



# **FY19.3 Semi-Annual Investors Meeting**

December 18, 2018  
Kyushu Railway Company



KYUSHU RAILWAY COMPANY



- Greetings, I am Maeda, senior managing director and corporate officer of Kyushu Railway Company. I would like to thank everyone here for taking time out of their busy schedules to join us today.

# Illegal Activity by JR Kyushu Housing Company



## Establishment of Third-Party Committee in Response to Illegal Activity by JR Kyushu Housing Company

Employees of JR Kyushu Housing are alleged to have taken part in the conclusion and execution of construction contracts based on housing sales contracts by encouraging facility owners to falsify documents to be submitted to financial institutions with regard to housing loans. Through this falsification, employees allegedly would have facility owners apply for loans based on a construction contracting amounts that exceed the actual amounts to receive excessive loans from financial institutions.

In response to these allegations, the Board of Directors resolved to establish the Third-Party Committee, which was to be comprised of external specialists, on October 10, 2018.

## Results of Third-Party Committee Investigation

- Inappropriate loan applications submitted in 55 of the 71 cases investigated
- Cause of the issues thought to be rooted in a lack of compliance awareness, a warped customer-first mentality, unreliable and insufficient management systems, the pressure felt to achieve targets, incentive compensation, and other factors

Note: The Third-Party Committee determined that the probability of inappropriate loan applications in the condominium operations of JR Kyushu was low.

## Impact on Performance

- Rationally estimated amount recorded under “Other” in extraordinary loss in the six-month period ended September 30, 2018
- Impact on performance in the six-month period ended September 30, 2018, projected to be minimal

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- I would first like to apologize for the trouble caused to our shareholders and other investors with regard to this financial results announcement.
- On that note, please let me talk about the illegal activities that occurred at our consolidated subsidiary JR Kyushu Housing Company, which caused this announcement to be delayed by roughly a month.
- It was discovered that employees of JR Kyushu Housing had falsified materials pertaining to housing loans to receive excessive loans from financial institutions.
- In response to this discovery, we established the Third-Party Committee on October 10, 2018. This committee submitted a report on its investigation on November 30, 2018.
- Of the 71 cases investigated, inappropriate loan applications were found to have been submitted in 55 cases. The report cited causes for this issue that were rooted in the corporate culture of JR Kyushu Housing, namely a lack of compliance awareness among the individuals involved, a warped customer-first mentality, and the pressure felt to achieve targets.
- In the six-month period ended September 30, 2018, an extraordinary loss of ¥26 million was recorded to reflect the impact of these illegal activities on the Group’s performance. As stated in the quarterly report, the impact was minimal.
- Please turn to the next slide.

# Illegal Activity by JR Kyushu Housing Company



## Measures for Preventing Reoccurrence

### 1. Instituting rigorous compliance education for the JR Kyushu Group

- Internal training adapted to the housing industry, including specific examples, for all employees of JR Kyushu Housing, etc.

### 2. Strengthening and enhancing JR Kyushu Housing management systems

- Establishment of Compliance Oversight Department, implementation of check systems, revision of internal regulations, etc.

### 3. Building an open corporate culture at JR Kyushu Housing

- Revision of personnel system for full-time, regular employees, etc.

### 4. Implementing effective audits, etc.

- Revision of items subject to audit and system for following up on post-audit improvement items
- Establishment of framework for evaluation by JR Kyushu of the compliance initiatives of Group companies, etc.

### 5. Reforming the JR Kyushu Housing personnel system

### 6. Implementing information exchange meetings with suppliers

The JR Kyushu Group apologizes for the inconvenience this incident has caused to its shareholders, investors, and other stakeholders. We are strongly committed to preventing the reoccurrence of such activities.

- The Company believes that the root cause of these illegal activities can be found in low compliance awareness stemming from lacking compliance education and unreliable and insufficient management systems. We recognize the severity of the issues pointed out in the investigation report from the Third-Party Committee, and we are committed to implementing measures for preventing reoccurrence, improving compliance awareness among employees, and strengthening corporate governance.
- As measures for preventing reoccurrence, our focuses will include instituting rigorous compliance education at the JR Kyushu Group, strengthening and enhancing JR Kyushu Housing's management systems, building an open corporate culture at JR Kyushu Housing, implementing effective audits, reforming the JR Kyushu Housing personnel system, and implementing information exchange meetings with suppliers.
- These measures will be implemented thoroughly going forward as we seek to strengthen compliance systems across all JR Kyushu Group companies going forward.
- Once again, let me apologize for the trouble caused to our shareholders and other investors as a result of these illegal activities.

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# Highlights



## Results For FY19.3 2Q

- Operating revenues and net income both increased
- Increase operating revenues due to benefits of the consolidation of Caterpillar Kyushu and revenues from sales of condominiums
- Increase in net income as the absence of previously recorded losses associated with the heavy rain in northern Kyushu that occurred in July 2017 and typhoon No. 18 offset the newly recorded losses in relation to the July 2018 heavy rains

## Forecasts for FY19.3

- No revision to forecasts announced on August 6, 2018
- Higher operating revenues and lower net income projected
- Increase in operating revenues to result from the benefits of the consolidation of Caterpillar Kyushu as well as from a rise in railway transportation revenues due to the rebound from the impacts of the heavy rain in northern Kyushu that occurred in July 2017 and typhoon No. 18
- Decrease in net income to occur due to higher depreciation costs in the railway business and lower profit margins in the Construction segment

## Progress of Mid-term Business Plan

- Targets for operating revenue, EBITDA, and portion of sales from non-railway businesses achieved in FY18.3, the second year of the mid-term business plan
- Capital investment greatly exceeding initial target of ¥190.0 billion

## Formulating the next Mid-term Business Plan

- Short-term measures to be formulated while assessing business from a long-term perspective
- Established management foundations to be leveraged while examining next mid-term business plan from various perspectives with the goal of achieving future growth

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- Moving on to the body of this presentation, today we will be touching on four topics: performance in the six-month period ended September 30, 2018, full-year performance forecasts for the year ending March 31, 2019, the progress of the current medium-term business plan, and our thoughts on the next medium-term business plan.
- First, I would like to discuss our performance in the six-month period ended September 30, 2018.
- Please turn to slide 7.

# **I . Financial Results for the Six-month Period Ended September 30, 2018**

# Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2018 (Year on Year)

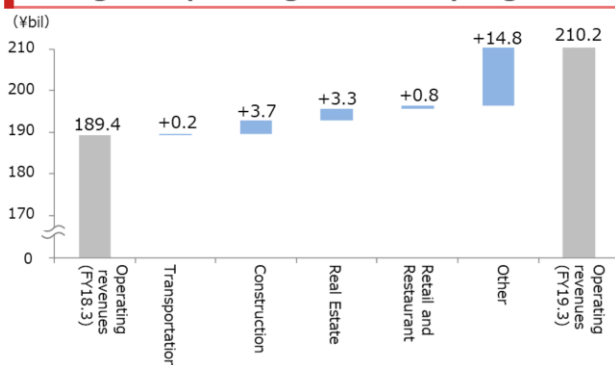


- Operating revenues up for second consecutive year (record high)
- Operating income up for sixth consecutive year (record high)
- Net income attributable to owners of the parent up for second consecutive year (record high)
- EBITDA up for second consecutive year (record high) (¥bil)

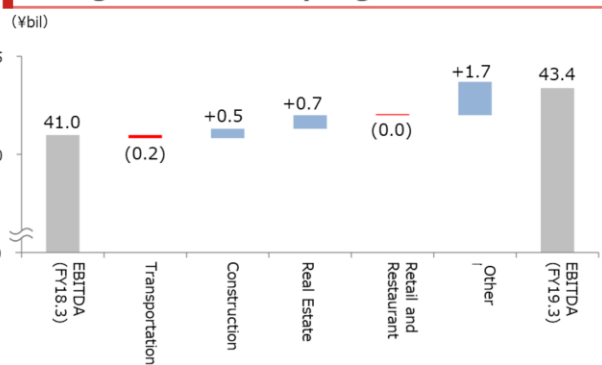
	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY	
Operating revenue	189.4	210.2	20.8	111.0%
Operating income	32.7	33.2	0.4	101.3%
Ordinary income	33.9	35.0	1.0	103.1%
Net income attributable to owners of the parent	22.9	26.2	3.2	114.4%
EBITDA <sup>(注)</sup>	41.0	43.4	2.4	105.8%

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

## Change in operating revenue by segment



## Change in EBITDA by segment



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

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- Consolidated operating revenues increased ¥20.8 billion year on year due to the benefits of the consolidation of Caterpillar Kyushu Co., Ltd., and higher revenues from sales of condominiums.
- Operating income similarly rose by ¥0.4 billion.
- Ordinary income was up ¥1.0 billion as a result of gains on investment securities at JR Kyushu.
- Net income attributable to owners of the parent increased by ¥3.2 billion as the absence of disaster losses recorded in the previous equivalent period offset the newly recorded losses in relation to the July 2018 heavy rains.
- In addition, earnings before interest, taxes, depreciation, and amortization (EBITDA) grew ¥2.4 billion.
- More details on performance can be found on slide 8.
- We will next look at segment performance. Please turn to slide 9.

# Consolidated Income Statements



(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Major factors
Operating revenues	189.4	210.2	20.8	111.0%	Increase due to consolidation of Caterpillar Kyushu Increase in revenue from sales of condominiums
Operating expenses	156.6	176.9	20.3	113.0%	Increase due to consolidation of Caterpillar Kyushu Increase in depreciation costs (JR Kyushu)
Operating income	32.7	33.2	0.4	101.3%	
Non-operating income and expenses	1.2	1.8	0.6	151.1%	Increase in gains on investment securities
Ordinary income	33.9	35.0	1.0	103.1%	
Extraordinary gains and losses	(4.9)	(1.0)	3.8	-	Increase in extraordinary gains (insurance income associated with disasters, etc.) Decrease in extraordinary losses (lower disaster expenses, etc.)
Net income attributable to owners of the parent	22.9	26.2	3.2	114.4%	
EBITDA	41.0	43.4	2.4	105.8%	

# Segment Information 【Summary】



	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Major factors
<b>Operating revenues</b>	189.4	210.2	20.8	111.0%	
Transportation	89.5	89.7	0.2	100.2%	Increase in railway transportation revenues, etc.
Construction	27.8	31.5	3.7	113.4%	Increase in Shinkansen-related construction, etc.
Real Estate	30.9	34.2	3.3	110.7%	Increase in revenue from sales of condominiums, etc.
(Real Estate Lease)	23.9	25.7	1.7	107.2%	
Retail and Restaurant	51.5	52.3	0.8	101.6%	
Other	28.0	42.9	14.8	153.0%	Consolidation of Caterpillar Kyushu, return to standard level with regard to JR Kyushu Hotel Blossom Naha, etc.
<b>Operating income</b>	32.7	33.2	0.4	101.3%	
Transportation	18.0	16.8	(1.2)	93.2%	Increase in depreciation costs, etc.
Construction	0.6	1.0	0.4	172.6%	
Real Estate	11.7	12.1	0.4	103.8%	
(Real Estate Lease)	11.0	11.3	0.2	102.0%	
Retail and Restaurant	1.8	1.7	(0.0)	95.5%	Increase in personnel costs, etc.
Other	0.6	1.7	1.0	266.1%	Consolidation of Caterpillar Kyushu, return to standard level with regard to JR Kyushu, Hotel Blossom Naha, etc.
<b>EBITDA</b>	41.0	43.4	2.4	105.8%	
Transportation	20.3	20.1	(0.2)	98.7%	
Construction	1.0	1.5	0.5	151.6%	
Real Estate	16.0	16.7	0.7	104.4%	
(Real Estate Lease)	15.3	15.8	0.4	103.2%	
Retail and Restaurant	2.6	2.5	(0.0)	97.3%	
Other	1.1	2.9	1.7	247.9%	

- This slide shows performance by major segment.
- The Transportation segment posted an increase in revenue but a decrease in income. This outcome was a result of higher railway transportation revenues coupled with an increase in depreciation costs at JR Kyushu.
- The Real Estate segment achieved higher revenue, income, and EBITDA due to an increase in revenue from sales of condominiums.
- The Retail and Restaurant segment posted higher revenue thanks to the benefits of new drug store and convenience store openings, but higher expenses pushed income and EBITDA down.
- Other segments saw increases in revenue, income, and EBITDA because of the consolidation of Caterpillar Kyushu and the fact that expenses at JR Kyushu Hotel Blossom Naha, which was opened in the previous fiscal year, declined to what will be the normal level.
- We will now move on to discuss non-consolidated performance. Please turn to slide 11.

# Balance Sheet and Cash Flow Statement



## Balance sheet

(¥bil)

	FY18.3	6 months ended September 30, 2018	Increase/ (decrease)	Major Factors
Total Assets	749.3	747.0	(2.2)	
Cash and time deposits	15.0	14.9	(0.0)	
Short-term securities	65.0	54.5	(10.4)	Decrease in negotiable certificates of deposit
Money held in trust	55.7	56.8	1.0	
Property, plant and equipment	390.6	411.0	20.3	Acquisition of land in Kyoto, etc.
Railway business assets	47.2	49.8	2.6	
Interest-bearing debt	87.3	86.6	(0.6)	
Net assets	383.2	404.1	20.9	
Paid-in capital	250.2	250.2	-	
Capital and retained earnings	124.9	144.1	19.1	

## Cash flow

(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	Increase/ (decrease)	Major Factors
Cash flows from operating activities	46.9	29.3	(17.6)	Decrease due to collection of receivables (MJR Ropponmatsu, etc.)
Depreciation expense	8.2	10.4	2.1	
Cash flows from investing activities	(39.8)	(16.9)	22.9	Acquisition of securities in FY2018/3 (negotiable certificates of deposit)
Capital expenditures	(45.5)	(47.7)	(2.2)	
Free cash flow	7.1	12.4	5.2	
Cash flows from financing activities	(6.7)	(7.3)	(0.6)	Cash dividends paid
Cash and cash equivalents	54.6	69.4	14.7	

# Non-consolidated Income Statements



(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Majour Factors
Operating revenues	104.1	106.6	2.4	102.3%	Increase in revenue from sales of condominiums, etc.
Railway transportation revenues	75.3	75.4	0.0	100.1%	
Other revenues	28.8	31.1	2.3	108.2%	
Operating expenses	77.5	80.4	2.9	103.8%	
Personnel expenses	25.4	24.8	(0.5)	97.7%	
Non-personnel expenses	43.2	45.3	2.1	104.9%	Increase in cost of sales of condominiums, increase in outsourcing expenses, etc.
Energy costs	4.4	4.6	0.2	105.7%	
Maintenance costs	13.3	13.3	(0.0)	99.9%	
Other	25.3	27.2	1.8	107.3%	
Taxes	4.3	4.6	0.2	106.1%	
Depreciation costs	4.4	5.6	1.1	125.3%	
Operating income	26.6	26.1	(0.5)	98.1%	
Non-operating income and expenses	3.3	7.8	4.4	232.8%	Increase in dividend income, etc.
Ordinary income	30.0	34.0	3.9	113.3%	
Extraordinary gains and losses	(4.5)	(0.8)	3.7	-	Increase in proceeds from insurance income, decrease in disaster expenses associated with heavy rain in northern Kyushu and typhoon No. 18, increase in disaster expenses associated with heavy rain in July 2018, etc.
Net income	21.4	27.8	6.3	129.8%	

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- Non-consolidated operating revenues rose ¥2.4 billion year on year due to an increase in revenue from sales of condominiums.
- Despite a decrease in personnel costs, operating expenses were up ¥2.9 billion following a higher cost of sales of condominiums and an increase in depreciation costs stemming from a rise in fixed assets.
- The balance of extraordinary gains and losses equated to a net loss that was ¥3.7 billion lower than the loss recorded in the previous equivalent period. This outcome can be attributed to an increase in proceeds from insurance income associated with the 2016 Kumamoto earthquakes and the absence of the disaster expenses posted in the six-month period ended September 30, 2017, which outweighed the increase in disaster expenses associated with heavy rain seen in July 2018.
- As a result of these factors, non-consolidated net income rose ¥6.3 billion year on year.
- Please turn to slide 13.

# Non-consolidated Income Statements (Reprint)



(¥bil)

		6 months ended September 30, 2017	6 months ended September 30, 2018	YoY	
Railway business	Operating revenues	83.5	83.4	(0.0)	99.9%
	Operating expenses	65.8	66.8	0.9	101.5%
	Operating income	17.6	16.6	(1.0)	94.1%
Related businesses	Operating revenues	20.6	23.1	2.4	111.9%
	Operating expenses	11.6	13.6	1.9	116.6%
	Operating income	8.9	9.5	0.5	105.9%



# Railway business



## Transportation Revenues

(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Majour Factors
<b>Total</b>	75.3	75.4	0.0	100.1%	
<b>Commuter pass</b>	16.5	16.6	0.0	100.5%	
<b>Non-commuter pass</b>	58.7	58.7	(0.0)	99.9%	
<b>Shinkansen</b>	26.9	27.5	0.5	102.1%	• Basic trend (approx. 101% )
Commuter pass	1.3	1.3	0.0	101.7%	• Increase due to broadcast of Segodon period drama
Non-commuter pass	25.5	26.1	0.5	102.1%	• Increase due to three-day weekend in September 2018
<b>Conventional Lines</b>	48.4	47.9	(0.4)	99.0%	• Basic trend (approx. 100%)
Commuter pass	15.2	15.2	0.0	100.4%	• Decrease due to heavy rain in July 2018
Non-commuter pass	33.2	32.6	(0.5)	98.3%	• Decrease due to rebound from favorable weather in 2017 rainy season

## Passenger-Kilometers

(Millions of passenger-kilometers)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY	
<b>Total</b>	4,758	4,725	(32)	99.3%
<b>Commuter pass</b>	2,207	2,210	2	100.1%
<b>Non-commuter pass</b>	2,550	2,515	(34)	98.6%
<b>Shinkansen</b>	998	1,020	21	102.2%
Commuter pass	101	102	1	101.1%
Non-commuter pass	896	917	20	102.3%
<b>Conventional Lines</b>	3,760	3,705	(54)	98.5%
Commuter pass	2,106	2,107	1	100.0%
Non-commuter pass	1,654	1,598	(55)	96.6%

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- Railway transportation revenues were up 2.1% year on year due to a strong basic trend that was 1% higher than in the previous fiscal year for Shinkansen lines as well as the benefits of the broadcast of the *Segodon* period drama on television.
- Revenues from conventional lines decreased 1% because of the impacts of the heavy rain that occurred in July 2018 and the rebound from favorable weather seen in the 2017 rainy season.
- Next, I would like to explain our forecasts for full-year performance in the year ending March 31, 2019.

## **II. Forecasts for FY19.3**

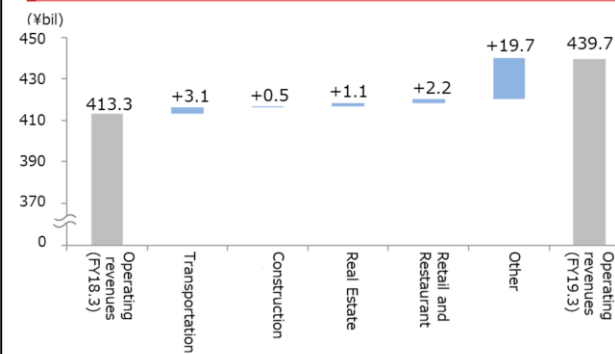
# Consolidated Financial Highlights for FY19.3



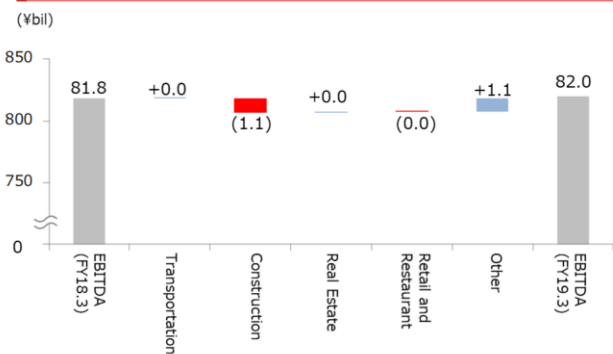
	Results FY18.3	Forecasts FY19.3 (12/13)	YoY	
Operating revenue	413.3	439.7	26.3	106.4%
Operating income	63.9	60.7	(3.2)	94.9%
Ordinary income	67.0	62.6	(4.4)	93.4%
Net income attributable to	50.4	47.5	(2.9)	94.2%
Net income per share (yen)	315.07	296.88	(18.19)	94.2%
EBITDA	81.8	82.0	0.1	100.2%

Note: Forecasts for the fiscal year ending March 31, 2019, remain unchanged from those announced on August 6, 2018.

Change in operating revenue by segment



Change in EBITDA by segment



- We have chosen not to revise the forecasts for full-year performance in the year ending March 31, 2019, that were announced on August 6, 2018.
- Information on segment forecasts can be found on slide 16 while forecasts for non-consolidated performance are detailed on slide 17.
- The next topic we will look at is segment information. Please turn to slide 19.

# Consolidated Financial Forecasts (By segment)



(¥bil)

	Results FY18.3	Forecasts FY19.3 (12/13)	YoY	
Operating revenue	413.3	439.7	26.3	106.4%
Transportation	183.7	186.9	3.1	101.7%
Construction	88.0	88.6	0.5	100.7%
Real Estate	69.4	70.6	1.1	101.7%
(Retail and Restaurant)	49.0	51.6	2.5	105.3%
Other	103.1	105.4	2.2	102.2%
Other	67.4	87.2	19.7	129.3%
Operating income	63.9	60.7	(3.2)	94.9%
Transportation	29.2	27.5	(1.7)	94.1%
Construction	6.2	5.1	(1.1)	81.3%
Real Estate	23.2	22.6	(0.6)	97.4%
(Retail and Restaurant)	20.6	20.6	(0.0)	99.7%
Other	3.6	3.6	(0.0)	98.6%
Other	2.4	2.7	0.2	112.0%
EBITDA	81.8	82.0	0.1	100.2%
Transportation	34.3	34.4	0.0	100.0%
Construction	7.0	5.9	(1.1)	83.4%
Real Estate	32.0	32.1	0.0	100.2%
(Retail and Restaurant)	29.4	30.0	0.5	101.8%
Other	5.3	5.3	(0.0)	99.3%
Other	3.9	5.1	1.1	128.8%

Note: Forecasts for the fiscal year ending March 31, 2019, remain unchanged from those announced on August 6, 2018.  
The same applies hereafter.

# Non-consolidated Financial Forecasts



(¥bil)

	Results FY18.3	Forecasts FY19.3 (12/13)	YoY	
Operating revenue	219.7	222.8	3.0	101.4%
Railway transportation revenues	151.1	151.5	0.3	100.2%
Shinkansen	54.1	55.0	0.8	101.6%
Conventional Lines	97.0	96.5	(0.5)	99.5%
Other revenues	68.5	71.3	2.7	104.0%
Operating expenses	172.9	178.0	5.0	102.9%
Personnel expenses	51.3	49.8	(1.5)	96.9%
Non-personnel expenses	104.3	108.0	3.6	103.5%
Energy costs	8.8	9.0	0.1	101.5%
Maintenance costs	36.3	38.9	2.5	106.9%
Other	59.0	60.1	1.0	101.7%
Taxes	7.5	8.2	0.6	108.1%
Depreciation costs	9.6	12.0	2.3	123.8%
Operating income	46.7	44.8	(1.9)	95.8%
Non-operating income and expenses	5.5	5.5	(0.0)	99.6%
Ordinary income	52.2	50.3	(1.9)	96.2%
Extraordinary gains and losses	(2.3)	-	2.3	-
Net income	41.6	41.7	0.0	100.1%

# Non-consolidated Financial Forecasts (Reprint)



(¥bil)

		Results FY18.3	Forecasts FY19.3 (12/13)	YoY	
Railway business	Operating revenues	171.3	174.0	2.6	101.6%
	Operating expenses	143.0	147.5	4.4	103.1%
	Operating income	28.2	26.5	(1.7)	93.9%
Related businesses	Operating revenues	48.4	48.8	0.3	100.8%
	Operating expenses	29.9	30.5	0.5	102.0%
	Operating income	18.5	18.3	(0.2)	98.8%



## III. Segment Information



KYUSHU RAILWAY COMPANY

- We will now be looking at the circumstances surrounding specific segments.
- Please turn to the next slide.

# Transportation Segment



## Transportation Segment performance

(¥bil)

	6 months ended September 30, 2018	6 months ended September 30, 2019	YoY		Forecasts FY19.3	YoY	
Operating revenues	89.5	89.7	0.2	100.2%	186.9	3.1	101.7%
Operating expenses	18.0	16.8	(1.2)	93.2%	27.5	(1.7)	94.1%
Depreciation costs	2.3	3.2	0.9	141.3%	6.9	1.7	133.1%
EBITDA	20.3	20.1	(0.2)	98.7%	34.4	0.0	100.0%

### Positive factors

#### Increase in passenger revenues

- Rise in Shinkansen passengers
- Online booking
- Inbound tourism
- Urban area demand

#### Decrease in expenses

- Personnel costs (decrease due to retirement of senior employees)

#### Technological innovation and streamlined business operations

- Introduced energy-saving rolling stock
- Expanded Smart Support Stations

### Negative factors

#### Depopulation

- Decrease in conventional line passengers

#### Increase in expenses

- Depreciation expense (increase of ¥3bil/year during 3-Year business plan period)
- Fuel costs (crude oil, FX, etc.)
- End to special tax treatment (end of FY19.3)

#### Natural disasters

- Recovery costs
- Steady implementation of further safety investments

### FY19.3 initiatives

#### Increase passenger revenues

- Enhance yield management
- Strategic tie-up with Alibaba Group

#### Recover from disasters

- Resume train service on the Kyudai Main Line

#### Technological innovation and streamlined business operations

- Introduce energy-saving train cars
- Expand Smart Support Stations
- Reorganize railway subsidiaries

➤ The Transportation segment forms the foundation for the entire Group.

➤ Please turn to the next slide.



# Initiatives in the Railway Business

## —Pursuing Efficient Business Operations



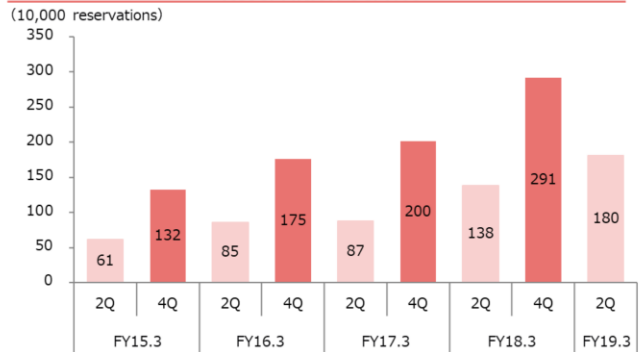
- Further increase train usage and bolster profitability by encouraging the use of the “JR Kyushu Internet Reservation Service” and actively promoting policies focused on inbound demand

### Improvement of Profitability by Promoting Yield Management

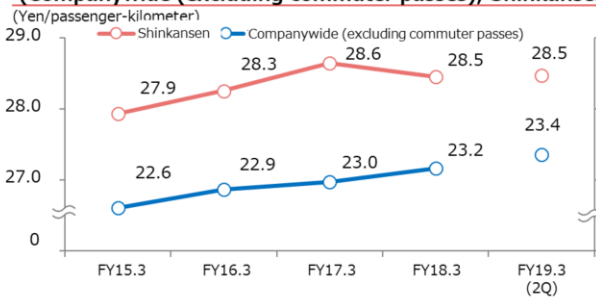
#### Accelerate shift toward Internet reservations

- Improve Shinkansen usage rates
  - ⇒ Usage rate of approx. 50% on segment between Hakata Station and Kumamoto Station
- Eliminate four-sheet paper tickets
  - ⇒ Transition to Internet reservations
- Introduce services allowing for payment at convenience stores, etc.
  - ⇒ Improve convenience
- Link services with JR KYUPO point service
  - ⇒ Increase appeal of point service by integrating points and implementing campaigns
- Launch advance seat reservation services for inbound visitors to Japan
  - ⇒ Allow for seats to be reserved prior to arriving in Japan (¥1,000)
- Abolish ticket sales windows
  - ⇒ Utilize freed-up space within stations for further development (e.g. FM in Hakata Station), reduce personnel costs

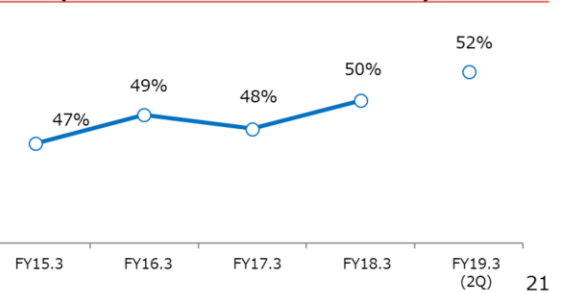
Number of Reservations through the Internet Train Reservation Service



Yield (Companywide (excluding commuter passes), Shinkansen)



Kyushu Shinkansen Usage Rate (Hakata Station–Kumamoto Station)



- JR Kyushu is encouraging use of the “JR Kyushu Internet Reservation Service” as part of its yield management efforts.
- Reservations through this service were strong, increasing year on year in the six-month period ended September 30, 2018.
- Meanwhile, the usage rate of the Kyushu Shinkansen stands at around 50%, indicating room for further improvement.
- JR Kyushu will continue to encourage new customers to use Internet reservation services while catering to inbound demand going forward.
- Please turn to the next slide.

# Initiatives in the Railway Business

## —Pursuing Efficient Business Operations



### Inbound Demand Initiatives

#### Promote sales of the JR KYUSHU RAIL PASS

- Coordinate with overseas travel agencies and airlines

#### Improve convenience through introduction of online booking service

- Launch JR KYUSHU RAIL PASS Online Booking site exclusively for rail pass holders

⇒ Provide rail pass purchase and advanced seat reservation services

#### <JR KYUSHU RAIL PASS results>

	6 month period ended September 30, 2018	YoY (%)	YoY difference
Number of passes issued	115,537	103.0%	3,373
Revenues (millions of yen)	1,098	101.7%	18

#### Strategic Alliance with the Alibaba Group (July 2018)

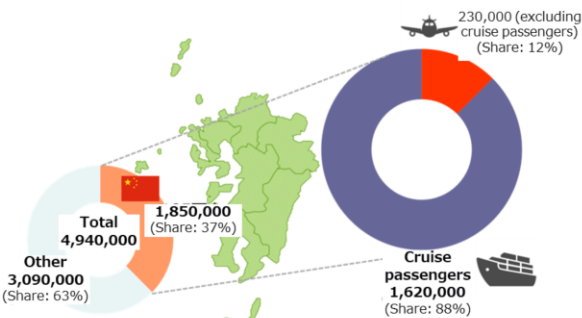
- Launch project for attracting 1 million visitors to Kyushu
  - Offer JR Kyushu products through the Alibaba Group's Fliggy travel website to increase number of Chinese tourists to Japan
  - Aim to attract 1 million visitors to Kyushu from China in FY24.3 (including 500,000 by the Alibaba Group)
- ⇒ Commence project in second half of 2018

	JR	Alibaba Group
Pre-trip	<ul style="list-style-type: none"> <li>Sample route proposals</li> <li>D&amp;S Train and other resource provision</li> <li>Kyushu travel product procurement support</li> </ul>	<ul style="list-style-type: none"> <li>Big data-powered identification of Chinese tourists that are highly likely to visit Japan</li> <li>Collaboration with partners to receive customer referrals to sell travel products</li> </ul>
During trip	<ul style="list-style-type: none"> <li>Support for introduction of Alipay at JR Kyushu Group companies and other local companies</li> </ul>	<ul style="list-style-type: none"> <li>Convenience improvement of payment services provided by installing Alipay infrastructure and customer attraction support for Alipay-using affiliates</li> </ul>

Number of JR KYUSHU RAIL PASS Purchased



Chinese Tourists Visiting Kyushu (2017)



Vast majority of Chinese tourists visiting Kyushu do so as part of cruise tours

Source: Kyushu District Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism

- JR Kyushu is working to take advantage of inbound demand by promoting 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. Initiatives for promoting sales of this product include coordinating with airlines, allowing for rail passes to be purchased in advance through a dedicated website, and providing advance seat reservation services. These initiatives contributed to a year-on-year increase in rail pass sales.
- Inbound travelers currently account for roughly 3% of total railway transportation revenues, and we primarily see use by customers from South Korea, Taiwan, Hong Kong, and China.
- Most of the Chinese customers that visit Kyushu do so as part of cruises. Nevertheless, we have recently witnessed a rise in the number of free independent travelers, which was one of the reasons that prompted us to form a strategic alliance with Alibaba Group Holding Limited in July 2018.
- As part of this alliance, JR Kyushu products have been made available through the Alibaba Group's Fliggy travel website, and the Alibaba Group is looking to attract 50,000 tourists to Kyushu in the second half of the year ending March 31, 2019.
- Please turn to the next slide.

# Natural Disasters—Kumamoto Earthquakes, July 2017 Heavy Rain in Northern Kyushu, and July 2018 Heavy Rain



	Kumamoto earthquakes	July 2017 heavy rain in northern Kyushu	July 2018 heavy rain
<b>Time of occurrence</b>	April 2016	July 2017	July 2018
<b>Major damages</b>	Kyushu Shinkansen • Derailement of out-of-service trains Houhi Main Line • Slope failures, rock and debris influx, fallen rocks, foundation deformations, etc.	Kyudai Main Line • Bridge wash away, etc. Hitahikosan Line • Bridge deformations, track wash away, damaged railway crossing facilities, etc.	Chikuhi Line • Track deformations and rock and debris influx Hisatsu Line • Slope failures, etc. Chikuho Main Line (Harada) • Collapsed embankments between Katsuragawa Station and Harada Station, collapse of cut land, etc.
<b>Currently halted line segments</b>	• Houhi Main Line (Higo-Ozu Station–Aso Station)	• Hitahikosan Line (Soeda Station–Yoake Station)	• Chikuho Main Line (Harada) (Katsuragawa Station–Harada Station)
<b>Recovery status</b>	• Recovery work being advanced to resume operations while coordinating with prefectural and natural government slope construction measures (timing of operation resumption undecided)	• See below (timing of operation resumption undecided)	• Recovery work being advanced to resume operations with target resumption date of March 31, 2019
<b>Impact on business performance</b>	• Approx. ¥9.0 billion in disaster expenses recorded in FY17.3 (approx. ¥6.0 billion of which recorded as provision for loss on disaster)	• Approx. ¥1.7 billion in disaster expenses recorded in FY18.3 (¥1.3 billion of which recorded as provision for loss on disaster)	• Approx. ¥1.7 billion in disaster expenses recorded in FY19.3 2Q (¥1.6 billion of which recorded as provision for loss on disaster)

**Progress of Recovery of Hitahikosan Line**

- April 2018: First meeting of the Hitahikosan Line Recovery Committee
- May and July 2018: Meetings of the Recovery Measure Examination Committee → Estimated cost of recovery lowered from initial ¥7.0 billion to ¥5.6 billion
- October 2018: Second meeting of the Hitahikosan Line Recovery Committee

Following matters to be examined and discussed over a period of no more than a year

1. Initiatives assuming utilization of Act on Improvement of Railroads and Rail Tracks
2. Examination of potential forms of support by regional public organizations and other entities as part of long-term operation plan to ensure ongoing operation of line after recovery

Recovery of Kyudai Main Line achieved on July 14, 2018

- Kyushu has been struck with numerous natural disasters over the past few years, including the Kumamoto earthquakes, that heavy rain in northern Kyushu that occurred in July 2017, and the July 2018 heavy rain. These disasters have caused damage to our train lines.
- The heavy rain that hit northern Kyushu in July 2017 halted operations on the Kyudai Main Line and the Hitahikosan Line. Operations on the Kyudai Main Line were resumed on July 14, 2018, and the line has more or less been restored to the state it was in prior to the disaster.
- As for the Hitahikosan Line, we are looking to decide our operation restoration target within a year, and we are currently engaged in discussions with local government agencies.
- Furthermore, the heavy rains that occurred in July 2018 forced a stop on operations on certain segments of the Chikuho Main Line, but we intend to resume operations on these segments by March 31, 2019. Disaster expenses totaling ¥1.7 billion were recorded in association with these rains in the six-month period ended September 30, 2018.
- Please turn to the next slide.

# Real Estate Segment



## Real Estate Segment performance

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Forecasts FY19.3	YoY	
Operating revenue	30.9	34.2	3.3	110.7%	70.6	1.1	101.7%
(Real Estate Lease)	23.9	25.7	1.7	107.2%	51.6	2.5	105.3%
Operating income	11.7	12.1	0.4	103.8%	22.6	(0.6)	97.4%
(Real Estate Lease)	11.0	11.3	0.2	102.0%	20.6	(0.0)	99.7%
Depreciation expense	4.3	4.5	0.2	106.2%	9.5	0.6	107.5%
(Real Estate Lease)	4.3	4.5	0.2	106.1%	9.4	0.5	106.5%
EBITDA	16.0	16.7	0.7	104.4%	32.1	0.0	100.2%
(Real Estate Lease)	15.3	15.8	0.4	103.2%	30.0	0.5	101.8%

(¥bil)

### Positive factors

- Increased tenant sales at major station buildings
- Opening Ropponmatsu Development Project and Higo Yokamon Ichiba
- Increased stock of rental apartments
- Entry into service apartment business in Thailand
- Introduced payment methods for inbound tourists

### Negative factors

- Suspending new projects due to overheating market
- Fluctuation in lot prices due to change in area mix for condominium business
- Increase in personnel costs due to tight supply and demand in labor market
- Renovation of station buildings

### FY19.3 initiatives

- Open Grand Precia Shibaura, a new rental apartment
- Full contribution of service apartment business in Thailand
- Progress in future-oriented development
  - Kumamoto Station area redevelopment
  - MJR/RJR Sakaisuji Honmachi Tower in Osaka
  - Minami Kyushu Development Projects
  - Nagasaki Station area redevelopment

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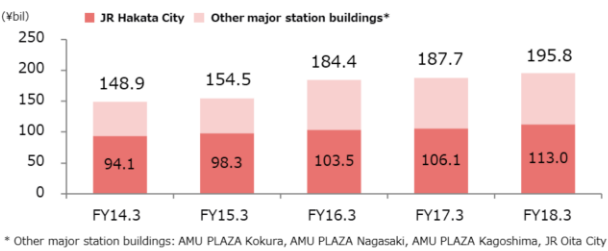
➤ Together with the Transportation segment, the Real Estate segment forms a central pillar of the JR Kyushu Group's operations.

➤ Please turn to the next slide.

# Initiatives in the Real Estate Leasing Business



## Performance of Tenant Sales at Major Station Buildings



## Initiatives for Improving Ability to Attract Customers

- 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
- Renovate station buildings through tenant replacements, etc.
  - 46 tenants replaced at JR Hakata City over the period from February to April 2017
  - 22 tenants replaced at JR Oita City in March 2018
- Hold events at station plazas, etc.
  - Hakata Farmers' Market
  - Hikari no Machi-Hakata



Illumination light-up ceremony (JR Hakata City)

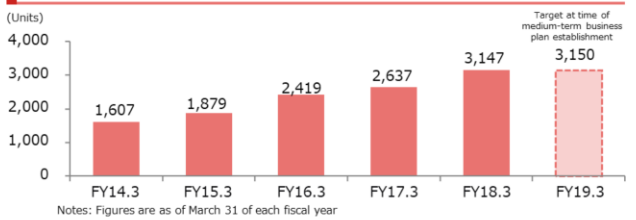
## Rental Apartments

- Secure stable profits by promoting new business development
- Develop high-grade apartments capitalizing on JR Kyushu's condominium expertise
- Achieve steady growth of 400-500 units a year

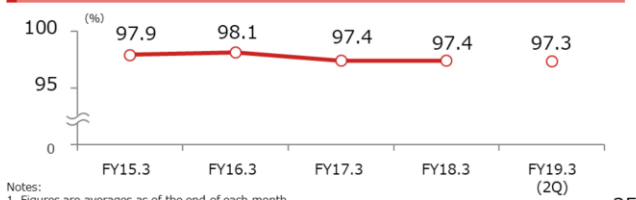
Property	Grand Precia Shibaura
Location	Shibaura, Minato-ku Tokyo
Total units	234 units
Closest station	10 min. walk to Tamachi station
Floor space	Approximately 11,800 m <sup>2</sup>
Move-in date	December 2018



## Aggregate Number of Rental Apartment Units



## Rental Apartment Occupancy Rates



- The Company's station building business promotes highly attractive and lively city-building activities centered on station buildings. These activities are largely conducted in the areas surrounding major stations in Kyushu. In this way, we are working to improve the Group's value and invigorate local economies.
- Tenants at JR Hakata City and other major station buildings continued to enjoy strong sales in the six-month period ended September 30, 2018.
- In our apartment business, which is a target of increased capital investment under the current medium-term business plan, we are witnessing steady growth in both apartment units and sales, and occupancy rates remain high.
- Going forward, we will move ahead with new development projects, and we thereby expect to be able to secure stable profits.
- Please turn to the next slide.

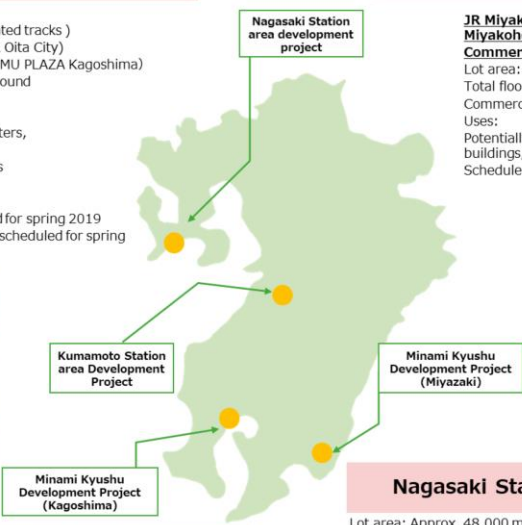


# Major Development Pipelines



## Kumamoto Station Area Development (Spring 2021)

**Kumamoto Station Building**  
 Lot area: 19,000m<sup>2</sup> (including area below elevated tracks )  
 Total floor space: 107,000m<sup>2</sup> (same scale as JR Oita City)  
 Commercial space : 37,000m<sup>2</sup> (same scale as AMU PLAZA Kagoshima)  
 Number of floors : 1 belowground, 12 aboveground  
 Uses:  
 Area below elevated tracks: Commercial area  
 Station building: Commercial area, movie theaters, hotels (200 rooms), etc.  
 Multilayered parking lots: 2,100 parking spaces  
 Residential areas: MJR, RJR, SJR, etc.  
 Schedule (tentative):  
 Start of station building construction scheduled for spring 2019  
 Commencement of station building operations scheduled for spring 2021



## Minami Kyushu (Miyazaki) Development Project (Opening in Fall 2020)

**JR Miyako Twin Building (tentative, joint development project with Miyakohgroup)**  
**Commercial facility name: AMU PLAZA Miyazaki**  
 Lot area: Approx. 7,300 m<sup>2</sup>  
 Total floor space: Approx. 37,700 m<sup>2</sup>  
 Commercial and office space: Approx. 20,200 m<sup>2</sup>  
 Uses:  
 Potentially integrated development of commercial areas, movie theaters, office buildings, etc.  
 Schedule (tentative): Opening in fall 2020



## Minami Kyushu (Kagoshima) Development Project

**Kagoshima-Chuo Station West Exit**  
 Lot area: Approx. 8,500 m<sup>2</sup>  
 Uses: Potentially integrated development of commercial areas, office buildings, residential areas, etc.  
 Schedule: Undecided  
**Kagoshima Station area**  
 Lot area: Approx. 14,000 m<sup>2</sup>  
 Schedule: Undecided  
**Area surrounding Kagoshima Rolling Stock Depot**  
 Lot area: Approx. 12,000 m<sup>2</sup>  
 Schedule: Undecided

## Nagasaki Station Area Development Project

Lot area: Approx. 48,000 m<sup>2</sup> (including area below elevated tracks)  
 Uses: Commercial areas, office buildings, hotels, etc.  
 Schedule: Undecided



- The major projects in our development pipeline are shown on this slide. JR Kyushu plans to carry out development projects centered on stations in major cities across Kyushu, including Kumamoto, Miyazaki, Kagoshima, and Nagasaki.
- The Kumamoto Station area development project scheduled to open in spring 2021 entails an integrated development plan that encompasses the station building as well as hotels, residences, and other facilities. The know-how we have accumulated thus far will be leveraged as we move forward with this station area urban development project.
- Please turn to the next slide.

# Retail and Restaurant Segment



## Retail and Restaurant Segment performance

(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Forecasts FY19.3	YoY	
Operating revenue	51.5	52.3	0.8	101.6%	105.4	2.2	102.2%
Operating income	1.8	1.7	(0.0)	95.5%	3.6	(0.0)	98.6%
Depreciation expense	0.8	0.8	0.0	101.7%	1.7	0.0	100.8%
EBITDA	2.6	2.5	(0.0)	97.3%	5.3	(0.0)	99.3%

### Positive factors

- Active development of new stores
- Increase in store visits and spending due to inbound tourism
- Expansion into Tokyo area
- Entry into new business categories

### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market
- Decrease in new opportunities due to concern over store conditions
  - Hard to acquire new properties
  - Drop in gross margin
  - Closure of unprofitable stores

### FY19.3 initiatives

- Improve segment profitability through scrap and build
- Continue to strengthen inbound tourism initiatives
- Enter into new business categories
- Streamline business operations
  - Introduce self-checkout on a trial basis
  - Consider RPA

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- The Retail and Restaurant segment witnessed an upward trend in revenue due to the ongoing opening of new stores. However, the market has become oversaturated with certain types of stores, our store opening measures is more important than ever.
- In this segment, we intend to manage profitability through scrap and building initiatives while also introducing self-service registers, adopting robotic process automation, and otherwise pursuing exhaustive cost reductions.
- Please turn to the next slide.

# Construction Segment



## Construction Segment performance

(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Forecasts FY19.3	YoY	
Operating revenue	27.8	31.5	3.7	113.4%	88.6	0.5	100.7%
Operating income	0.6	1.0	0.4	172.6%	5.1	(1.1)	81.3%
Depreciation expense	0.3	0.4	0.0	117.9%	0.8	(0.0)	100.0%
EBITDA	1.0	1.5	0.5	151.6%	5.9	(1.1)	83.4%

### Positive factors

- Increase in demand due to strong economic conditions
- Ample order opportunities (Hokuriku and Nagasaki Shinkansen, etc.)

### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market
- Rise in building material costs
- Drop in profit margin due to intensifying competition

### FY19.3 initiatives

- Increase ex-group orders
- Accelerate expansion outside of Kyushu

- As for the Construction segment, although the scale of this segment's revenue is great, its contributions to income are limited.
- Overall, this segment is benefiting from higher demand stemming from favorable conditions, but there are also several factors that are resulting in income fluctuations. Soaring construction material prices is one of these factors.
- Please turn to the next slide.



# Other Segment



## Other Segment performance

(¥bil)

	6 months ended September 30, 2017	6 months ended September 30, 2018	YoY		Forecasts FY19.3	YoY	
Operating revenue	28.0	42.9	14.8	153.0%	87.2	19.7	129.3%
Operating income	0.6	1.7	1.0	266.1%	2.7	0.2	112.0%
Depreciation expense	0.5	1.2	0.6	225.7%	2.4	0.8	154.8%
EBITDA	1.1	2.9	1.7	247.9%	5.1	1.1	128.8%

### Positive factors

- Continued to benefit from tailwinds for hotel business
- Opened JR Kyushu Hotel Blossom Naha
- Increase in inbound tourism mainly affecting hotels in Hakata and Shinjuku
- Promoted domestic tourism for retired individuals
- Group synergies achieved by consolidating Caterpillar Kyushu

### Negative factors

- Increase in personnel costs due to tight supply and demand in labor market

### FY19.3 initiatives

- Capture solid inbound demand
- Achieve group synergies by consolidating Caterpillar Kyushu

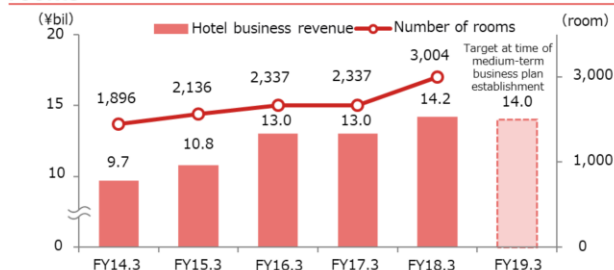
- Our strong-performing hotel business and the operations of the recently acquired Caterpillar Kyushu account for a majority of the operations of other segments.
- Please turn to the next slide.

# Other Segment

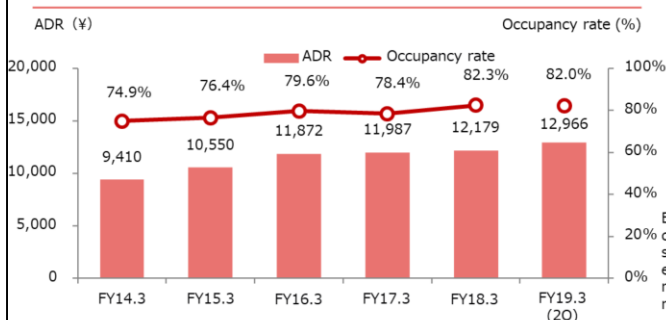


## Initiatives in the hotel business

### Hotel (Japanese inn) business revenue and no. of rooms



### Occupancy and Average Daily Rate (ADR)



## Initiatives of Caterpillar Kyushu

### New Business Initiatives

- Consolidated Caterpillar Kyushu, Ltd. in October 2017 (pre-acquisition performance: operating revenue of ¥28bn and operating income of ¥600m)
- Expanding new, non-railway business fields based on the safety and services cultivated in the Group's railway business
- Creating synergies in construction, machinery maintenance, finance, and other fields through coordination with existing Group businesses



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- In the hotel business, we now operate 16 hotels with more than 3,000 rooms in total.
- Hotel business revenues have been growing amid a rapid rise in non-Japanese guests driven by increased inbound demand, leading to strong occupancy rates and average daily rates.
- As a new business initiative, JR Kyushu acquired a stake in Caterpillar Kyushu in October 2017. By joining the Group, this company has been able to grow its share within Kyushu. Caterpillar Kyushu will be used for expanding rental operations by leveraging financial subsidiaries and generating synergies through enhanced coordination in rolling stock, machinery, equipment, and other manufacturing and maintenance fields.
- Moving forward, we will continue to examine M&A activities as an option in fields that are peripheral to our existing businesses as well as in fields where we will be able to capitalize on the strengths of the JR Kyushu Group.
- Please turn to the next slide.



## **IV. Progress of The Mid-term Business Plan and Preparation for The Next Mid-term Business Plan**



KYUSHU RAILWAY COMPANY

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- I would now like to explain the progress of the current medium-term business plan and our thoughts on the next medium-term business plan.
- Please turn to the next slide.

# JR Kyushu Group: Positioning Statement



Railway business positioned as the foundation for all group operations

**“Safety and Loyalty”, “Customer Attraction Capabilities”, and “Solid EBITDA”**  
Cultivated the above advantages in the railway business and now  
developing diversified group operations around railway stations in prime locations



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- The railway business forms the core of the Group.
- Founded on safety and trust, the railway business has been exercising its customer attraction capabilities to achieve stable EBITDA.
- This business's safety and trust, customer attraction capabilities, and stable EBITDA in turn contribute to higher demand for our real estate and retail and restaurant businesses, thereby helping economies alongside railway belts thrive.
- The benefits of these thriving economies then return to the Company in the form of customers for our railway business, creating a virtuous cycle.
- Please turn to the next slide.

# Review of the JR Kyushu Group Mid-Term Business Plan 2016–2018



Current Mid-Term Business Plan				Next Mid-Term Business Plan
FY17.3		FY18.3	FY19.3	FY20.3 and Beyond
Kumamoto earthquakes (Apr. 2016) Listing on stock exchange (Oct. 2016)		Heavy rain in northern Kyushu (July 2017)	Heavy rains (July 2018)	
<b>Railway Business</b>  <b>Real Estate Business</b> Commercial facilities Offices Rental apartments	<ul style="list-style-type: none"> <li>Start of operation of DENCHU dual energy charge trains (Oct. 2016)</li> <li>Commencement of Kawasemi Yamasei D&amp;S Train service (Mar. 2017)</li> <li>Introduction of Smart Support Stations on Chikuho Main Line, excluding Orio Station and the segment between Wakamatsu Station and Shinnyu Station [2nd case] (Mar. 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Commencement of service of renovated 811 series rolling stock (Apr. 2017)</li> <li>Introduction of services allowing for payment for Internet reservations to be made at convenience stores (May 2017)</li> <li>Integration of point services into JR KYUPO (Jul. 2017)</li> <li>Commence of demonstration tests for lightweight platform screen doors (Nov. 2017)</li> <li>Revision of timetables, including introduction of Smart Support Stations in Oita [3rd case] (Mar. 2018)</li> </ul>	<ul style="list-style-type: none"> <li>End of sales of four-sheet paper tickets (May 2018)</li> <li>Reorganization of railway business subsidiaries (Jul. 2018)</li> <li>Start of Wi-Fi services on Kyushu Shinkansen (Jul. 2018)</li> <li>Resumption of service on Kyudai Main Line (Jul. 2018)</li> <li>Strategic alliance with the Alibaba Group (Jul. 2018)</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of next-generation rolling stock (821 series, YC1 series)</li> </ul>
	<ul style="list-style-type: none"> <li>JRJP Hakata Building (Apr. 2016)</li> <li>Hirakawacho Center Building (Sep. 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Ropponmatsu development project (Sep. 2017)</li> </ul>		<ul style="list-style-type: none"> <li>Kumamoto Station area development product (spring 2021)</li> <li>Miyazaki Station West Exit joint development project (fall 2020)</li> <li>Nagasaki Station area development (undecided)</li> <li>Kagoshima Station area development (undecided)</li> </ul>
	<ul style="list-style-type: none"> <li>RJR Precia Hakata (Feb. 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Higashi Jujo Rental Apartments (Jun. 2017)</li> <li>RJR Precia Oita Ekimae II (Feb. 2018)</li> <li>RJR Precia Chiyokenchoguchi Ekimae (Feb. 2018)</li> <li>RJR Precia Nishikoen Bayside (Mar. 2018)</li> <li>RJR Precia Takeshita I (Mar. 2018)</li> </ul>	<ul style="list-style-type: none"> <li>Park Square Takenotsuka (Jul. 2018)</li> <li>RJR Precia Shin-Yokohama (Oct. 2018)</li> <li>Grand Precia Shibaura (Dec. 2018)</li> <li>RJR Precia Oita Ekimae III (Feb. 2019)</li> <li>RJR Precia Korimoto II (Feb. 2019)</li> <li>RJR Precia Hakataekiminami (Mar. 2019)</li> </ul>	<ul style="list-style-type: none"> <li>RJR Precia Takeshita II (Feb. 2020)</li> <li>RJR Precia Ropponmatsu (Mar. 2020)</li> <li>RJR Precia Tenjin South (Apr. 2020)</li> </ul>
	<ul style="list-style-type: none"> <li>MJR Uehonmachi (Jul. 2016)</li> <li>MJR Ropponmatsu (Mar. 2017)</li> <li>MJR Toso (Mar. 2017)</li> </ul>	<ul style="list-style-type: none"> <li>MJR Kyudai Gakkentoshi Residence (Apr. 2017)</li> <li>MJR Akasaka Tower (Nov. 2017)</li> <li>MJR The Garden Oe (Mar. 2018)</li> </ul>	<ul style="list-style-type: none"> <li>MJR Kuhonji Terrace (Aug. 2018)</li> <li>MJR The Garden Kagoshima-Chuo (Aug. 2018 / Mar. 2019)</li> <li>MJR Onojojo Ekimae (Mar. 2019)</li> <li>MJR Sakurazaka The Residence (Mar. 2019)</li> <li>MJR Shimizucho (Mar. 2019)</li> <li>MJR Oitaekimae The Residence (Mar. 2019)</li> </ul>	<ul style="list-style-type: none"> <li>MJR/RJR Sakaisuji Hommachi Tower (Mar. 2021)</li> <li>MJR Shin-Oe (Jul. 2019)</li> <li>MJR Meinohamaekiminami (Aug. 2019)</li> <li>MarkS City Futsukaichi (Mar. 2020, joint development project)</li> <li>MJR The Garden Miyazakiekimae (Mar. 2020, joint development project)</li> <li>MJR The Garden Kami-Kumamotoekimae (Mar. 2020, joint development project)</li> <li>MJR Chihaya Branchera (Dec. 2020)</li> </ul>
<b>Condominium Business</b>  <b>Hotel Business</b>		<ul style="list-style-type: none"> <li>JR Kyushu Hotel Blossom Naha (Jun. 2017)</li> <li>Shama Lakeview Asoke Bangkok (Dec. 2017)</li> </ul>		<ul style="list-style-type: none"> <li>Hakata Ekimae 2-Chome Complex (fall 2019, provisional name)</li> <li>Shinbashi 1-chome hotel project (fall 2019)</li> </ul>

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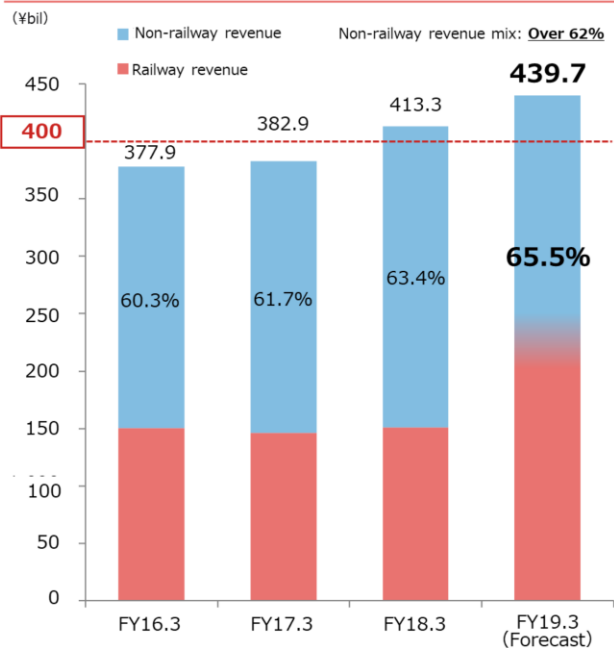
- The current medium-term business plan has guided various initiatives in our railway and real estate businesses.
- Despite being impacted by natural disasters seemingly every year, the railway business achieved a new high record high for railway transportation revenues in the year ended March 31, 2018. Factors contributing to this accomplishment included our measures for increasing revenues, such as promoting Internet sales; the adoption of energy-saving rolling stock; the revision of timetables to reduce train travel kilometers by 7%; and Smart Support Stations and other efficiency improvement initiatives.
- In the real estate business, we moved ahead with the JRJP Hakata Building and other office building projects as well as the Ropponmatsu development project, our first urban development project located outside of our railway network. Due in part to such efforts, our real estate business has been able to consistently supply around 500 condominium units each year. The development of rental apartments has also been a recent area of focus. Furthermore, we have opened hotels in Naha and Thailand.
- JR Kyushu will continue to proactively advance new development projects under the next medium-term business plan with the aim of securing stable earnings.
- Please turn to the next slide.

# Financial Targets

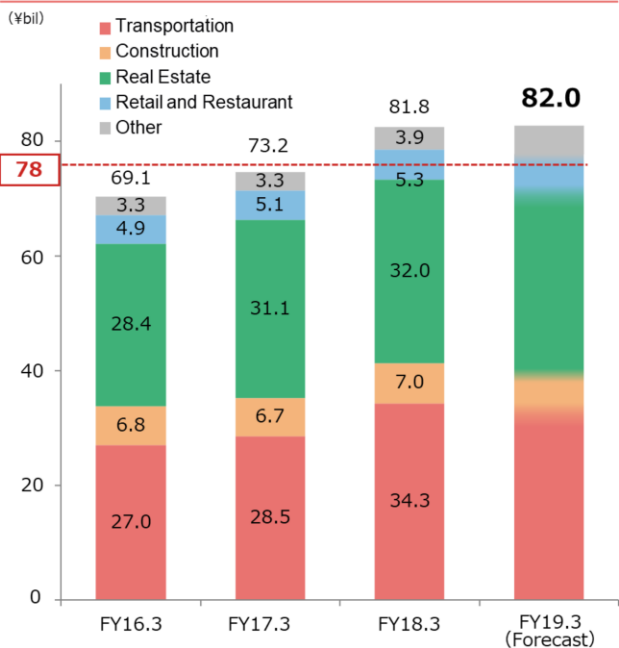


## Earnings forecasts

### Operating Revenues: ¥400 billion



### EBITDA: ¥78 billion



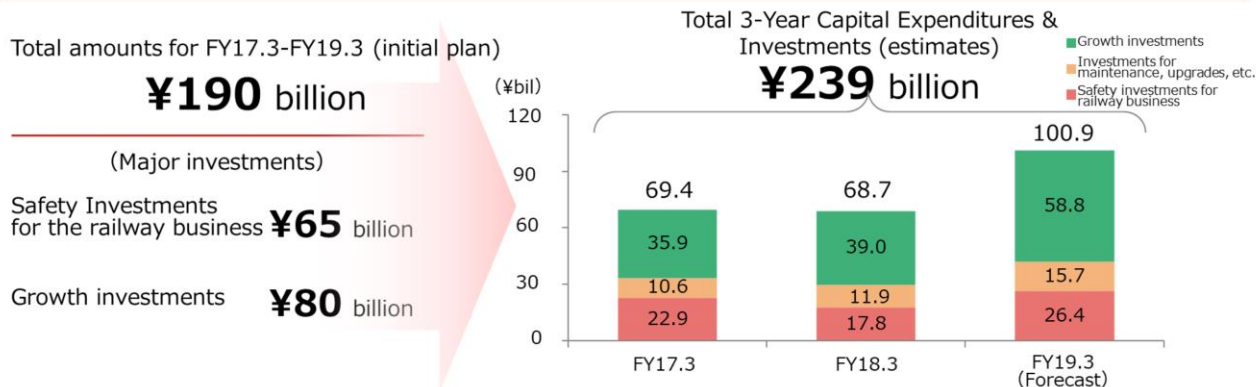
Notes: The FY16.3 figure for EBITDA in the Transportation segment includes earnings from use of the Management Stabilization Fund (¥11.1 billion). EBITDA figures by segment are prior to eliminating intersegment transactions and therefore do not match consolidated EBITDA figures

- The current medium-term business plan initially set forth the targets of consolidated operating revenues of ¥400.0 billion and consolidated EBITDA of ¥78.0 billion for the year ending March 31, 2019. Both of targets were accomplished in the year ended March 31, 2018, the second year of the plan.
- As indicated by our forecasts, we are now targeting year-on-year increases in both operating revenues and EBITDA in the year ending March 31, 2019, the final year of the plan.
- Please turn to the next slide.

# Target Management Indicators



## Capital Expenditures & Investments [Reference]



## Major Growth Investments under the Business Plan

- Ropponmatsu development project
- JR Kyushu Hotel Blossom Naha
- Shimbashi 1-chome hotel project
- Hakata Ekimae 2-Chome Complex (provisional name)

Rental apartments:

- RJR Oita Ekimae II
- Grand Precia Shibaura

etc.



Ropponmatsu development project



Hakata Ekimae 2-Chome Complex (provisional name)



Shimbashi 1-chome hotel project

- The next subject I want to touch on is capital investment.
- We had initially planned to conduct a total of ¥190.0 billion worth of capital investments over the three-year period of the medium-term business plan. However, we are currently anticipating three-year capital investments of ¥239.0 billion, significantly higher than the initial figure contained in the plan.
- Our forecast for growth investment is now ¥133.7 billion, higher than the initially projected ¥80.0 billion. The main factors behind this increase include our apartment business, our operations in Thailand, and the Hakata Ekimae 2-Chome Complex development project.
- While making continuous investments in improving safety as necessary to reinforce the foundation of our core railway business, we will actively carry out growth investments that contribute to future urban development and invigorate local communities.
- Please turn to the next slide.



# Returns to Shareholders



## Dividend Policy

Until FY19.3, we will aim for stable dividends per share with a consolidated payout ratio at a level of approximately 30% as the standard guideline.

## Annual Dividend Amount per Share and Payout Ratio

- Dividend of **¥83.0 per share** for FY18.3
- Planned dividend of **¥83.0 per share** for FY19.3
  - \* Interim dividend of ¥41.5 per share for FY19.3

	Annual dividend amount per share	Consolidated dividend payout ratio
FY18/3	83 yen	26.3%
FY19/3 (Forecast)	83 yen	28.0%

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- I will now discuss our dividend policy.
- We have adopted a basic policy of issuing stable per share dividends by targeting a consolidated payout ratio at a level of approximately 30% until the year ending March 31, 2019.
- As for the year ending March 31, 2019, we currently plan to issue an annual dividend of ¥83 per share.
- We are in the process of formulating our dividend policy for the year ending March 31, 2020, and beyond based on input received from investors and analysts.
- Please turn to the next slide.



# Overview of Current Mid-term Business Plan



(FY17.3-FY19.3)

## Target management figures and progress

	Target FY19.3	Results FY18.3	Progress
Operating revenue	¥400 billion	¥413.3 billion	103.3%
EBITDA	¥78.0 billion	¥81.8 billion	104.9%
	By FY19.3	Results FY18.3	
Payout ratio	Approx. 30%	26.3%	
(Reference)	Initial plan	Current expected amount	Increase
Capital expenditures	¥190 billion	¥239 billion	¥49 billion

## Results of Mid-term business plan

### Strong performance in Shinkansen and urban areas in the railway business

- Capturing inbound demand
- Managing yield through online booking

### Growth in station buildings and urban development business

- Opening new properties on schedule
- Improving profitability of existing properties

Developed new business by acquiring construction equipment company

Generated free cash flows  
Maintained high ROE

## Progress in key businesses

	(million passenger-km)	FY16.3	FY18.3
Railway passenger-km	(Shinkansen)	1,929	2,004
	(Conventional lines)	7,448	7,331
Station building business revenues		¥36.7 billion	¥40.3 billion
Hotel business revenues		¥13 billion	¥14.2 billion
Aggregate number of apartment units		2,419 units	3,147 units
Aggregate number of condominium units		5,475 units	6,415 units
Number of retail stores and restaurants		665	701

## Issues carried over to next Mid-term business plan

### Earnings improvement in railway business

- Transport disruptions due to natural disasters
- Considering the overall status of tired local lines

### Building pipeline in urban development business

- Continue to develop group-owned property
- Participating in large-scale urban redevelopment opportunity

Utilization of financial leverage

➤ This slide provides an overview of the current medium-term business plan.

➤ Please turn to the next slide.

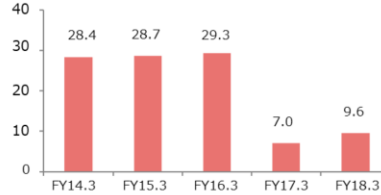
# Our View: Quest for Sustainable Growth



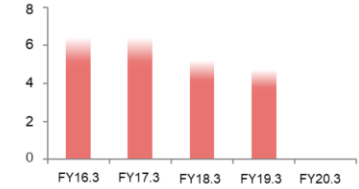
## Changes in cost structure (JR Kyusyu)

- Gradual increase in depreciation expense after mark-down of railway assets
- Expiration of special tax treatment
- Boost productivity by reducing personnel

Non-consolidated depreciation expense (¥bil)



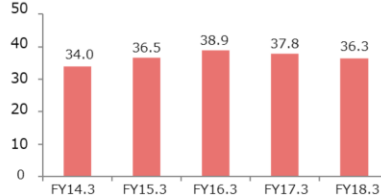
Amounts affected by special tax treatment (¥bil)



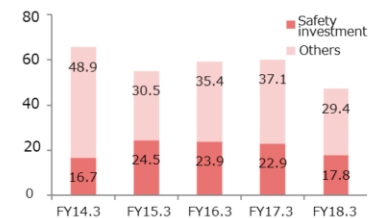
## Build railway infrastructure to withstand natural disasters

- Strong railway network lasting into the future
- Intensive engineering works to recover from natural disasters
- Launch next-generation train cars with improved environmental performance

Non-consolidated maintenance costs (¥bil)



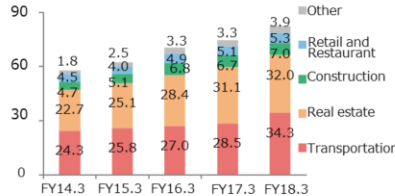
Non-consolidated capital expenditures (¥bil)



## Focus on cash flow management

- Enhance ability to generate cash flows through railways and urban development
- Priority allocation for capital expenditures to ensure sustainable growth
- Utilize sufficient debt capacity and capture investment opportunities

Consolidated EBITDA (¥bil)

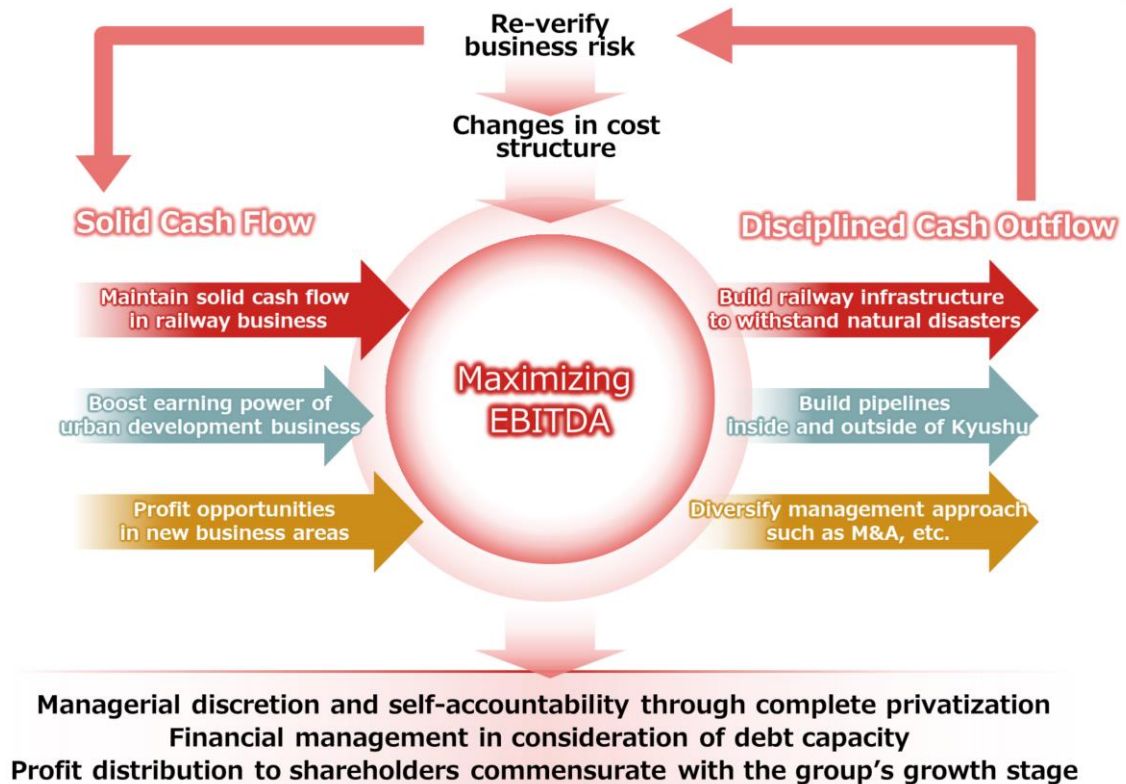


Consolidated net assets (¥bil)



- On this slide, you will see the main points we would like to emphasize with regard to the formulation of the medium-term business plan slated to start with the year ending March 31, 2020.
- The first point is that our cost structure is changing. We anticipate that earnings will be adversely impacted by a gradual increase in depreciation costs and the abolishment of special tax measures going forward. At the same time, we will enjoy the benefits of improved profitability stemming from staff reductions over the foreseeable future.
- As the second point, we will be reinforcing the resilience our railway infrastructure, which has recently proven to be vulnerable to nature disasters. Large-scale repair work on the necessary areas will be gradually ramped up going forward as we develop eco-friendly next-generation rolling stock.
- The third point is that we plan to practice thorough cash flow management and establish finance management policies. We look to maximize cash inflows to fund ongoing investments in railways and urban development while also leveraging our debt capacity, which we have been enhancing, to ensure that we are able to seize any investment opportunities that may arise. For the foreseeable future, our policy will be to prioritize securing the leeway needed to conduct investments and to bolster capital.
- Please turn to the next slide.

# Formulating the Next Mid-term Business Plan



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- This slide compiles the factors that we are considering in the formulation of the next medium-term business plan.
- We reviewed the medium-term business plan slated to conclude with the year ending March 31, 2019, to reassess the business risks we face. This assessment was prefaced on the changes in our cost structure seen presently. In addition, we recognize that the ability to generate stable cash inflows will be vital to our ongoing growth.
- For this reason, we intend to enhance the railway business' capacity to generate stable cash flows.
- At the same time, we will seek to heighten earnings capacity in the urban development business while also pursuing earnings opportunities in new business fields.
- Through these efforts, we aim to maximize consolidated EBITDA. To accomplish this goal, we will practice disciplined cash outflow management while advancing the following initiatives on a Groupwide basis:
  - The construction of railway infrastructure that is resilient to natural disasters
  - The fostering of urban development pipelines both inside and outside of Kyushu
  - The diversification of M&A and other management approaches
- The complete privatization of the Company realized in October 2016 granted greater freedom to management while also increasing the need for self-responsibility and making it possible for us to conduct financial management that emphasizes flexible investment and debt capacity utilization to ensure that we are able to seize any business opportunities that may arise.
- We look to furnish foundations for the ongoing development of the Group while also examining the possibility of returning profits to our shareholders as appropriate given our growth stage.
- This concludes today's presentation. Thank you for your attention.



# APPENDIX



KYUSHU RAILWAY COMPANY

# Changes in Cost Structure



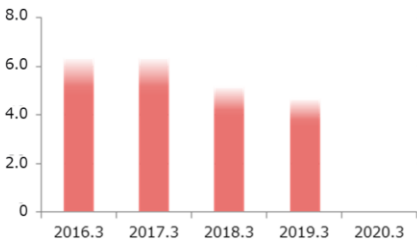
## Abolishment of Special Tax Measures

- Abolishment of special tax measures (special tax breaks implemented following the privatization of Japanese National Railways and provisions extending the period of these breaks) effective March 31, 2019 (period extending provisions abolished effective March 31, 2017)
- Inability to accurately calculate tax reduction amount as tax amounts are based on evaluations by municipal governments
- Amount of impact on performance in FY19.3 estimated to be approximately ¥4.0 billion (to be recorded under taxes and non-personnel expenses)

	Details of special tax measure					Affected line items
	Taxation category	Taxation standard				
		Up to FY17.3	FY18.3	FY19.3	FY20.3	
Period extending provisions	Property tax and city planning tax	3/5	Abolished	Abolished	Abolished	Taxes
Tax breaks following privatization of Japanese National Railways	Property tax and city planning tax	1/2	3/5	3/5	Abolished	・ JR Kyushu: Taxes ・ JRJT*: Non-personnel expenses
Capital proportion	Corporation tax	Additional paid-in capital, capital stock	(Capital stock + Additional paid-in capital) × 3/4	(Capital stock + Additional paid-in capital) × 1/2	Abolished	Taxes

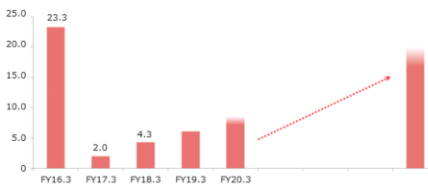
\*Taxes levied on Shinkansen (bullet train)-related assets leased from Japan Railway Construction, Transport and Technology Agency (JRJT)

Taxes on fixed assets and urban development plans



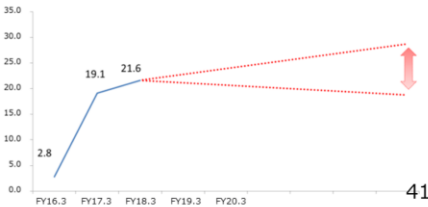
## Depreciation Costs

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)



## Income Tax Rate

- Disparity between tax burden and effective tax rate (30.7% in FY18.3) due to significant temporary differences associated with impairment losses (income used for taxation purposes lower than income used for accounting purposes)
- Gradual increase in tax rates as temporary differences associated with impairment losses resulted in the recording of new deferred tax assets
- Current trends to continue over foreseeable future but long-term trends undetermined



# JR Kyushu's Capital Structure



- Capital calculated as difference between assets and liabilities at time of privatization of Japanese National Railways in 1987
  - JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities  
 Note: The three JR companies on the Honshu Japanese mainland had limited capital due to inheriting liabilities from Japanese National Railways.
  - Management Stabilization Fund (¥387.7 billion) depleted in FY16.3 to direct funds to Shinkansen lease fees (prepaid expenses)  
 Impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) stemming from depletion of the Management Stabilization Fund
- ⇒ Capital still higher than peers, despite decrease, as a result of circumstances surrounding establishment

**Balance Sheet at Time of Establishment (1987)**

Assets 7,380	Liabilities	39.0
	Capital	16.0
	Additional paid-in capital	295.3
	Management Stabilization Fund	387.7

**Balance Sheet Prior to Depletion of Management Stabilization Fund (March 31, 2015)**

Assets 1,140.9	Liabilities	369.7
	Capital	16.0
	Additional paid-in capital	321.6
	Management Stabilization Fund	387.7

**Balance Sheet After Depletion of Management Stabilization Fund (March 31, 2016)**

Assets 646.6	Liabilities	340.9
	Capital	16.0
	Additional paid-in capital	276.3
	Others	13.4

# Net Cash on September 30, 2018



## Overview of Net Interest-Bearing Debt

Net Interest-Bearing Debt on March 31, 2018\*1 (¥mil)

Interest bearing debt		Cash and cash equivalents				
Borrowings		Cash and deposits	Securities	Money held in trust		Net interest-bearing debt
8,732.4	-	1,506.4	6,507.7	5,578.3	=	-4,860.0

Net Interest-Bearing Debt on September 30, 2018 (¥mil)

Interest bearing debt		Cash and cash equivalents				
Borrowings		Cash and deposits	Securities	Money held in trust		Net interest-bearing debt
8,665.5	-	1,498.6	5,459.5	5,687.2	=	-3,979.8

Note: Net interest-bearing debt is essentially zero when accounting for debt used to fund railway business investments that will not be used to repay borrowings.

\*1. Net-interest bearing debt excludes liability for retirement benefits.

# Strong Railway Business as the Foundation for All Business

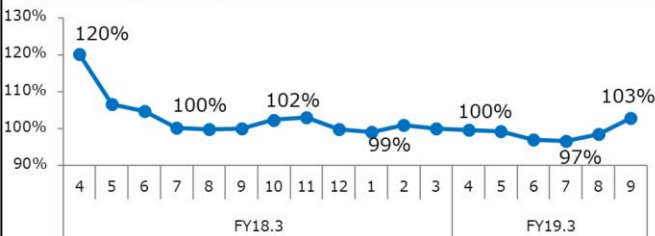


- Stable revenues from railway passenger traffic following establishment of position as an important transportation method connecting all of Kyushu
- Strong JR Kyushu brand known for safety and reliability in Kyushu to be cultivated by operating safe and reliable railway business and fostering trusting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

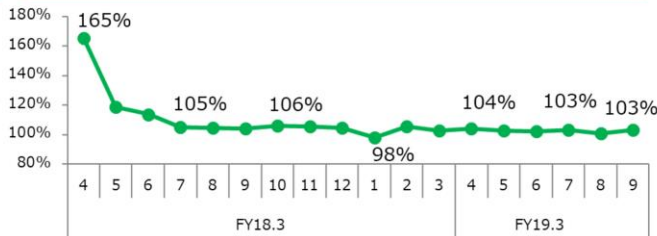
## Railway Transportation Revenues



## YoY Changes in Revenues from Railway Passenger Traffic (by Month)



## YoY Changes in Kyushu Shinkansen Usage (by Month)



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



# Fukuoka: Fastest Growing City in Japan

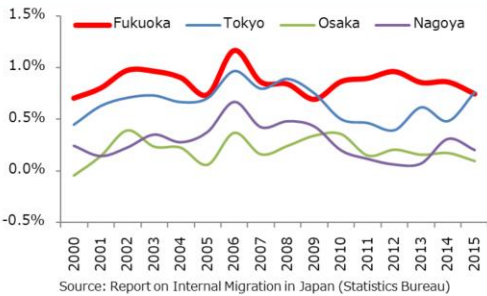


- The Fukuoka metropolitan area, the center of Kyushu’s economy, has maintained economic prosperity in recent years

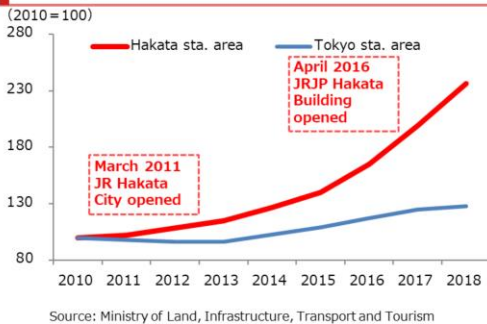
## [JR Kyushu’s development projects]



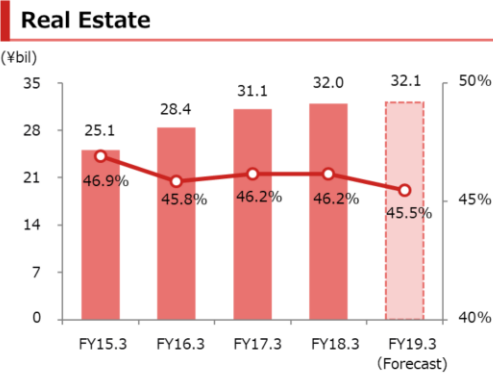
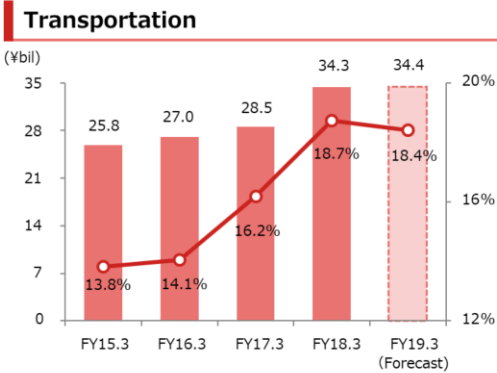
## Population growth of major cities in Japan (2000 ~ 2015)



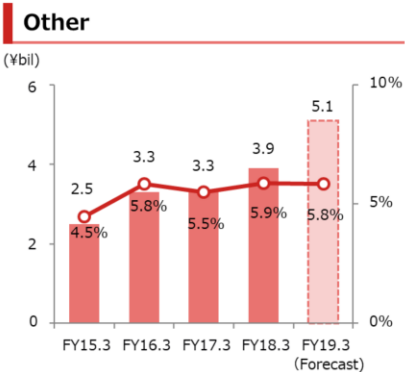
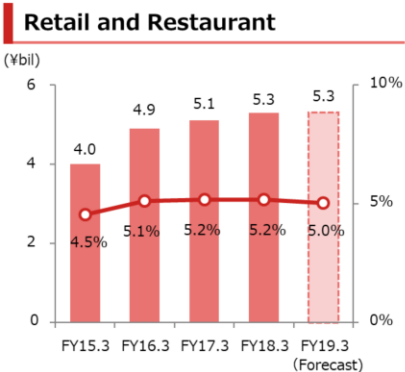
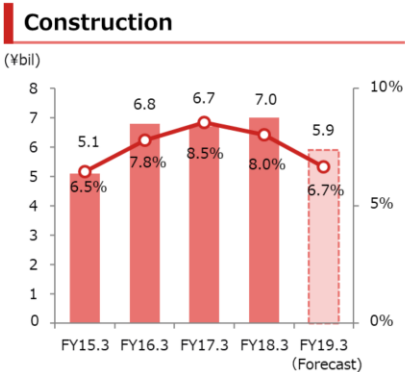
## Land price trend around Hakata Station



# EBITDA by Segment



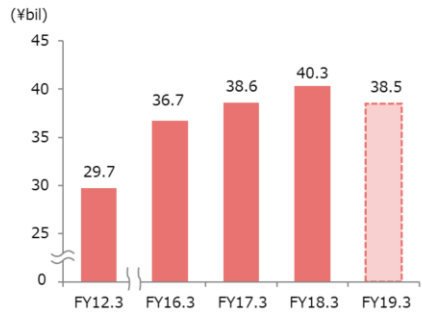
Notes:  
Figures for the Transportation segment EBITDA up to and including FY16.3 contain earnings from use of the Management Stabilization Fund (¥12.0 billion in FY14.3, ¥12.5 billion in FY15.3, and ¥11.1 billion in FY16.3).  
Figures by segment are prior to eliminating intersegment transactions.



# Progress of Business Initiatives Under Medium-Term Business Plan

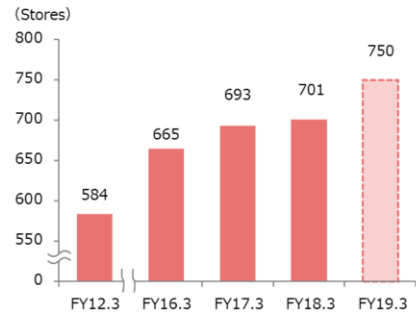


## Station Building Business Revenues



Note: Figures represent total business revenues from six station building operating subsidiaries and the JRJP Hakata Building.

## Retail and Restaurant Store Numbers



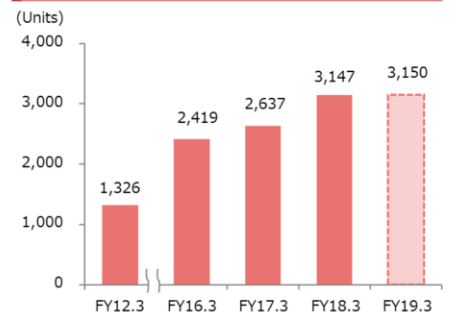
Note: Figures are as of the end of each fiscal year.

## Hotel (Ryokan) Business Revenues



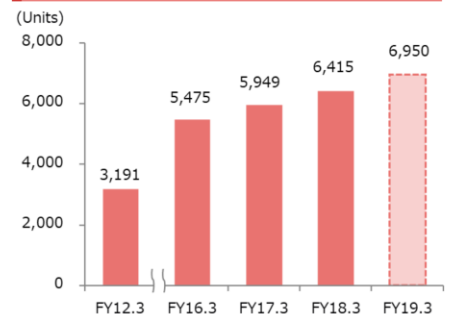
Note: Figures are as of the end of each fiscal year.

## Aggregate Number of Apartment Units



Note: Figures are as of the end of each fiscal year.

## Aggregate Number of Condominium Units



Note: Figures are as of the end of each fiscal year.

# Peripheral Business Initiatives



## Rental Apartments

Name	Location	Acquisition Move-In date	Units
Higashi Jujo Rental Apartments	Kita Ward, Tokyo	Jun 2017	182
RJR Precia Oita Ekimae II	Oita City	Feb 2018	130
RJR Precia ChiyoKenchoguchi Ekimae	Hakata Ward, Fukuoka City	Feb 2018	132
RJR Precia Nishikoen Bayside	Chuo Ward, Fukuoka City	Mar 2018	45
RJR Precia Takeshita I	Hakata Ward, Fukuoka City	Mar 2018	21
Grand Precia Shibaura	Minato Ward, Tokyo	Dec 2018	234
RJR Precia Korimoto II	Kagoshima City	Feb 2019	142
RJR Precia Oita Ekimae III	Oita City	Feb 2019	78
RJR Precia Hakata Eki Minami	Hakata Ward, Fukuoka City	May 2019	139

## Condominiums

Name	Location	Delivery date	Units
MJR Kyudai- Gakkentoshi Residence	Nishi Ward, Fukuoka City	Apr 2017	161
MJR Akasaka Tower	Chuo Ward, Fukuoka City	Nov 2017	172
MJR The Garden Oe	Chuo Ward, Kumamoto City	Mar 2018	193
MJR Kuhonji Terrace	Chuo Ward, Kumamoto City	Aug 2018	64
MJR The Garden Kagoshima-Chuo	Kagoshima City	I : Aug 2018 II : Mar 2019	472
MJR Onojyo Ekimae	Onojo City, Fukuoka Prefecture	Mar 2019	52
MJR Sakurazaka the Residence	Chuo Ward, Fukuoka City	Mar 2019	26
MJR Shimizucho	Kagoshima City	Mar 2019	51
MJR Oita Ekimae the Residence	Oita City	Mar 2019	70

# Major Properties



Asset type	Name	Location	Opening/ Acquisition	Floor space Units Rooms	Tenant sales FY18.3	Major tenants
Commercial facility (Sta. buildings)	AMU PLAZA Kokura	Kokura Kita Ward, Kitta Kyusyu	Mar 1998	Approx. 48,500m <sup>2</sup>	¥12.1 bil	UNITED ARROWS, Francfranc, etc.
	AMU PLAZA Nagasaki	Onoemachi, Nagasaki City	Sep 2000	Approx. 58,500m <sup>2</sup>	¥20.9 bil	TOKYU HANDS, MUJI, UNITED CINEMAS, etc.
	AMU PLAZA Kagoshima	Chuocho, Kagoshima City	Sep 2004	Approx. 65,000m <sup>2</sup>	¥26.4 bil	TOKYU HANDS, ZARA, Cinema Kagoshima Mitte 10, etc.
	JR Hakata City	Hakata Ward, Fukuoka City	Mar 2011	Approx. 240,000m <sup>2</sup>	¥113.0 bil	Hankyu Department Store, TOKYU HANDS, T-Joy Hakata, etc.
	JR Oita City	Kanamemachi, Oita City	Apr 2015	Approx. 154,000m <sup>2</sup>	¥23.3 bil	TOKYU HANDS, TOHO CINEMAS, etc. Renovation completed on March 2, 2018
Commercial facility (Inner-City)	Ropponmatsu 421, etc.	Chuo Ward, Fukuoka City	Sep 2017 Partly opened in October	Approx. 37,000m <sup>2</sup>	—	TSUTAYA, Starbucks, 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. 5,000m <sup>2</sup>	—	—
	Nibancho Center Building	Chiyoda Ward, Tokyo	Acquired in Mar 2014	Approx. 44,000m <sup>2</sup>	—	—
	JRJP Hakata Building	Hakata Ward, Fukuoka City	Opened in Apr 2016	Approx. 44,000m <sup>2</sup>	—	—
	Hirakawacho Center Building	Chiyoda Ward, Tokyo	Acquired in Sep 2016	Approx. 8,000m <sup>2</sup>	—	—
Apartment rentals	RJR Precia Oita Ekimae II	Oita City, Oita Prefecture	Feb 2018	130 Units	—	—
	RJR Precia Hakata	Hakata Ward, Fukuoka City	Feb 2017	218 Units	—	—
Total of 34 buildings including the above						
Hotels	JR Kyushu Hotel Blossom Hakata Chuo	Hakata Ward, Fukuoka City	Apr 2013	247 Rooms	—	—
	JR Kyushu Hotel Blossom Shinjuku	Shibuya Ward, Tokyo	Jul 2014	239 Rooms	—	—
	JR Kyushu Hotel Blossom Naha	Naha City, Okinawa Prefecture	Jun 2017	218 Rooms	—	—
	Shama Lakeview Asoke Bangkok	Bangkok, Thailand	Acquired in Dec 2017	429 Rooms	—	Operations commenced under new brand in April 2018
Total of 16 buildings including the above						

# Overview of Major Development Pipelines



Name		Location	Schedule	Floor space/Lot area Units Rooms	Notes
Kumamoto Station area development		Kumamoto City	Area below elevated tracks opened in Mar 2018 Sta. building: scheduled for commencing construction in spring 2019, opening in spring 2021	Lot area: Approx. 70,000m <sup>2</sup> (including area below elevated tracks) Floor space: Approx. 107,000m <sup>2</sup> (sta. building)	Area below elevated tracks: Commercial area Sta. building: Commercial area, movie theaters, hotels (200 rooms), etc. Multilayered parking lots: 2,100 parking spaces Residential areas: MJR, RJR, SJR, etc.
Nagasaki Station area development		Nagasaki City	Undecided	Lot area: Approx. 48,000m <sup>2</sup> (including area below elevated tracks)	Promotion of development in area surrounding station out of consideration for Shinkansen opening and change to elevated tracks for local lines; Potentially integrated development of commercial areas, hotels, office buildings, etc.
Minami Kyushu Development Projects	Kagoshima-Chuo Station West Exit	Kagoshima City	Undecided	Lot area: Approx. 8,500m <sup>2</sup>	Potentially integrated development of commercial areas, office buildings, residential areas, etc.
	Kagoshima Station area	Kagoshima City	Undecided	Lot area: Approx. 14,000m <sup>2</sup>	—
	Miyazaki Station West Exit	Miyazaki City	Scheduled for commencing construction in spring 2019 Scheduled to open in fall 2019	Lot area: Approx. 7,300m <sup>2</sup>	Potentially integrated development of commercial areas, office buildings, residential areas, etc.
	Area surrounding Kagoshima Rolling Stock Depot	Kagoshima City	Undecided	Lot area: Approx. 12,000m <sup>2</sup>	—
Hakata Ekimae 2-Chome Complex (provisional name)		Hakata Ward, Fukuoka City	Scheduled to open in fall 2019	Lot area: Approx. 1,590m <sup>2</sup>	Integrated building development centered on hotels (238 rooms)
RJR Precia Tenjin South		Chuo Ward, Fukuoka, City	Scheduled to be completed in February 2020	Floor space: Approx. 15,000m <sup>2</sup>	Integrated apartment building (202 units)
MJR/RJR Sakaisuji Honmachi Tower		Chuo Ward, Osaka City	Scheduled to be completed at end of February 2021	Floor space: Approx. 47,470m <sup>2</sup>	296 condominium units 144 apartment units
Shimbashi 1-chome hotel project		Minato Ward, Tokyo	Scheduled to open in fall 2019	267 rooms planned Floor space: Approx.10,400m <sup>2</sup>	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.

Note: Schedules are subject to change

# Forward-Looking Statements

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These materials contain forward-looking statements concerning business forecasts, targets, etc. of the JR Kyushu Group.

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance may vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

IR materials can be viewed on our corporate website:  
[http://www.jrkyushu.co.jp/company/ir\\_eng/library/earnings/](http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/)