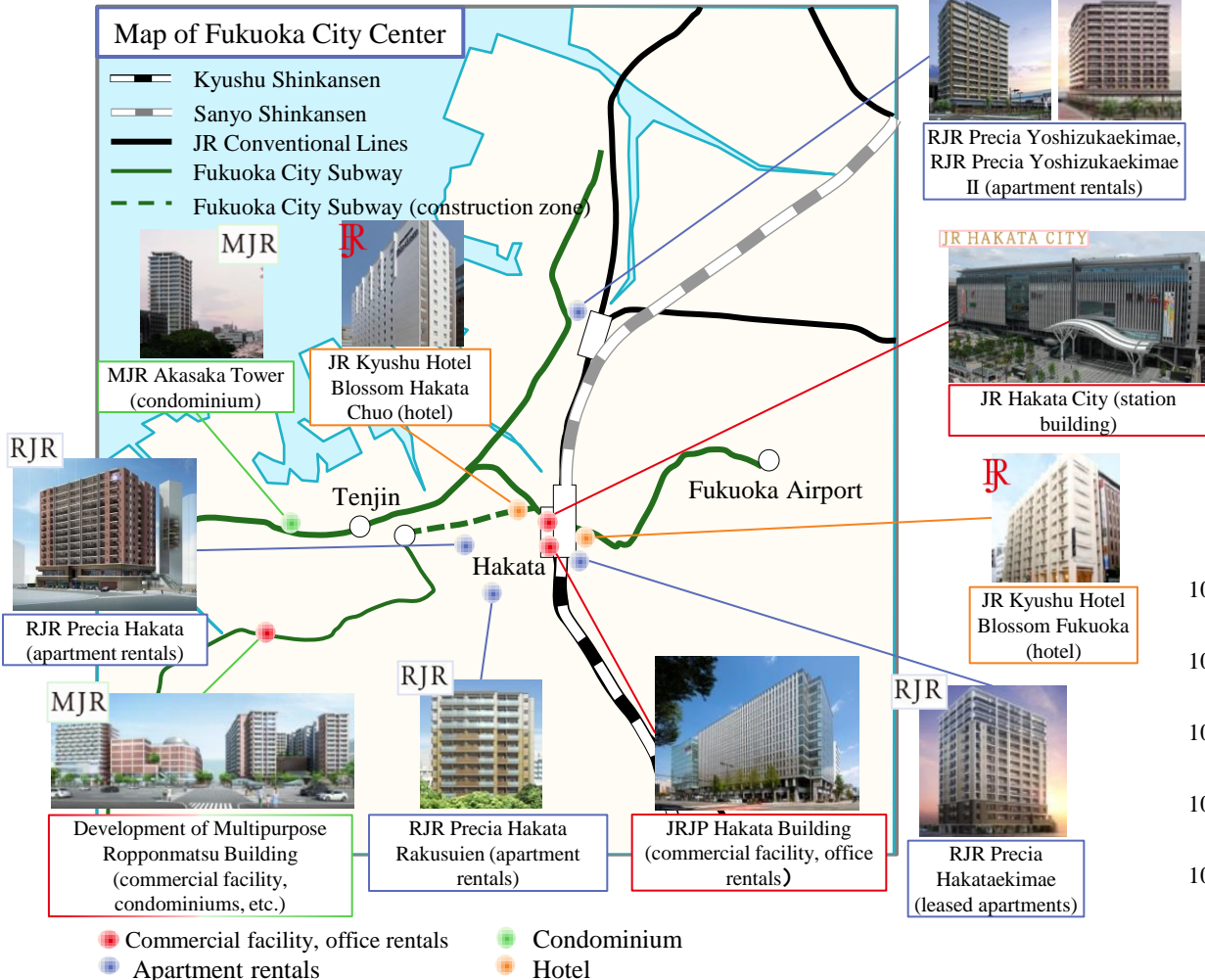
	Annual dividend amount per share	Consolidated dividend payout ratio
FY2017/3 * For half fiscal year	¥38.50	13.8%
FY2018/3 (Forecast)	¥78.00	27.7%

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

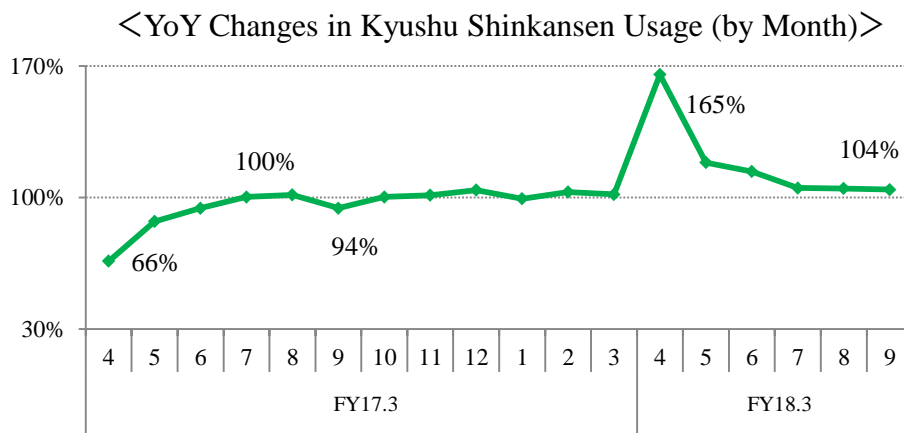
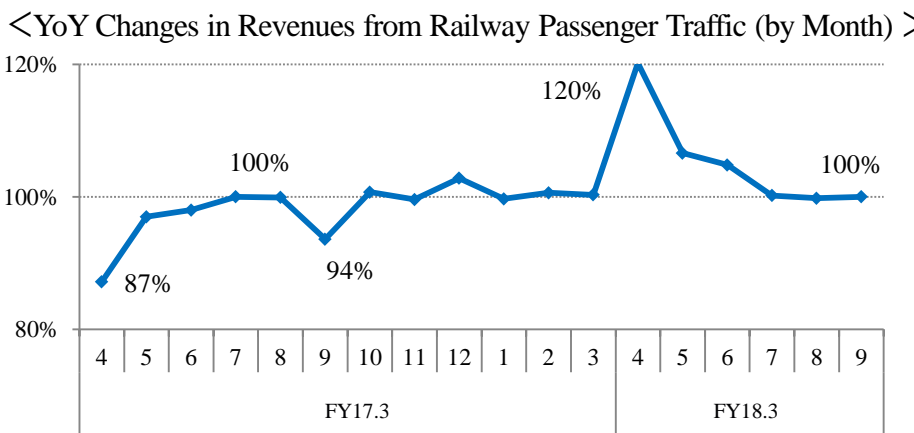
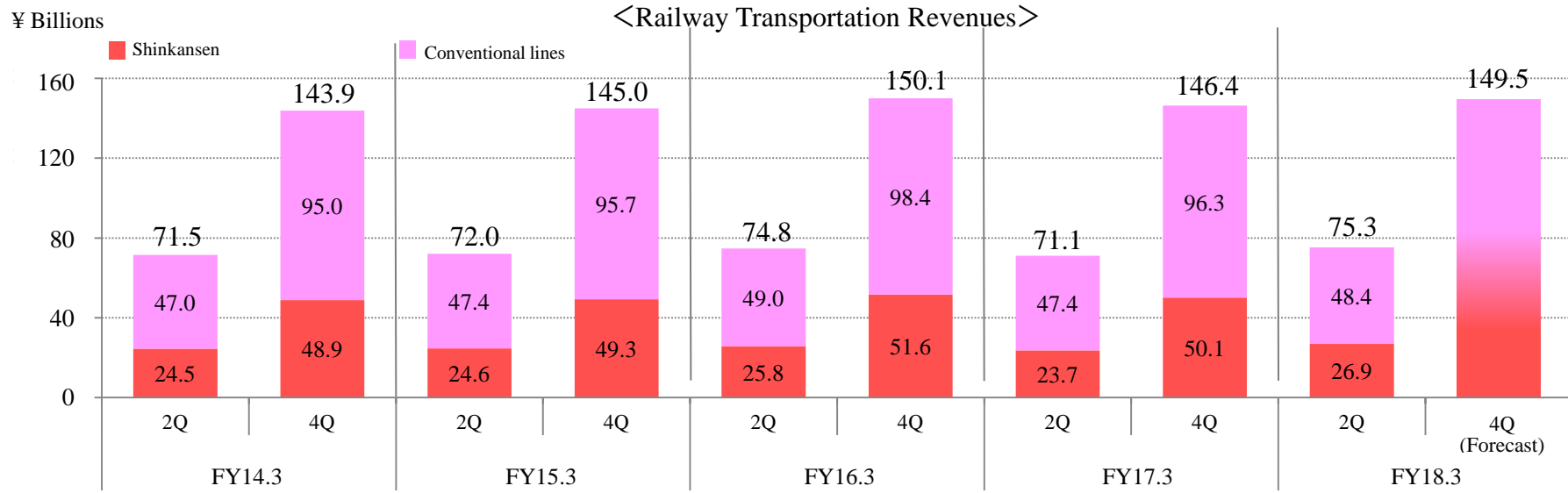
<Examples from Fukuoka>



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



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

Initiatives in the Railway Business—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>

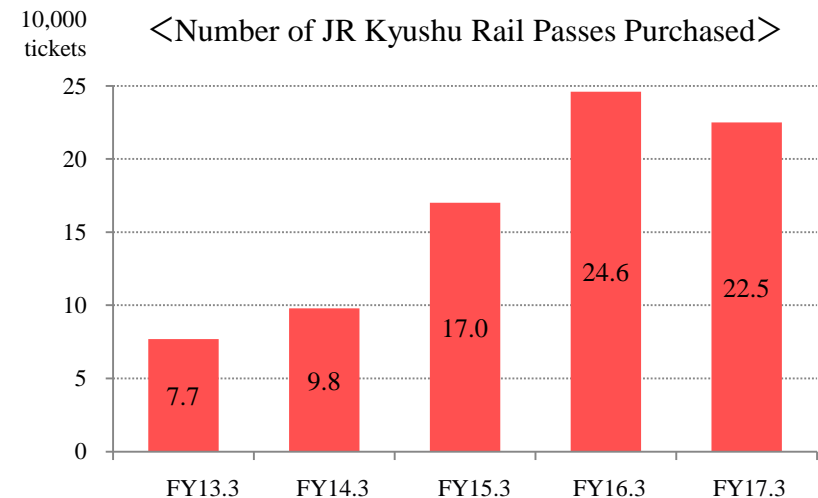
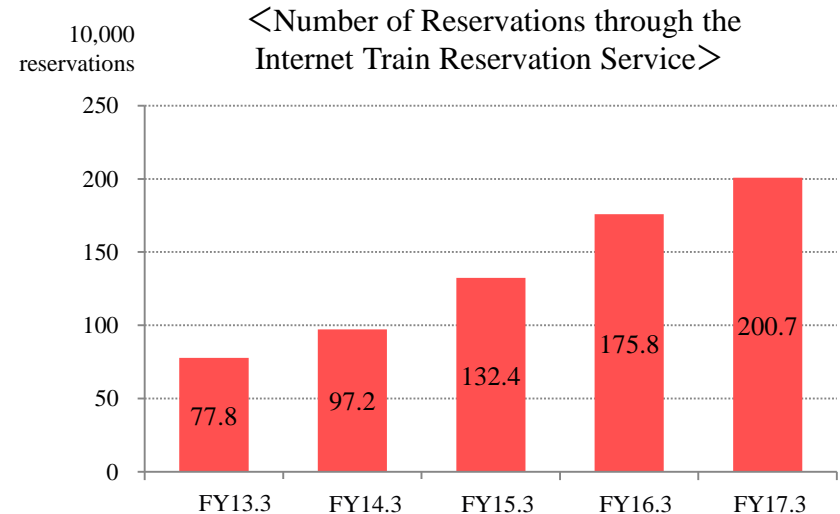
- ✓ Accelerate shift toward Internet reservations
 - May 2017: Introduction of payment service at convenience stores and other locations
 - ⇒ Enhancing convenience and encouraging use of online booking service
 - July 2017: Commencement of the JR Kyushu Point System JR *Kyupo*
 - ⇒ Enhancing the attractiveness of accruing points through an integrated point and campaign, encouraging use of online booking service
- ✓ 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)

<JR-KYUSHU RAIL PASS results for FY18.3 2Q>

	FY18.3 2Q	Compared with two years ago	Compared with last year
Number of passes issued	112,164	105.4%	109.5%
Revenues (millions of yen)	1,080	111.5%	107.6%



Initiatives in the Railway Business

—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

Received the 2017 Blue Ribbon Award

【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)



Natural Disasters—Heavy Rain in Northern Kyushu

<Heavy rain in northern Kyushu>

✓ Time of occurrence

- July 2017

✓ Main details on damage

- Kyudai Main Line

Occurrence of leaks on the

Kagetsugawa Bridge between

Teruoka Station and Hita Station, disconnected signal cables, etc.

- Hitahikosan Line

Occurrence of bridge deformations, track leaks, damaged railway crossing facilities, etc.

(Impact on trains (five-day period from July 5 to July 9))

Service suspended for a total of 1,516 trains on 16 lines, impacting approximately 300,000 customers

✓ Main details on recovery

- Kyudai Main Line

Aiming to realize a recovery of operations by summer of 2018

✓ Impact on FY2018/3 business performance

Extraordinary loss of ¥1.8 billion

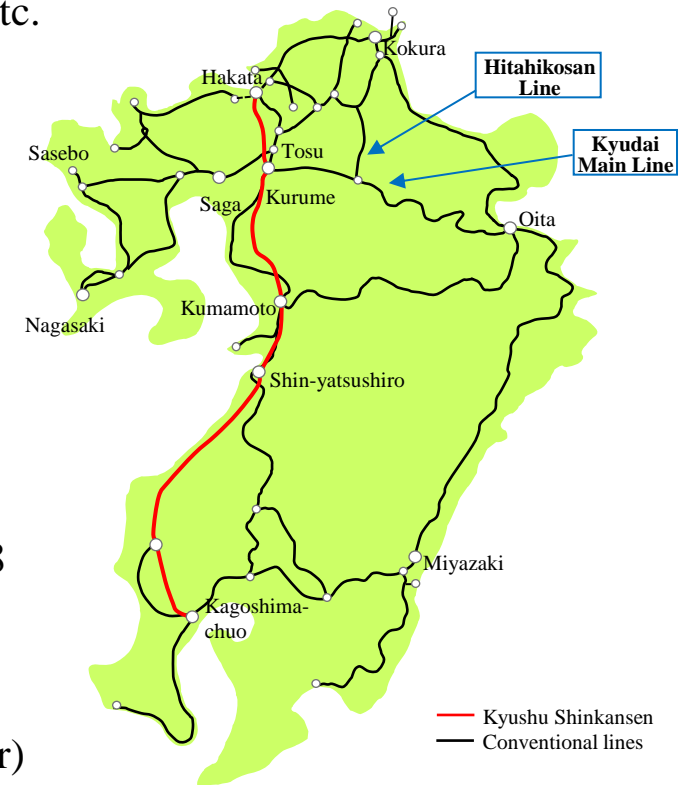
(¥1.7 billion of which recorded as provision for loss on disaster)



■ Sediment runoff on the premises of Chikuzen-Iwaya Station, Hitahikosan Line



■ Leaks on the Kagetsugawa Bridge between Teruoka Station and Hita Station, Kyudai Line



Natural Disasters—Typhoon No. 18



<Typhoon No. 18>

✓ Time of occurrence

- September 2017

✓ Main details on damage

- Nippo Main Line

Occurrence of damage on

multiple tracks, including sediment runoff on the premises of the Tokuura Signal Cabin (Tokuura area of Tsukumi City, Oita Prefecture) between Usuki Station and Tsukumi Station, flooding, ballast washout, and fractured power poles

- Hoho Main Line

Occurrence of damage on multiple tracks, including fallen trees, sediment runoff, ballast washout, and collapsed embankments

✓ Main details on recovery

- Nippo Main Line

Expecting to resume train service by around the latter half of December 2017

- Hoho Main Line

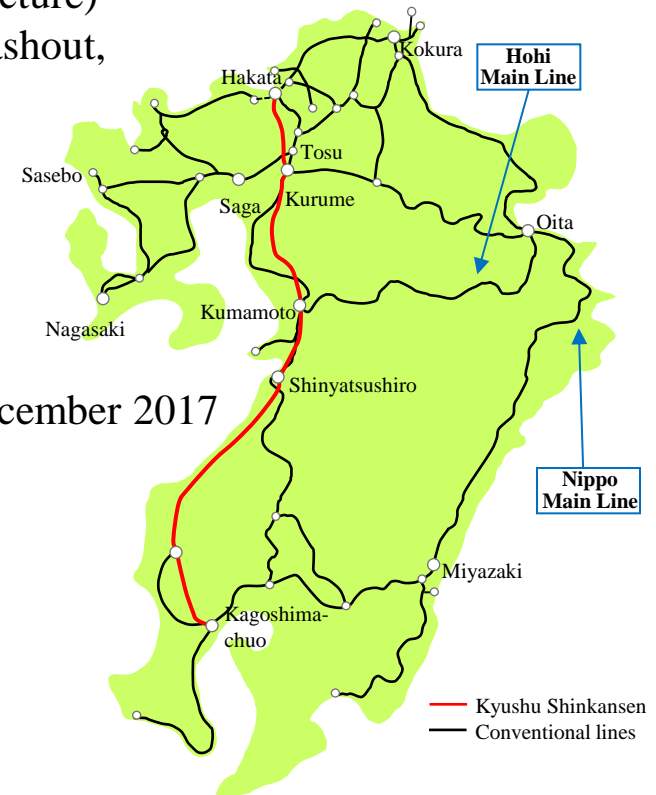
Resumed train service on October 2, 2017 (certain sections still undergoing recovery construction)

✓ Impact on FY2018/3 business performance

- Extraordinary loss of ¥3.0 billion (recorded as provision for loss on disaster)



■ Sediment runoff on the Nippo Main Line between Tsukumi Station and Hishiro Station

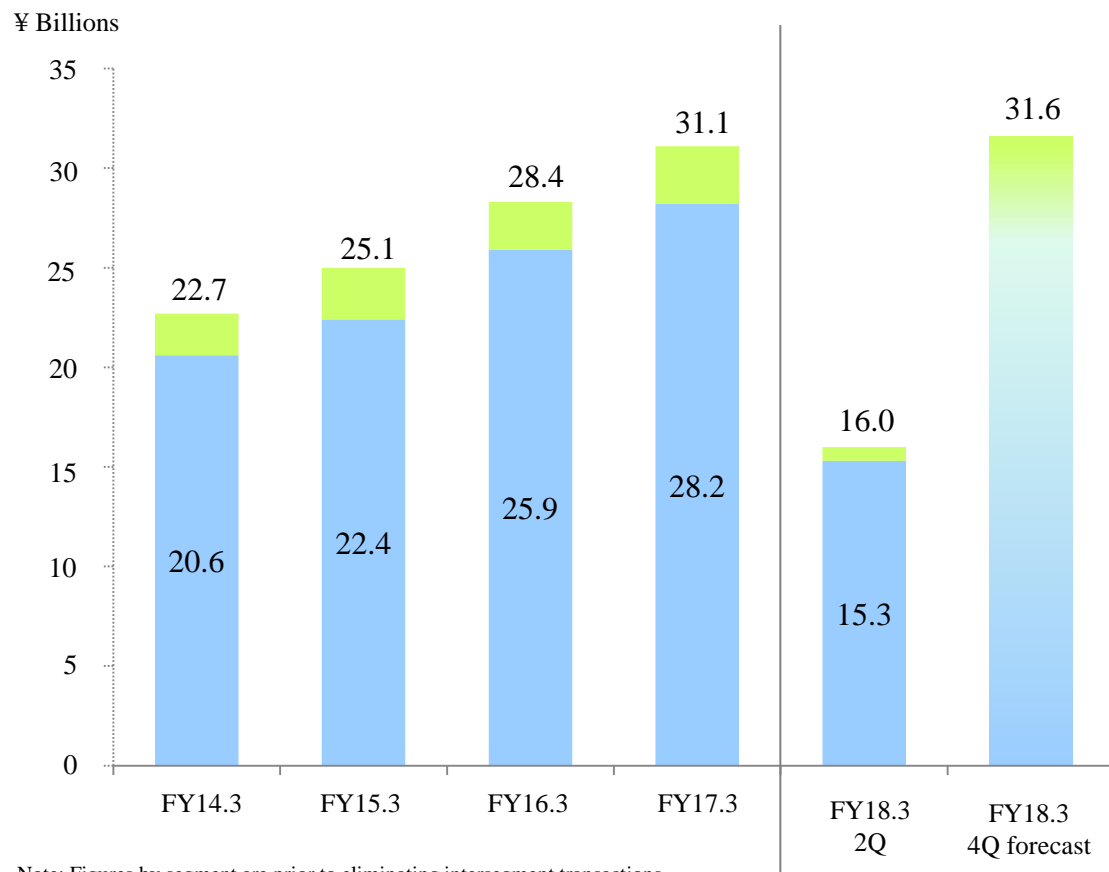


Real Estate Segment Driving Growth and Evolution



- 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>



Note: Figures by segment are prior to eliminating intersegment transactions.

Real Estate Sale

<Condominiums>



Real Estate Lease

<Station and office buildings>



<Rental apartments>

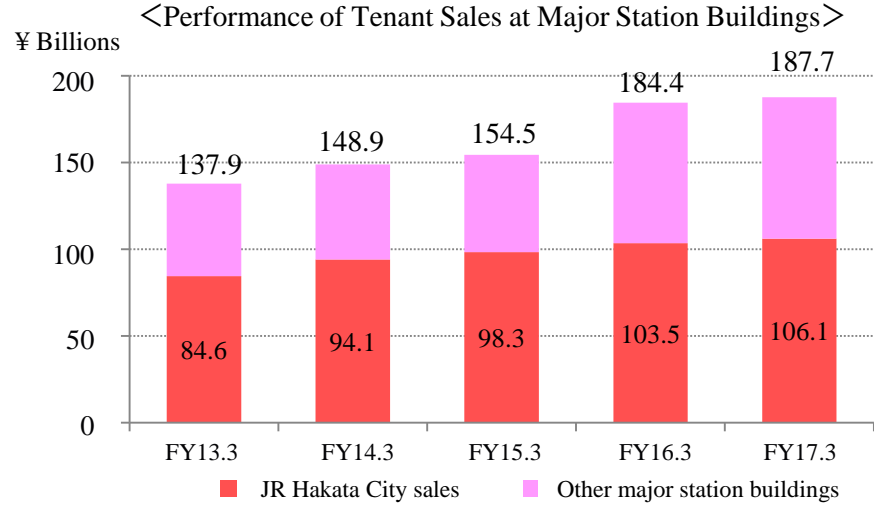
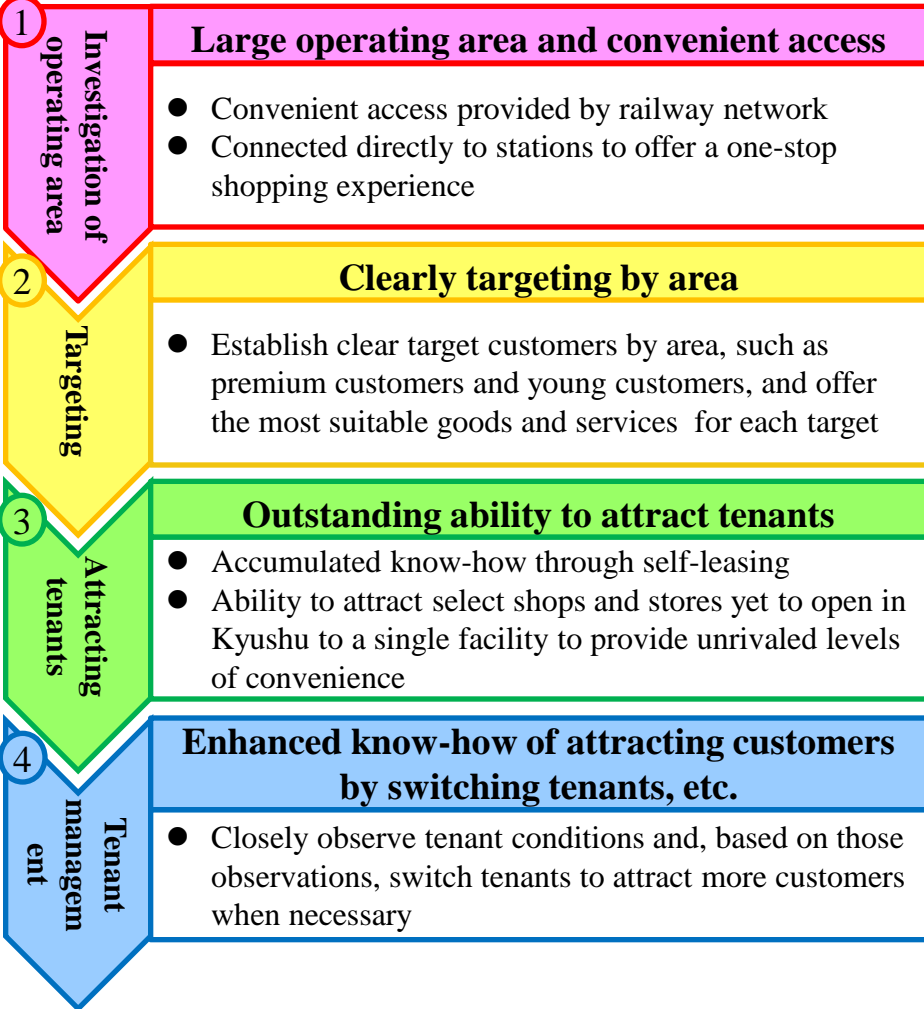


Initiatives in the Station Building Business



- 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

<Strengths of the Company's Station Buildings>



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



AMU PLAZA Kokura



AMU PLAZA Nagasaki



AMU PLAZA Kagoshima



JR Hakata City, AMU PLAZA Hakata



JR Oita City, AMU PLAZA Oita

Opening of Ropponmatsu 421



- Acquired a former site of Kyushu University to promote city-building in an inner-city area that is distant from the Company's train lines

◆ Ropponmatsu 421



A new "city" created at 4-2-1 Ropponmatsu

<Overview>

- Location : Chuo Ward, Fukuoka City
- Closest station : Ropponmatsu Station (Fukuoka City Subway)
- Lot area : Approx. 9,950 m²
- Total floor space : Approx. 37,000 m²
- Scale : 13 above-ground floors, 1 underground floor
- Date of opening : September 26, 2017

◆ SJR Ropponmatsu

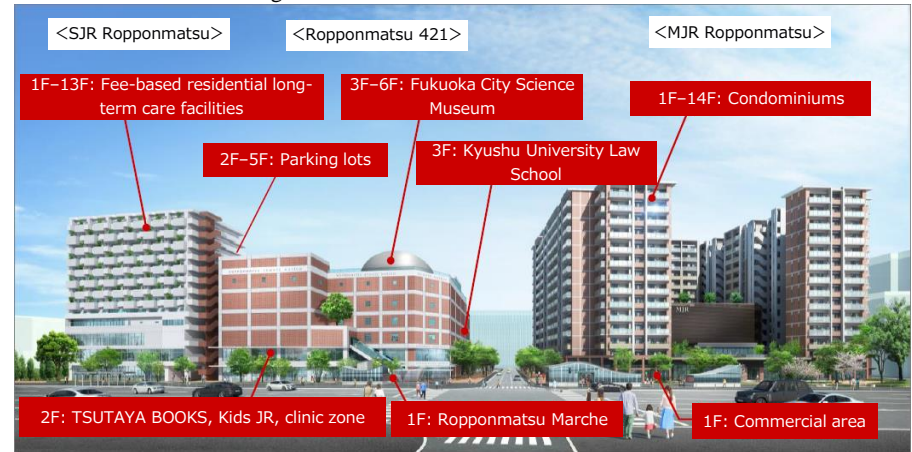
- Building type : Residence-style private retirement home
- Number of units : 113
- Start of move-in availability: September 2017

(Reference) MJR Ropponmatsu, etc.

(western area)

- Building type : Condominiums (certain portion for commercial use)
- Number of units : 351
- Start of turnover : March 2017 (all units occupied)

【Artist rendition of building exteriors】 *As seen from National Route 202



<Main tenants of Ropponmatsu 421>



<Other tenants >

- Restaurants : Three stores
- Food markets: Eight stores
- General goods: Two stores
- Services : Four stores
- Medical clinics: Four locations

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 Precia Oita Ekimae II	Oita City	February 2018	130
RJR Precia ChiyoKenchoguchi Ekimae	Hakata Ward, Fukuoka	February 2018	132
RJR Precia Nishikoen Bayside	Chuo Ward, Fukuoka	March 2018	45
Grand Precia Shibaura	Minato Ward, Tokyo	FY2019.3	234
RJR Korimoto II (Provisional)	Kagoshima City	FY2019.3	142
RJR Hakata Eki Minami (Provisional)	Hakata Ward, Fukuoka	FY2019.3	140

* Schedules are subject to change

<Condominiums>

- Expand share through proactive business development activities

Name	Location	Start of move-in availability	Number of units
MJR Akasaka Tower	Chuo Ward, Fukuoka	November 2017	172
MJR The Garden Oe	Chuo Ward, Kumamoto	March 2018	193
MJR Kuhonji Terrace	Chuo Ward, Kumamoto	August 2018	64
MJR The Garden Kagoshima-Chuo	Kagoshima City	Phase I : August 2018 Phase II : March 2019	472
MJR Onojoyo Ekimae	Onojoyo City, Fukuoka Prefecture	March 2019	52
MJR Sakurazaka the Residence	Chuo Ward, Fukuoka	March 2019	26
MJR Shimizucho	Kagoshima City	March 2019	51
MJR Shin-Oe (Provisional)	Chuo Ward, Kumamoto	FY2019.3	28

* Schedules are subject to change

<Acquisition of Higashi-Jujo Rental Apartments>

Location	Higashi-Jujo, Kita Ward, Tokyo
Access	Four-minute walk from Higashi-Jujo Station
Total number of units	182
Total floor space	Approx. 19,000 m ²
Acquisition date	June 1, 2017

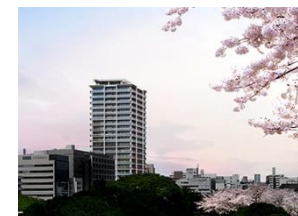


<Main Properties Acquired in FY2018/3>

Location	MJR Kyudai-Gakkentoshi Residence
Access	Nishi Ward, Fukuoka
Total number of units	161



Location	MJR Akasaka Tower
Access	Chuo Ward, Fukuoka
Total number of units	172



Taking on Challenges outside of the Kyushu Area

—Pursuing Further Growth



- Promote the expansion of our various businesses, including our retail and restaurant, hotel, apartment, and construction businesses, targeting all of Japan and other markets in Asia

<Hotel Business>

◆ Opening of 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



<Overseas Business>

◆ Establishment of first subsidiary in Thailand

<Overview of the New Company>

Company name	JR Kyushu Capital Management (Thailand) Co., Ltd.
Location	Bangkok, Kingdom of Thailand
Details of business	Real estate development, etc.
Capital stock	THB 125 million (approx. ¥400 million assuming THB1 = ¥3.2)
Established	November 2017
Investors and shareholding ratio	<p>Kyushu Railway Company: 49% ; Joint investors: 51% (random order)</p> <ul style="list-style-type: none"> • Ch.Karnchang - Tokyu Construction Co., Ltd. • Thai Konoike Corporation Ltd. • Thai Nishimatsu Construction Co., Ltd

<Retail and Restaurants>

◆ Opening of first DRUG ELEVEN store in Tokyo

Store Name	DRUG ELEVEN Kyobashi
Location	Kyobashi, Chuo Ward, Tokyo
Opening	July 11, 2017





Major Development Pipeline

- 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



Kumamoto Station Development Project

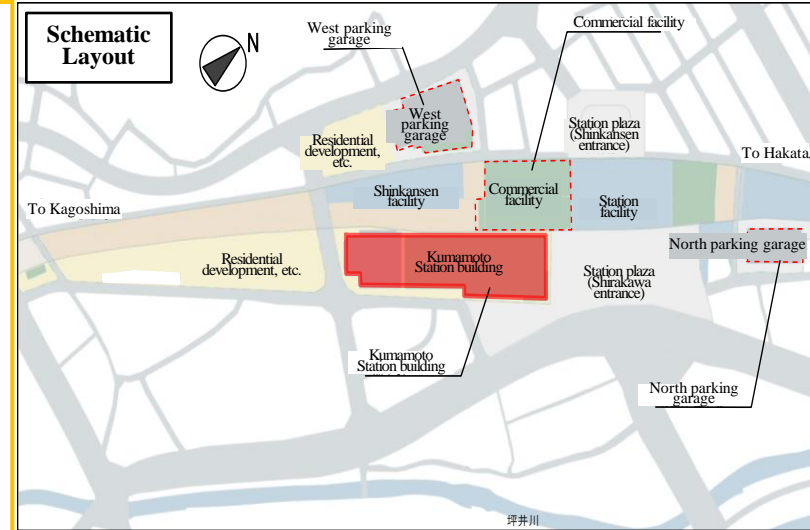


◆ Overview of Plan for Kumamoto Station Building

- Lot area: 19,000 m²
- Total floor space : 107,000 m²
- Commercial space : 37,000 m²
- Number of floors : 1 belowground, 12 aboveground
- Schedule (tentative) : Commence construction of station building in spring of 2019
Open station building in spring of 2021

(Reference) Development projects other than the Kumamoto Station Building

- Renewal of commercial facilities underneath elevated structures
- Establishment of parking garages
- Residential development in area surrounding Kumamoto Station

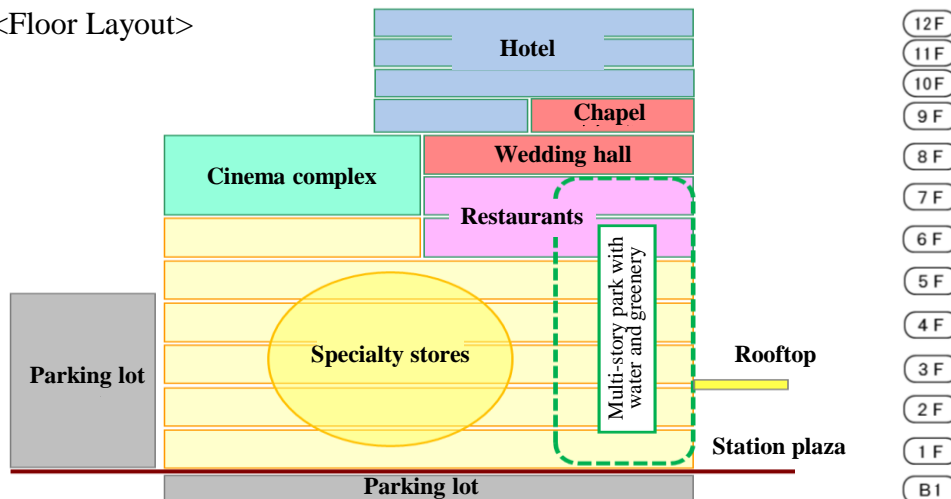


<Rendering of exterior>



* Subject to change due to future design and negotiations with related institutions

<Floor Layout>

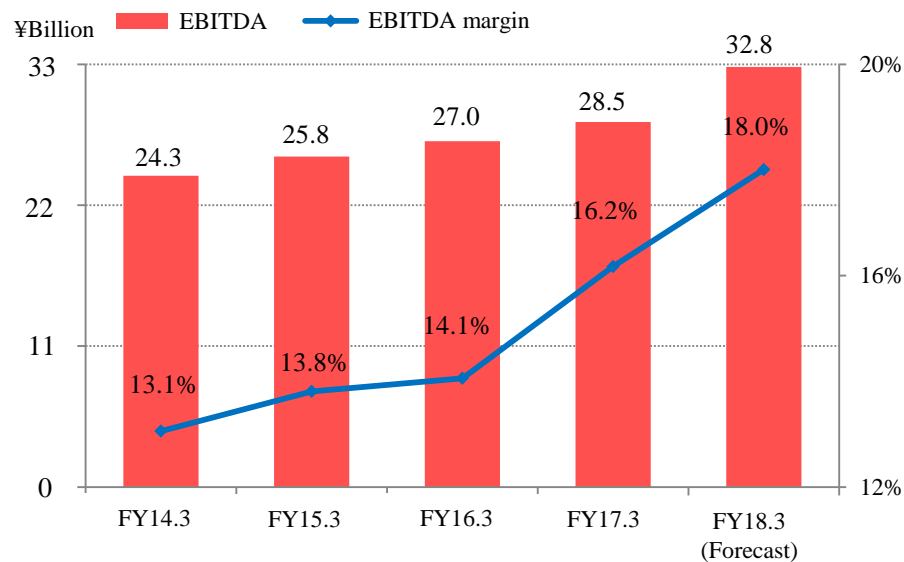


Appendix

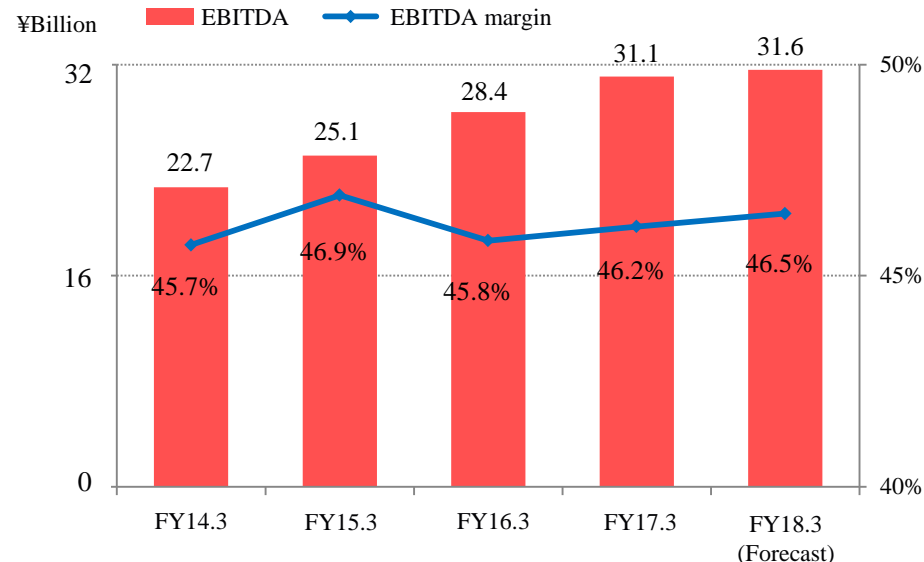
EBITDA by Segment



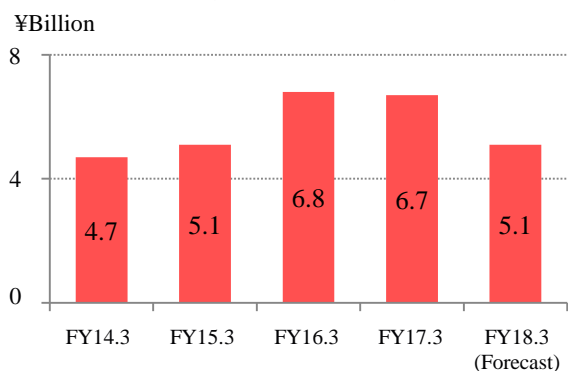
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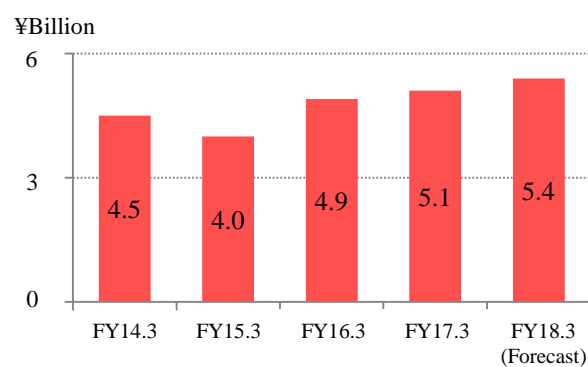
<Real Estate>



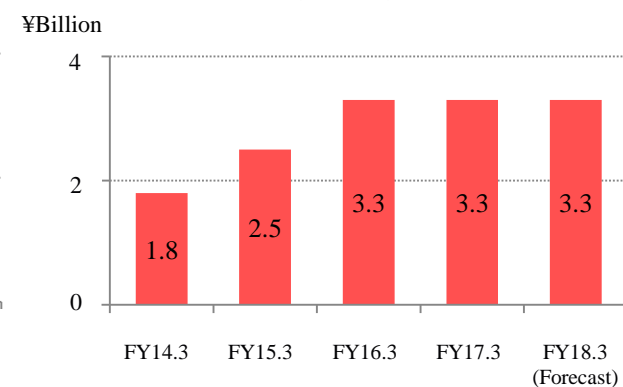
<Construction>



<Retail and Restaurant>



<Other>



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



Asset type	Name	Location	Timings (Opening / Acquisition)	Floor space / Units / Rooms	Tenant sales (FY2017/3)	Major tenants
Commercial facility (Station building)	AMU PLAZA Kokura	Kokura Kita Ward, Kitta Kyusyu	Mar. 1998	Approx. 48,500㎡	¥ 12.0 billion	UNITED ARROWS, Francfranc, etc.
	AMU PLAZA Nagasaki	Nagasaki City	Sep. 2000	Approx. 58,500㎡	¥ 20.8 billion	TOKYU HANDS, MUJI, UNITED CINEMAS, etc.
	AMU PLAZA Kagoshima	Kagoshima City	Sep. 2004	Approx. 65,000㎡	¥ 26.4 billion	TOKYU HANDS, ZARA, Cinema Kagoshima Mitte 10, etc.
	JR Hakata City	Hakata Ward, Fukuoka	Mar. 2011	Approx. 240,000㎡	¥ 106.1 billion	Hankyu Department Store, TOKYU HANDS, T-Joy Hakata, etc.
	JR Oita City	Oita City	Apr. 2015	Approx. 154,000㎡	¥ 22.3 billion	TOKYU HANDS, TOHO CINEMAS, etc.
Commercial facility (Inner-City)	Ropponmatsu 421, etc.	Chuo Ward, Fukuoka	Sep. 2017 * Partly opened October	Approx. 37,000㎡	—	TSUTAYA, STAR BUCKS, Kyushu University Law School, Fukuoka City Science Museum, SJR Ropponmatsu, etc.
Office buildings	Akasaka Sanno Center Building	Chiyoda Ward, Tokyo	Acquired in Mar. 2011	Approx. 5,000㎡	—	—
	Nibancho Center Building	Chiyoda Ward, Tokyo	Acquired in Mar. 2014	Approx. 44,000㎡	—	—
	JRJP Hakata Building	Hakata Ward, Fukuoka	Opened in Apr. 2016	Approx. 44,000㎡	—	—
	Hirakawacho Center Building	Chiyoda Ward, Tokyo	Acquired in Sep. 2016	Approx. 8,000㎡	—	—
Rental apartments	RJR Precia Korimoto	Kagoshima City	Feb. 2016	164	—	—
	RJR Precia Hakata	Hakata Ward, Fukuoka	Feb. 2017	218	—	—
	And 28 other buildings					
Hotels	JR Kyushu Hotel Blossom Hakata Chuo	Hakata Ward, Fukuoka	Apr. 2013	247	—	—
	JR Kyushu Hotel Blossom Shinjuku	Shibuya Ward, Tokyo	Aug. 2014	239	—	—
	And 13 other buildings					

Overview of Major Development Pipelines



Name	Location	Timings	Floor space / Lot area / Units / Rooms	Additional comments (uses, etc.)
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: 70,000 m ² (total) Lot area: 19,000 m ² (station building) Floor space: 107,000 m ² (station building) Commercial space: 37,000 m ² (station building)	Area below elevated tracks: Commercial area Station building: Commercial area, movie theaters, hotels, etc. Parking lot: 2,100 parking spaces (includes the 800 of the station building) Other: Residential
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	Hakata Ward, Fukuoka	Undecided	Lot area: Approx. 1,590㎡	Examine the development of hotels, stores, offices, etc., after ascertaining demand
4-Chome Watanabe-Dori Chuo Ward Fukuoka	Chuo Ward, Fukuoka	Undecided	Lot area: Approx. 1,772㎡	—
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.
Teijin Limited Planned Development of Osaka Headquarters	Chuo Ward, Osaka	Construction scheduled to be completed in April 2021	Total floor space: Approx. 47,470 m ²	Residential housing (condominiums and leased apartments)

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/