FY19.3 Annual Investors Meeting

May 14, 2019

Kyushu Railway Company

KYUSHU RAILWAY COMPANY

- I am Toshihiko Aoyagi, the president of JR Kyushu. I would like to thank you for taking the time to attend our presentation today.

- I will discuss our financial results for FY19.3, which were announced on May 13.

- Please turn to slide 3.

Contents

Highlights

Results For FY19.3	• Operating revenues up YoY due to the consolidation of Caterpillar Kyushu, etc. • Consolidated operating income, ordinary income, and net income attributable to owners of the parent down due to higher depreciation at JR Kyushu
Forecasts for FY20.3	• Operating revenues expected to increase due to higher railway transportation revenues, new hotel openings, etc. • Net income attributable to owners of the parent expected to decline due to elimination of special tax measures, higher depreciation in the railway business, etc.
Business Initiatives Under Medium-Term Business Plan	• In the railway business, increase earning power in key fields—Shinkansen, urban area demand, inbound tourism demand • In the related businesses, implement initiatives to increase the population in the areas around our railway lines by implementing strategic city-building initiatives in the regions around our business areas

- Today, I will discuss the three points listed here: our financial results for FY19.3, our performance forecasts for FY20.3, and the business initiatives by each segment in the Medium-Term Business Plan, which we announced in March.

- First, I will discuss our financial results in FY19.3.

- Please turn to slide 5.

Ⅰ. Financial results for FY19.3

Consolidated Financial Highlights for FY19.3

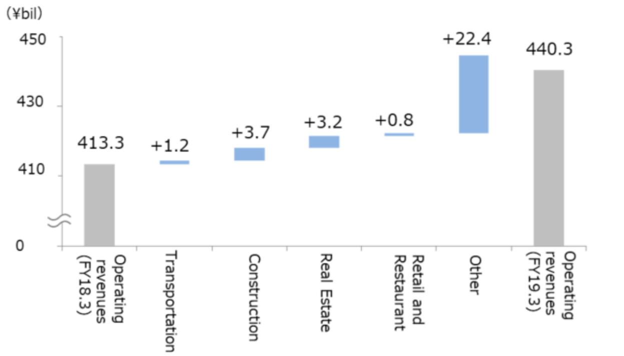
- Operating revenues up for the 9th consecutive year (set new record)
- Operating income down for the first time in six periods
- Net income attributable to owners of the parent down for the first time in 3 years
- EBITDA up for the 6th consecutive year (set new record)

(¥bil)

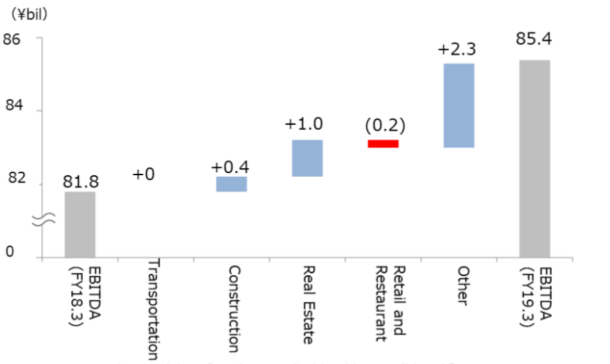
	FY18.3	FY19.3	YoY	
Operating revenue	413.3	440.3	26.9	106.5%
Operating income	63.9	63.8	(0.0)	99.9%
Ordinary income	67.0	66.5	(0.5)	99.2%
Net income attributable to owners of the parent	50.4	49.2	(1.1)	97.7%
EBITDA (Note)	81.8	85.4	3.5	104.4%

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 (former segments)



Change in EBITDA by segment (former segments)



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 operating revenues increased ¥26.9 billion year on year due to increased revenues from the consolidation of Caterpillar Kyushu Co., Ltd., etc.
- Operating income was slightly down year on year due to an increase in depreciation costs at JR Kyushu, etc.
- Net income attributable to owners of the parent decreased by ¥1.1 billion, due in part to disaster-damage losses resulting from the July 2018 heavy rain.
- EBITDA rose ¥3.5 billion.
- More details on performance can be found on slide 6.
- Next, I will discuss the results by segment. Please turn to slide 7.

Consolidated Income Statements

(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
Operating revenues	413.3	440.3	26.9	106.5%	Increase due to consolidation of Caterpillar Kyushu
Operating expenses	349.4	376.4	27.0	107.7%	Increase due to consolidation of Caterpillar Kyushu Increase in depreciation costs (JR Kyushu)
Operating income	63.9	63.8	(0.0)	99.9%	
Non-operating income and expenses	3.0	2.6	(0.4)	86.1%	
Ordinary income	67.0	66.5	(0.5)	99.2%	
Extraordinary gains and losses	(2.2)	(2.1)	0.1	-	
Net income attributable to owners of the parent	50.4	49.2	(1.1)	97.7%	
EBITDA	81.8	85.4	3.5	104.4%	

Segment Information 【Summary】(Former Segments)

(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
Operating revenues	413.3	440.3	26.9	106.5%	
Transportation	183.7	185.0	1.2	100.7%	
Railway Business (non-consolidated)	171.3	172.2	0.9	100.5%	Increase in railway transportation revenues, etc.
Construction	88.0	91.7	3.7	104.3%	Increase in Shinkansen-related construction, etc.
Real Estate	69.4	72.6	3.2	104.7%	
Real Estate Lease	49.0	52.9	3.9	108.0%	Increase due to serviced apartment business in Thailand, Higo Yokamon Ichiba, etc.
Condominium Sales	20.4	19.7	(0.6)	96.8%	
Retail and Restaurant	103.1	104.0	0.8	100.8%	
Other	67.4	89.8	22.4	133.3%	Consolidation of Caterpillar Kyushu, full-year contribution from JR Kyushu Hotel Blossom Naha, etc.
Operating income	63.9	63.8	(0.0)	99.9%	
Transportation	29.2	27.4	(1.7)	94.0%	
Railway Business (non-consolidated)	28.2	26.7	(1.4)	94.8%	Increase in depreciation costs, etc.
Construction	6.2	6.5	0.2	104.1%	
Real Estate	23.2	23.7	0.5	102.5%	
Real Estate Lease	20.6	21.3	0.7	103.6%	
Condominium Sales	2.5	2.3	(0.1)	93.8%	
Retail and Restaurant	3.6	3.4	(0.2)	93.5%	Increase in personnel expenses, etc.
Other	2.4	3.5	1.1	148.1%	
EBITDA	81.8	85.4	3.5	104.4%	
Transportation	34.3	34.4	0.0	100.3%	
Railway Business (non-consolidated)	32.5	32.8	0.2	100.8%	
Construction	7.0	7.5	0.4	106.1%	
Real Estate	32.0	33.1	1.0	103.4%	
Real Estate Lease	29.4	30.7	1.2	104.2%	
Condominium Sales	2.5	2.4	(0.1)	94.0%	
Retail and Restaurant	5.3	5.0	(0.2)	95.2%	
Other	3.9	6.3	2.3	159.1%	

- I will discuss the major segments.

- The Transportation segment recorded an increase in railway transportation revenues. However, due to a rise in depreciation costs at JR Kyushu, etc., overall the segment had higher revenues but lower income for the fiscal year.

- The Construction segment registered higher revenues and income due to an increase in Shinkansen-related construction work, etc.

- The Real Estate segment recorded higher revenues and higher income due to an increase in revenues from real estate leases, etc.

- The Retail and Restaurant segment registered higher revenues due to new drug store and convenience store openings, etc. However, income declined due to increased personnel expenses, etc. EBITDA also declined.

- The Other segment recorded higher revenues and higher income due to the consolidation of Caterpillar Kyushu, a full-year contribution from JR Kyushu Hotel Blossom Naha, etc.

- Next, I will discuss our non-consolidated performance. Please turn to slide 9.

Balance Sheet and Cash Flow Statement

Balance Sheet

(¥bil)

	FY18.3	FY19.3	Increase/ (decrease)	Major Factors
Total Assets	749.3	801.4	52.0	
Cash and time deposits	15.0	16.9	1.9	
Short-tem securities	65.0	19.9	(45.1)	Decrease in negotiable certificates of deposit, etc.
Money held in trust	55.7	56.9	1.1	
Property, plant and equipment	390.6	461.3	70.6	
Railway business assets	47.2	71.6	24.4	
Interest-bearing debt	87.3	107.9	20.6	Increase due to issuance of bonds, etc.
Net assets	383.2	420.7	37.5	
Capital and paid-in capital	250.2	249.9	(0.2)	
Retained earnings	124.9	160.5	35.5	

	FY18.3	FY19.3
ROE	14.0%	12.4%
ROA	7.1%	6.4%
D / EBITDA	1.07	1.26
Equity ratio	50.3%	51.8%

Cash flow statement

(¥bil)

	FY18.3	FY19.3	Increase/ (decrease)	Major Factors
Cash flows from operating activities	87.6	41.4	(46.2)	Decrease due to collection of receivables (MJR Ropponmatsu, etc.), etc.
Depreciation expense	17.9	21.9	4.0	
Cash flows from investing activities	(68.3)	(74.6)	(6.2)	
Capital expenditures	(82.3)	(105.9)	(23.6)	
Free cash flow	19.3	(33.1)	(52.4)	
Cash flows from financing activities	(9.1)	5.6	14.8	Increase due to issuance of bonds, etc.
Cash and cash equivalents	64.3	36.8	(27.5)	

Non-consolidated Income Statements

(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
Operating revenues	219.7	221.9	2.1	101.0%	
Railway transportation revenues	151.1	151.4	0.3	100.2%	
Other revenues	68.5	70.4	1.8	102.7%	Increase in revenues from real estate leases, etc.
Operating expenses	172.9	176.1	3.2	101.9%	
Personnel expenses	51.3	49.7	(1.6)	96.8%	
Non-personnel expenses	104.3	106.5	2.2	102.1%	
Energy costs	8.8	9.4	0.5	106.4%	
Maintenance costs	36.3	37.2	0.8	102.4%	
Other	59.0	59.8	0.8	101.4%	
Taxes	7.5	8.0	0.4	106.3%	
Depreciation costs	9.6	11.8	2.1	122.2%	
Operating income	46.7	45.7	(1.0)	97.8%	
Non-operating income and expenses	5.5	8.0	2.5	145.8%	Increase in dividend income, etc.
Ordinary income	52.2	53.7	1.5	102.9%	
Extraordinary gains and losses	(2.3)	(0.9)	1.3	-	・Decrease in disaster expenses associated with heavy rain in northern Kyushu in 2017 and typhoon No. 18 ・Increase in disaster expenses associated with heavy rain in July 2018, etc
Net income	41.6	44.2	2.6	106.2%	

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- Non-consolidated operating revenues increased ¥2.1 billion year on year due to higher railway transportation revenues and higher revenues from real estate leases, etc.

- Personnel costs declined, but nonetheless operating expenses rose ¥3.2 billion due to higher depreciation resulting from an increase in fixed assets, etc.

- Disaster expenses increased due to the heavy rain in July 2018. However, the balance of extraordinary gains and losses increased ¥1.3 billion as a result of an increase in proceeds from insurance income associated with the 2016 Kumamoto earthquakes, a decline in disaster losses associated with disasters that occurred in FY18.3, etc.

- As a result of these factors, non-consolidated net income rose ¥2.6 billion year on year.

- Please turn to slide 10.

Railway business

Railway Transportation Revenues

(¥bil)

	FY18.3	FY19.3	YoY		Majour Factors
Total	151.1	151.4	0.3	100.2%	
Commuter pass	32.3	32.4	0.1	100.4%	
Non-commuter pass	118.8	119.0	0.1	100.2%	
Shinkansen	54.1	54.9	0.7	101.5%	・Basic trend (approx. 101%) ・Increase due to broadcast of Segodon period drama ・Increase due to consecutive holidays in September 2018
Commuter pass	2.6	2.7	0.0	102.4%	
Non-commuter pass	51.4	52.2	0.7	101.4%	
Conventional Lines	97.0	96.5	(0.4)	99.5%	・Basic trend (approx. 100%) ・Decrease due to heavy rain in July 2018 ・Decrease due to rebound from favorable weather in 2017 rainy season
Commuter pass	29.6	29.7	0.0	100.2%	
Non-commuter pass	67.3	66.8	(0.5)	99.2%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	FY18.3	FY19.3	YoY	
Total	9,336	9,285	△ 51	99.5%
Commuter pass	4,207	4,214	7	100.2%
Non-commuter pass	5,129	5,070	△ 58	98.9%
Shinkansen	2,004	2,032	27	101.4%
Commuter pass	195	199	4	102.1%
Non-commuter pass	1,809	1,832	23	101.3%
Conventional Lines	7,331	7,252	△ 79	98.9%
Commuter pass	4,011	4,015	3	100.1%
Non-commuter pass	3,319	3,237	△ 82	97.5%

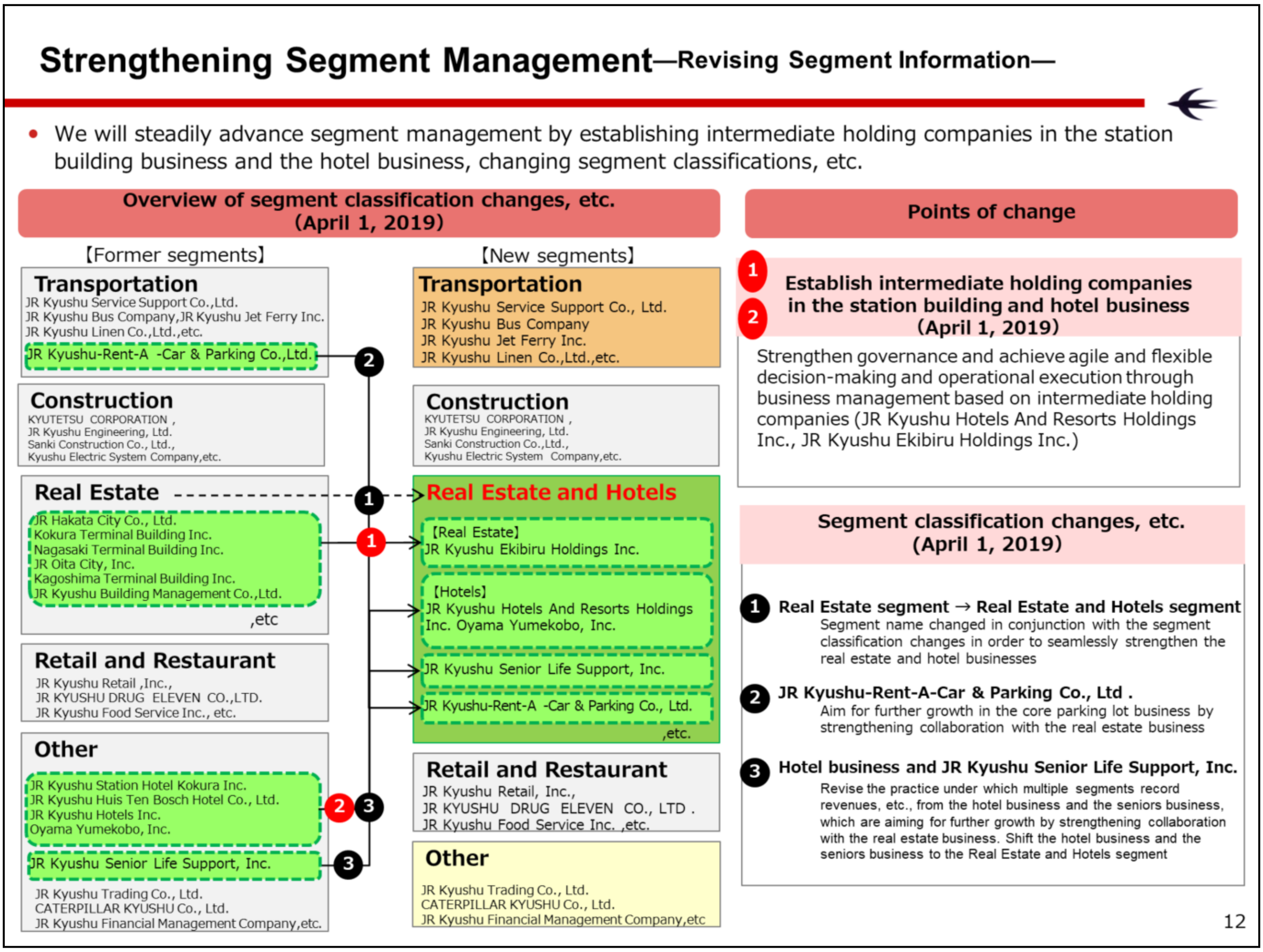
- Railway transportation revenues were up 1.5% year on year due to a solid basic trend for the Shinkansen, which was 1% higher than in the previous fiscal year, as well as the benefits of the broadcast of the Segodon period drama on television, an increase in the number of consecutive holidays in September, etc.

- On the other hand, on conventional lines, revenues were down 0.5% due to the influence of the heavy rain that occurred in July 2018, to a rebound from the favorable weather in the 2017 rainy season, etc.

- Next, I will explain our forecasts for full-year performance in the year ending March 31, 2020.

- Please turn to slide 12.

Ⅱ. Forecasts for FY20.3



- To strengthen segment management, on April 1, 2019, we established intermediate holding companies in the station building and hotel businesses, implemented segment classification changes, etc.

- The major change in segment classifications is the transfer of the hotel business, which was previously in the Other segment, to the Real Estate segment. At the same time, the name of the Real Estate segment was changed to the Real Estate and Hotels segment.

- Please turn to the next slide.

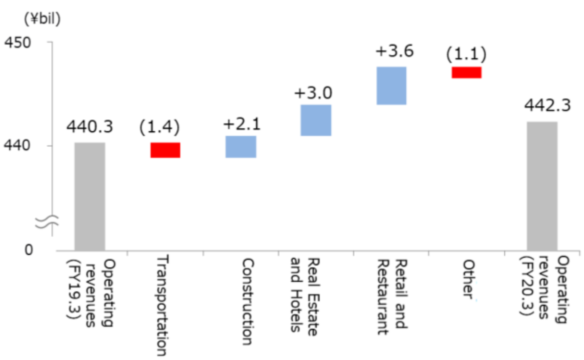
Consolidated Financial Highlights for FY20.3

(¥bil)

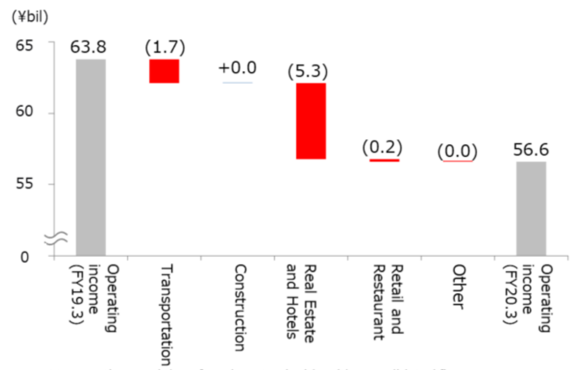
	Results FY19.3	Forecasts FY20.3	YoY	
Operating revenue	440.3	442.3	1.9	100.4%
Operating income	63.8	56.6	(7.2)	88.6%
Ordinary income	66.5	57.2	(9.3)	86.0%
Net income attributable to owners of the parent	49.2	42.5	(6.7)	86.3%
EBITDA (Note)	85.4	82.3	(3.1)	96.4%

* From FY2020.3, the method of recording revenues/expenses related compensated construction work has changed

Operating revenues by segment (new segments)



Operating income by segment (new segments)



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 operating revenues are forecast to increase in FY20.3, as a result of higher railway transportation revenues and the opening of new hotels.

- We are forecasting declines in operating income, ordinary income, and net income attributable to owners of the parent due to higher expenses resulting from the elimination of special tax measures, and an increase in depreciation costs in the railway business, etc.

- EBITDA is also expected to decline year on year.

- Segment performance forecasts are shown on page 14, and non-consolidated performance forecasts on page 15.

- Next, I will discuss our segment forecasts. Please turn to slide 17 .

Consolidated Financial Forecasts (By Segment) (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Majour Factors
Operating revenues	440.3	442.3	1.9	100.4%	
Transportation	181.8	180.4	(1.4)	99.2%	
Railway Business (non-consolidated)	172.2	170.4	(1.8)	98.9%	Decrease due to revision of recording revenues and expenses related to compensated construction, increase due to change in revenue/expense classifications related to station buildings, etc.
Construction	93.8	96.0	2.1	102.3%	
Real Estate and Hotels	90.0	93.1	3.0	103.3%	
Real Estate Lease	70.3	73.3	2.9	104.2%	Increase due to opening of new hotels and condominium buildings, decrease due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	19.7	19.8	0.0	100.1%	
Retail and Restaurant	104.0	107.7	3.6	103.5%	Increase due to new store openings, etc.
Other	72.6	71.5	(1.1)	98.4%	
Operating income	63.8	56.6	(7.2)	88.6%	
Transportation	27.4	25.7	(1.7)	93.7%	
Railway Business (non-consolidated)	26.7	24.5	(2.2)	91.5%	Decrease due to elimination of special tax measures and increase in depreciation, increase due to change in revenue/expense classifications related to station buildings, etc.
Construction	6.2	6.3	0.0	100.2%	
Real Estate and Hotels	25.4	20.1	(5.3)	79.0%	
Real Estate Lease	23.0	18.2	(4.8)	79.0%	Decrease due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	2.3	1.9	(0.4)	79.4%	Decrease due to increase in cost of sales, etc.
Retail and Restaurant	3.4	3.2	(0.2)	93.8%	Decrease due to increase in personnel expenses, etc.
Other	2.2	2.2	(0.0)	99.9%	
EBITDA	85.4	82.3	(3.1)	96.4%	
Transportation	34.3	35.4	1.0	103.1%	
Railway Business (non-consolidated)	32.8	33.0	0.1	100.5%	
Construction	7.2	7.3	0.0	100.5%	
Real Estate and Hotels	35.6	31.1	(4.5)	87.3%	
Real Estate Lease	33.2	29.2	(4.0)	87.9%	
Condominium Sales	2.4	1.9	(0.5)	79.0%	
Retail and Restaurant	5.0	5.1	0.0	100.4%	
Other	4.1	4.3	0.1	102.6%	

Non-consolidated Financial Forecasts

(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Majour Factors
Operating revenue	221.9	220.4	(1.5)	99.3%	
Railway transportation revenues	151.4	152.8	1.3	100.9%	Increase due to leap year and rebound from heavy rain in July 2018, etc.
Shinkansen	54.9	55.7	0.7	101.3%	Basic trend (approx. 101%)
Conventional Lines	96.5	97.1	0.6	100.6%	Basic trend (approx. 100%)
Other revenues	70.4	67.6	(2.8)	96.0%	Decrease due to revision of recording of revenues and expenses related to compensated construction, etc.
Operating expenses	176.1	181.5	5.3	103.0%	
Personnel expenses	49.7	49.1	(0.6)	98.7%	
Non-personnel expenses	106.5	106.1	(0.4)	99.6%	
Energy costs	9.4	9.6	0.1	101.8%	
Maintenance costs	37.2	32.6	(4.6)	87.5%	Decrease due to revision of recording of revenues and expenses related to compensated construction, etc.
Other	59.8	63.9	4.0	106.7%	Increase due to elimination of special tax measures, etc.
Taxes	8.0	11.1	3.0	137.6%	Increase due to elimination of special tax measures, etc.
Depreciation costs	11.8	15.2	3.3	128.4%	
Operating income	45.7	38.9	(6.8)	85.1%	
Non-operating income and expenses	8.0	4.8	(3.2)	59.6%	
Ordinary income	53.7	43.7	(10.0)	81.3%	
Extraordinary gains and losse	(0.9)	(0.2)	0.7	-	
Net income	44.2	36.2	(8.0)	81.8%	

Ⅲ. BUSINESS INITIATIVES BY EACH SEGMENT UNDER MEDIUM-TERM BUSINESS PLAN

KYUSHU RAILWAY COMPANY

Creation of 2030 Long-Term Vision

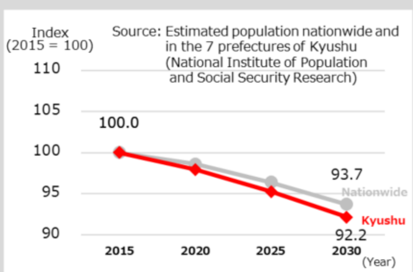
- We created the 2030 Long-Term Vision in a management environment undergoing dramatic change.

2030 Long-Term Vision

We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

- As a corporate group providing mobility services in Kyushu, taking steps to respond to population decline, natural disasters, and other threats. To that end, taking on the challenge of establishing sustainable mobility services based on a foundation of safety and security by utilizing new technologies and implementing cooperation with other companies.
- Contribute to a Kyushu where people want to live, work, and visit through city-building initiatives centered on mobility services (expanding the resident and nonresident populations and creating employment)

Declining population in Kyushu, where the pace of the decline exceeds that in the nationwide population



Initiatives to increase the population in areas around our railway lines

- The Medium-Term Business Plan, which was announced in March, includes the newly formulated 2030 Long-Term Vision.

- To fulfill our social responsibilities in the area of mobility services, the JR Kyushu Group will take on the challenge of establishing sustainable mobility services in the area. To increase the population in areas around our railway lines, we will make full use of these mobility services while working to contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, such as in Hakata, Oita, etc.

- Please turn to the next slide.

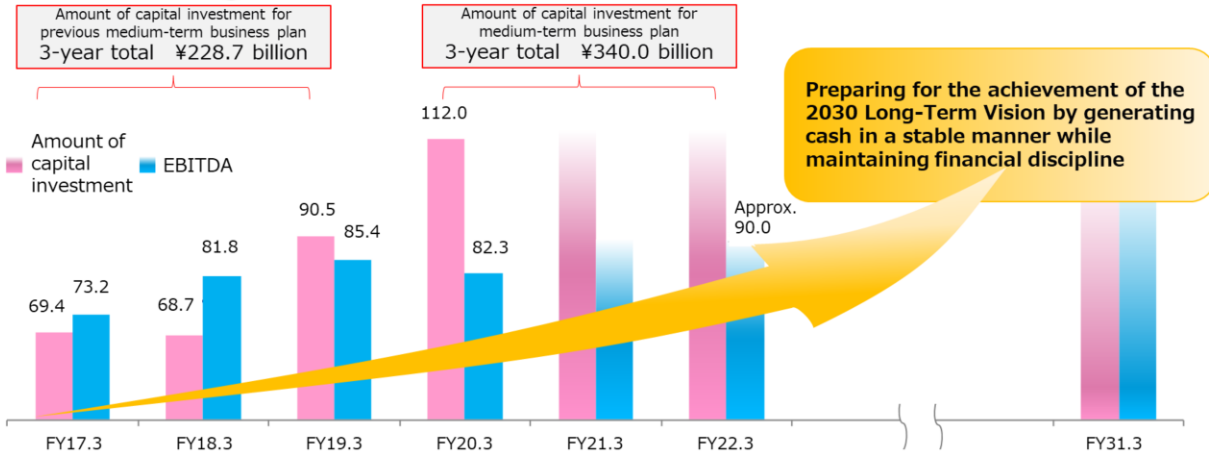
2030 Long-Term Vision

Negative factors

- Elimination of special tax measures
- Increase in depreciation due to rebound from impairment processing of railway assets
- Ongoing decline in passenger demand in regional areas
- Ongoing shift to the use of personal cars (spread of self-driving vehicles, etc.)
- Trend toward refraining from using railways and visiting commercial facilities due to the ongoing shift to e-commerce
- Intensifying competition due to new advances by competing commercial facilities, etc.

Positive factors

- Marketing that leverages online sales data
- Fostering demand through dynamic pricing
- Utilizing D&S trains, etc.; enhancing community-based tourism promotion to draw customers from Japan and overseas
- Ongoing replacement of tenants in existing commercial facilities in Hakata, Oita, Kokura, etc.
- Opening of new facilities in Kumamoto, Miyazaki, Nagasaki, etc., and increase urban area passengers
- Rolling out new brands in the hotel business
- Creating markets through commercialization initiatives from trials of urban-style and tourism-style MaaS
- Reducing fixed expenses through commercialization initiatives from trials of regional-style MaaS



- We have positioned the three-years of the plan as a period for building a business foundation based on the key words of the 2030 Long-Term Vision: “Mobility Services in Kyushu.”
- Over three years, we are planning for a decline in operating income and an increase in EBITDA, with capital investment exceeding EBITDA.
- This will be the first fiscal year in which special tax measures have been eliminated, which will be a major factor reducing operating income. In addition, depreciation costs in the railway business will gradually rise. As a result, expenses will increase. Furthermore, looking at revenues, we must consider the change in passenger demand accompanying a shrinking population, the trend toward people refraining from going out as consumer behavior shifts toward e-commerce, and the worsening of competitive conditions for commercial facilities.
- On the other hand, positive factors include marketing that leverages on-line sales data and initiatives to foster demand through dynamic pricing. These measures are also elements of the MaaS initaitives that we are aiming to realize by 2030, and we will work to steadily harvest the results of these efforts.
- We will also continue to expand community-based business, such as D&S trains, to draw customers from other regions of Japan and from overseas.
- Furthermore, in commercial facility operation, we will open hub station development projects, such as in Kumamoto and Miyazaki, and take steps to enhance operations at existing facilities.
- For the Group to continue to implement sustainable management, we will need to achieve further growth in cash flow and profits, not only in the Transportation segment but also in the Real Estate and Hotels segment and other segments. We are planning capital investment that will exceed EBITDA in the short term. By maintaining financial discipline and steadily advancing growth investment, we will generate steady cash flow and work to build a foundation for the achievement of the 2030 Long-Term Vision.
- Please turn to the next slide.

- In the railway business, we will need to implement safety investment and maintenance and upgrade investment of a constant in order to address frequent disasters and the aging of facilities and equipment.

- In addition, in order to improve our profitability in the years ahead, we will invest in laborsaving and workforce reduction initiatives using new technologies, etc. Furthermore, we will work aggressively to address the use of MaaS as a future issue.

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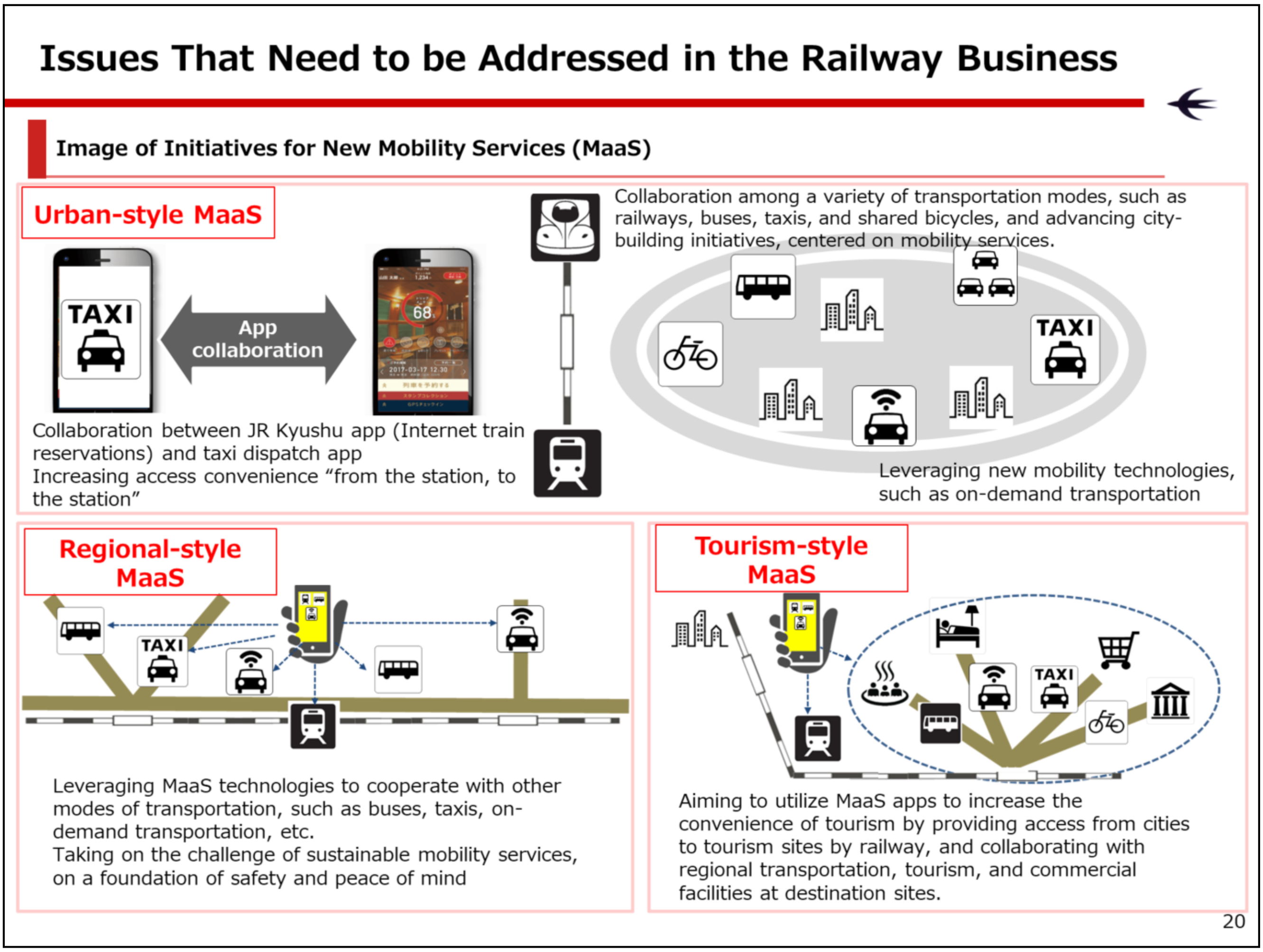


- One of the goals that we are aiming for under the 2030 Long-Term Vision is to take on the challenge of establishing new mobility services, known as Maas, and to leverage MaaS to improve our profits.

- We believe that MaaS is necessary and appropriate in Kyushu, the Group's business area. Our view of MaaS involves a foundation of regional zones, each with its own distinctive characteristics.

- Specifically, we will address three types of Maas: urban-style MaaS in the Fukuoka Metropolitan Area and other areas; regional-style Maas in an environment marked by a declining population; and tourism-style MaaS aimed at tourists from Japan and overseas.

- Through seamless collaboration including not only railways but also buses, taxis, car sharing, bicycle sharing, accommodation facilities, and commercial facilities, we will propose mobility solutions that reduce stress on users, drive the creation of markets, and foster demand. In this way, we will work to advance community formation through city-building and as well as to reduce fixed expenses.

- Furthermore, in order to expand MaaS, in addition to collaboration with local governments and communities, we will also need to implement alliances and M&As with companies in our industry and other industries. This will have the effect of strengthening our management foundation from a long-term viewpoint.

Growth Investment in the Real Estate and Hotels Segment

Major investment projects during the period of the Medium-Term Business Plan (2019-2021)

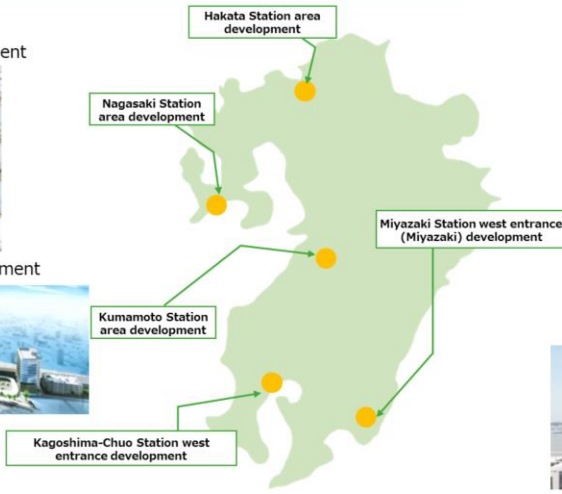
Implementing initiatives to increase the population in the areas around our railway lines by implementing strategic city-building initiatives in the regions around our business areas

- Station building development
- Implementing city-building initiatives centered on stations, such as hotels, offices, and residential facilities

Investment of ¥190.0 billion to build a growth foundation

Nagasaki Station area development

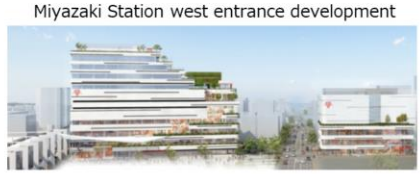
Kumamoto Station area development



Plan for utilizing the space above the tracks at Hakata

Hakata Eki-mae 2-chome integrated development

Miyazaki Station west entrance development



- In the Real Estate and Hotels segment, which is a key driver in our generation of cash flow, over the period of the medium-term business plan we are planning capital investment of ¥190.0 billion in order to build a foundation for growth.

- Through investment in strategic city-building initiatives in the regions around our business areas in Kyushu, we will take steps to increase the population in the areas around our railway lines. We will also work to create demand, including demand for railway services, by developing hotels, offices and residential facilities.

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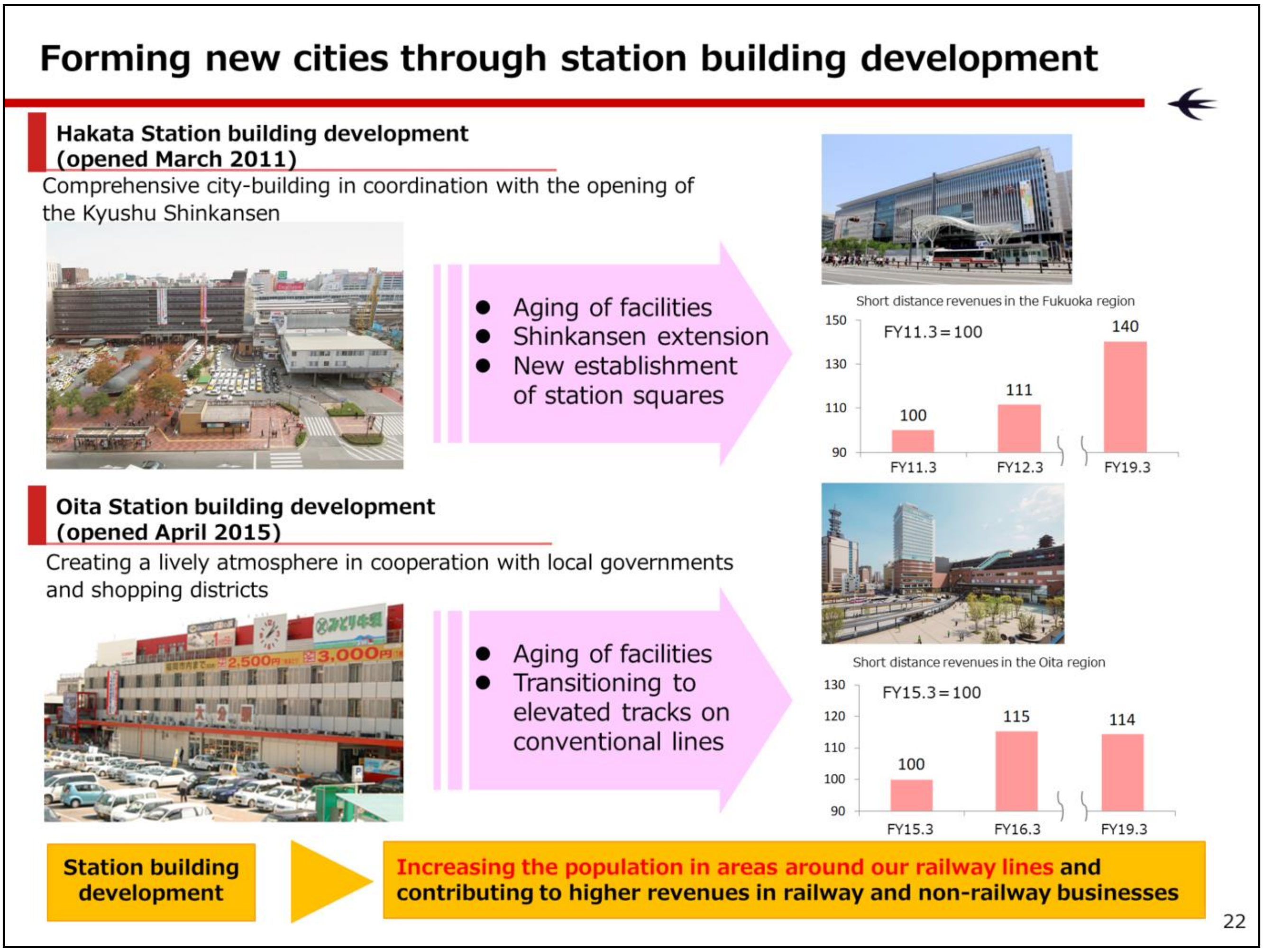

- In station building development, opportunities will be fostered not only by macro factors, such as changes in the population of our service area and in competitive conditions, but also by the replacement of aging facilities, the Shinkansen opening, and the city-planning initiatives of local governments, such as projects to elevate tracks.

- We will make final decisions on development projects with consideration for collaboration with local governments and a range of other factors, as well as economic rationality. In addition, we will implement this work while continuing railway operations, and accordingly large amounts of funds, as well as periods of time ranging from several years to several decades, will be required until the development projects produce results.

- This slide shows the examples of the Hakata Station building and the Oita Station building. By working together with local communities to implement the development, we are creating lively atmospheres in cities and generating synergies with station buildings and short-distance revenues by fostering demand.

- In this way, business decisions about the station building initiatives conducted by the Group are made with reference not only to their profitability as real estate operations but also to their synergy effects with the railway business, including increases in short-distance revenues resulting from growth in populations and passenger traffic in the areas around our stations and railway lines.

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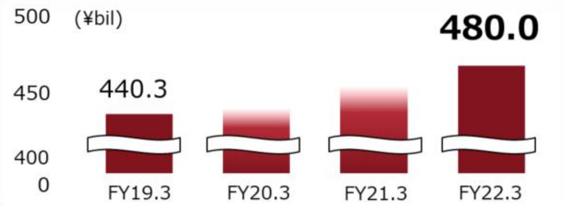
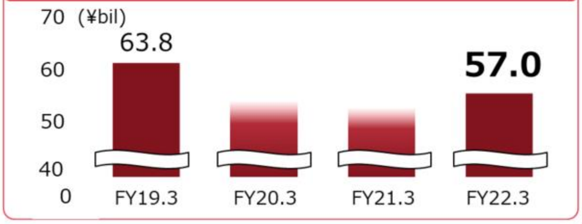
Target Management Indicators (Consolidated)(New Segments)

Operating revenues



Operating income



[Reference] EBITDA

¥85.4 billion (FY19.3) → Approx. **¥90.0 billion** (FY22.3)

[Reference] ROE

12.4% (FY19.3) → More than **8%** (FY22.3)

Unit: ¥bil; figures in parentheses show change vs. FY19.3

Segment name	Operating revenues*2 FY19.3	Operating revenues*2 FY22.3	Operating income*2 FY19.3	Operating income*2 FY22.3	Major factors
Transportation	181.8	**184.0 (+2.1)**	27.4	**21.0 (-6.4)**	Higher revenues due to increase in revenues from railway transportation Lower profit due to higher expenses accompanying elimination of special tax measures, increase in depreciation, etc.
Construction	93.8	**98.0 (+4.1)**	6.2	**6.0 (-0.2)**	Higher revenue due to Shinkansen-related construction work, etc. Lower profit due to increase in personnel costs and other expenses
Real Estate and Hotels	90.0	**113.0 (+22.9)**	25.4	**24.0 (-1.4)**	Higher revenues due to operating of Kumamoto Station Building,Miyazaki Station Building Lower profits due to increase in expenses accompanying revision of revenue/expense classification
Retail and Restaurant	104.0	**115.0 (+10.9)**	3.4	**4.0 (+0.5)**	Higher revenues and profits due to new store openings
Other	72.6	**76.0 (+3.3)**	2.2	**2.5 (+0.2)**	Higher revenues and profit due to higher sales outside the Group, etc.
Total	440.3	**480.0 (+39.6)**	63.8	**57.0 (-6.8)**	

*1 Figures for FY19.3 have been reclassified in accordance with the new segment categories.
*2 Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

- In the medium-term business plan, we have set consolidated target management indicators for operating revenues and operating income.

- Looking at operating income during the period of the plan, a number of factors will affect operating income in comparison with FY2019.3. Positive factors will be an increase in revenues from railway transportation, the opening effect for the Kumamoto Station building and the Miyazaki station building, etc. On the other hand, negative factors will include the elimination of special tax measures, an increase in depreciation, and non-recurring expenses accompanying development. We are aiming for operating income of ¥57.0 billion in FY22.3.

- For reference, we are expecting EBITDA of approximately ¥90.0 billion in FY22.3.

- The table at the bottom of the slide shows target management indicators by segment.

- Next, I will discuss each segment.

- Please turn to the next slide.

Transportation Segment
(Results: Former Segments / Forecasts: New Segments)

Transportation Segment performance

Results (Former Segments) / Forecasts (New Segments) (¥bil)

	Results FY18.3	Results FY19.3	YoY		Results FY19.3 (New Segments)	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	183.7	185.0	1.2	100.7%	181.8	180.4	184.0
Operating income	29.2	27.4	(1.7)	94.0%	27.4	25.7	21.0
EBITDA	34.3	34.4	0.0	100.3%	34.3	35.4	-

Positive factors

Increase in railway transportation revenues
- Rise in Shinkansen passengers
- Online booking
- Inbound tourism
- Urban area demand

Technological innovation and streamlined business operations
- Introduced energy-saving rolling stock
- Expanded Smart Support Stations

Revitalization of regional economies
- New D&S trains
- Nagasaki route of the Kyushu Shinkansen

Negative factors

Depopulation
- Decrease in conventional line passengers

Increase in expenses
- Depreciation expense
- Fuel costs (crude oil, FX, etc.)
- Elimination of special tax measures (end of FY19.3)

Natural disasters
- Recovery costs
- Steady implementation of further safety investments

FY20.3 initiatives

Increase in railway transportation revenues
- Enhance yield management
- Diversifying rail pass sales channels

Recover from disasters
- Houhi Main Line recovery (planned for FY21.3)

Technological innovation and streamlined business operations
- Introduce energy-saving train
- Expand Smart Support Stations
- Taking on the challenge of new mobility services (Maas)

- The Transportation segment is the foundation for the entire JR Kyushu Group.

- In FY20.3, we are expecting growth in railway transportation revenues, and the method of recording revenues and expenses for station buildings, etc., will change. On the other hand, compensated construction work revenues will decline. In addition, depreciation costs in the railway business will rise. As a result, we are forecasting lower revenues and lower income.

- Please turn to the next slide.

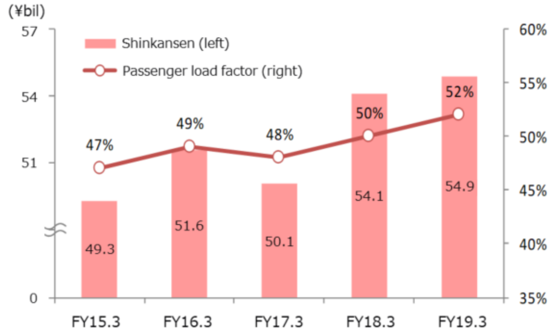
Initiatives in the Railway Business —Strengthening Earning Power

Increasing Shinkansen earning power

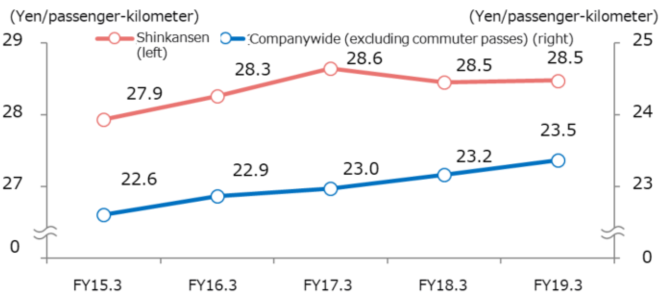
Accelerate shift toward Internet reservations

- Promoting use of Internet train reservation services by setting appealing prices
- Introducing multifaceted responses and advance seat reservation system for inbound passengers
- Increasing appeal through collaboration with “JR KYUPO” points program

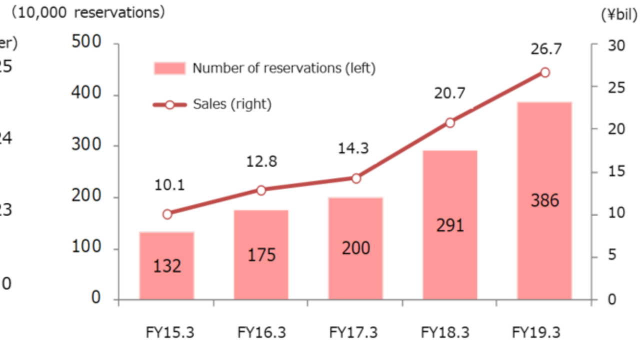
Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



Yield (Companywide (excluding commuter passes), Shinkansen)



Internet train reservation services: Number of reservations, sales



- In strengthening our earning power in the railway business, our initiatives are centered on three areas: the Shinkansen, urban area, and inbound tourism.

- First, I will discuss the Shinkansen. As one facet of yield management, we are working to promote the use of “Internet train reservation services.”

- These initiatives are yielding solid results, with Internet reservation numbers and sales posting year-on-year gains. Next, we will work to foster demand by bolstering yield control.

- One of the merits of Internet reservations is the ability to use sales data to implement effective marketing. As a result of collaborative initiatives with “JR KYUPO,” we anticipate a further ripple effect for the Group.

- Currently, the passenger load factor on the Kyushu Shinkansen is about 50%. There is room for further growth in the passenger load factor. We are promoting Internet reservations not only for the Shinkansen but also for conventional lines, and moving forward we will work to increase our earning power by further expanding these initiatives.

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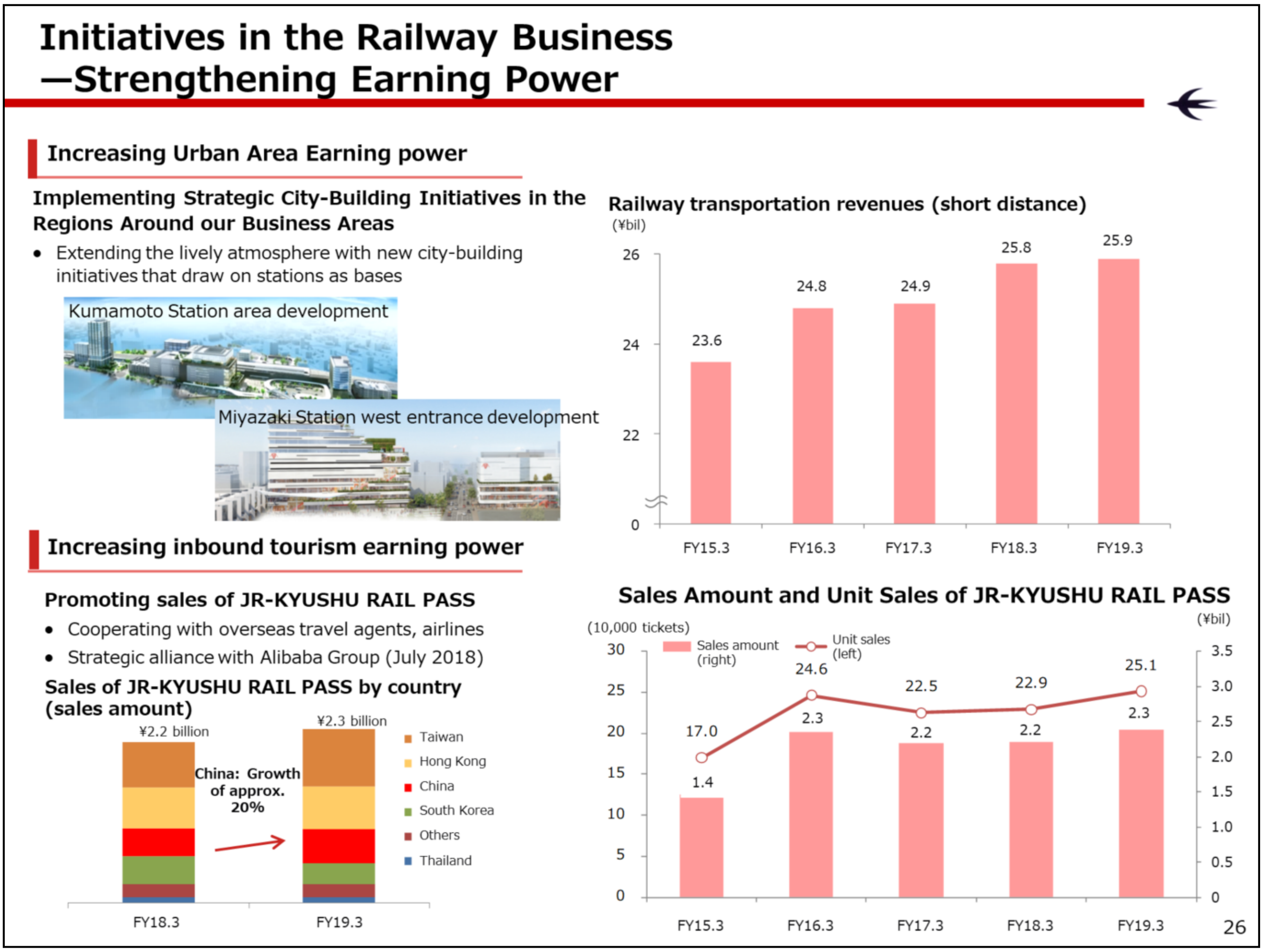

- The second key area is short-distance. Development in regions around our business areas and various events in the areas around our railway lines have synergy effects that benefit railway operations, which contributes to gains in our short-distance earning power. Development projects in the areas around Kumamoto Station and Miyazaki Station, which will open during the period of the medium-term business plan, are also expected to have similar effects.

- For inbound demand, which is the third key area, we are working to expand sales channels for the “JR Kyushurail pass.” Previously, nearly all Chinese tourists visiting Kyushu arrived by cruise ship, but in recent years individual travel is increasing, and last year we concluded a strategic alliance with the Alibaba Group.

- Moving forward, we will continue taking steps to strengthen our inbound initiatives, such as collaboration with overseas travel agents and airlines.

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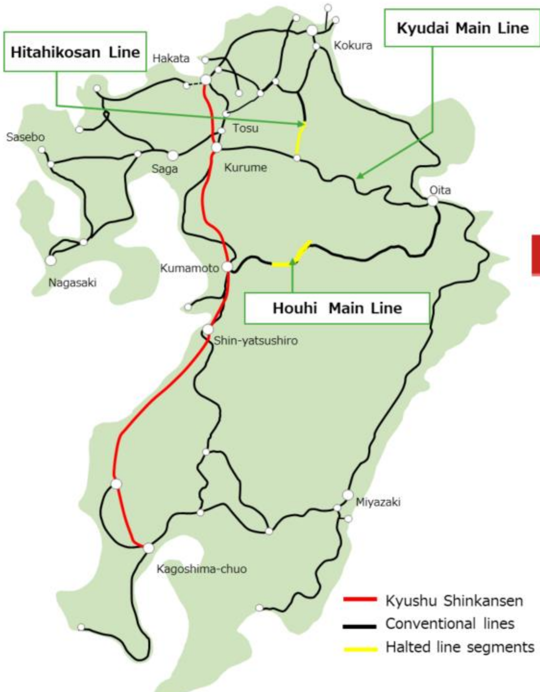
Natural Disasters—Kumamoto Earthquakes, July 2017 Heavy Rain in Northern Kyushu, and July 2018 Heavy Rain

Recovery of Kyudai Main Line achieved on July 14, 2018



	Kumamoto earthquakes	July 2017 heavy rain in northern Kyushu	July 2018 heavy rain
Time of occurrence	April 2016	July 2017	July 2018
Impact on business performance	• 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. ¥1.2 billion in disaster expenses recorded in FY19.3 (¥0.4 billion of which recorded as provision for loss on disaster)
Currently halted line segments	• Houhi Main Line (Higo-Ozu Station–Aso Station)	• Hitahikosan Line (Soeda Station–Yoake Station)	
Expected restoration	• FY21.3	• Not yet determined	

Status of progress toward restoration of Hitahikosan Line

- Held four restoration meetings between April 2018 and April 2019
- In regard to network maintenance, JR Kyushu presented a restoration plan regarding railways, BRT, and buses.
- It was decided that Fukuoka Prefecture, Oita Prefecture, and cities and towns around our railway lines would ask local residents about the recovery plan.

	Railway	BRT	Buses
Quickness	Approx. 44 minutes	Approx. 49 minutes	Approx. 69 minutes
Initial costs	Approx. ¥5.6 billion	Approx. ¥1.08 billion	Approx. ¥0.18 billion
Running costs	Approx. ¥0.29 billion per year	Approx. ¥0.11 billion per year	Approx. ¥0.14 billion per year

(Extracted from materials of the fourth Hitahikosan Line restoration meeting)

- In recent years, there have been a large number of disasters in Kyushu, and the areas around our railway lines were damaged by the 2016 Kumamoto earthquakes, the heavy rains in northern Kyushu in July 2017, and the heavy rains in July 2018. We have recorded related disaster recovery expenses of ¥14.2 billion.

- Currently, operations are suspended on the Houhi Main Line and Hitahikosan Line. The restoration of service on the Houhi Main Line is expected for FY21.3.

- In addition, in regard to the Hitahikosan Line, since last year we have conducted multiple discussions with local governments. At a restoration meeting held last month, we presented our thoughts about maintaining the network. Next, we will present a restoration plan at Fukuoka Prefecture, Oita Prefecture, and cities and towns around our railway lines and receive feedback from local residents.

- Please turn to the next slide.

Real Estate and Hotels Segment
(Results: Former Segments / Forecasts: New Segments)

Real Estate and Hotels Segment performance

Results (Former Segments) | Forecasts (New Segments) (¥bil)

	Results FY18.3	Results FY19.3	YoY		Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	69.4	72.6	3.2	104.7%	90.0	93.1	113.0
Real Estate Lease	49.0	52.9	3.9	108.0%	70.3	73.3	-
Condominium Sales	20.4	19.7	(0.6)	96.8%	19.7	19.8	-
Operating income	23.2	23.7	0.5	102.5%	25.4	20.1	24.0
Real Estate Lease	20.6	21.3	0.7	103.6%	23.0	18.2	-
Condominium Sales	2.5	2.3	(0.1)	93.8%	2.3	1.9	-
EBITDA	32.0	33.1	1.0	103.4%	35.6	31.1	-
Real Estate Lease	29.4	30.7	1.2	104.2%	33.2	29.2	-
Condominium Sales	2.5	2.4	(0.1)	94.0%	2.4	1.9	-

Positive Factors

- Growth in tenant sales at major station buildings
- Contribution to earnings from hub station area development
- Increase in rental apartment inventory
- Aggressive business development initiatives in the hotel business
- Diverse business opportunities in the Fukuoka Metropolitan Area

Negative factors

- Difficulties in new development due to overheating of real estate market
- Change in unit prices due to condominium development area
- Increase in personnel costs due to tight supply and demand in labor market
- Intensifying competition due to advances outside the Kyushu area

FY20.3 initiatives

- Steady operation of newly opened properties
  - THE BLOSSOM HIBIYA
  - THE BLOSSOM HAKATA Premier
- Advancing development focused on the future
  - Kumamoto Station area development
- Increasing management efficiency through the establishment of intermediate holding companies

- Along with the railway business, the Real Estate segment is one of JR Kyushu's operational pillars.
- In FY20.3, we will open THE BLOSSOM HIBIYA and THE BLOSSOM HAKATA Premier, and the method of recording revenues and expenses for station buildings, etc., will change. As a result, we are forecasting higher revenues and lower income.
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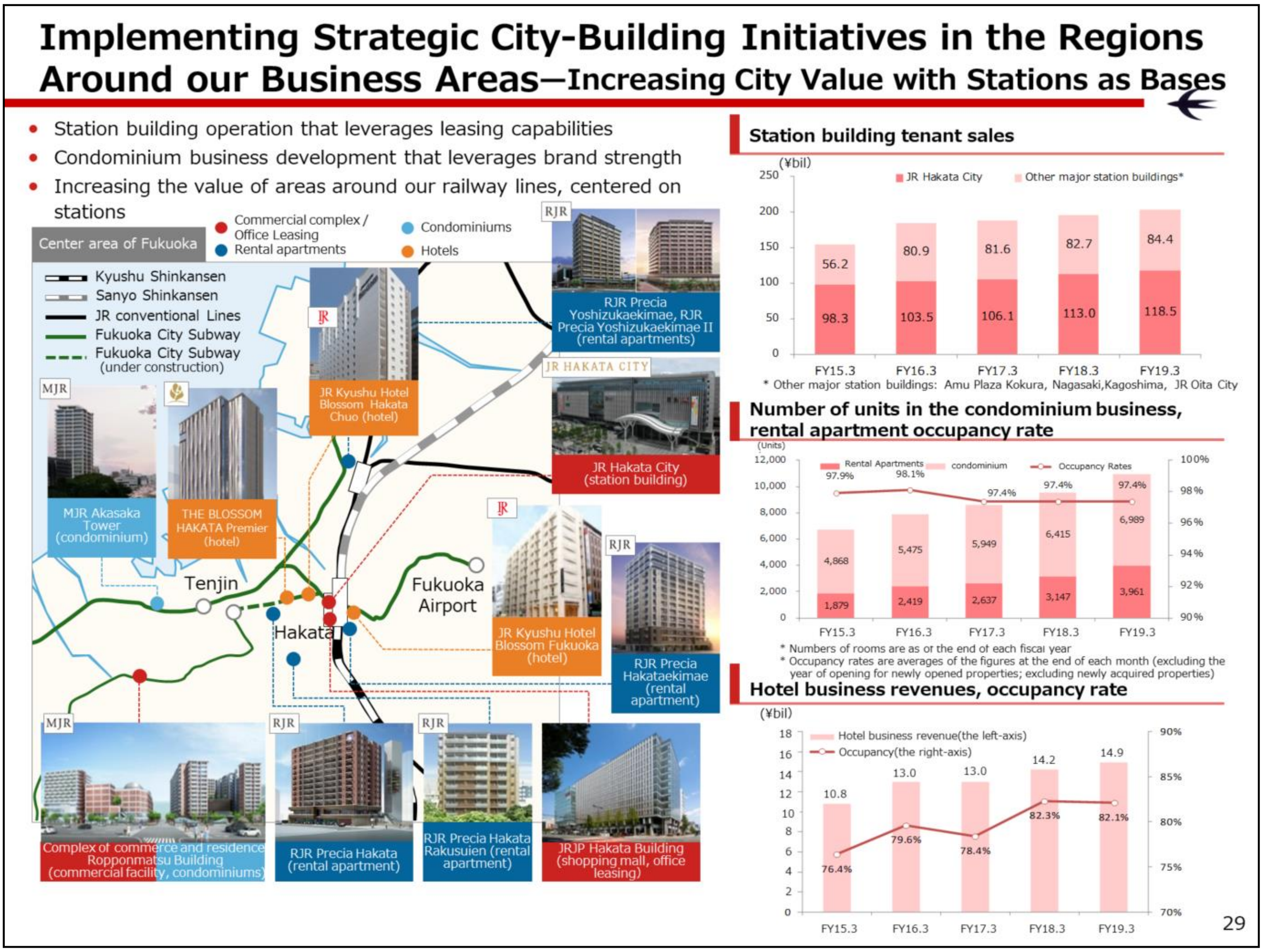


- To generate revenues in Kyushu, centered on the major area of Fukuoka, we will aggressively implement integrated development initiatives in the regions around our business areas, including not only at station buildings but also hotels, offices, and residential facilities.

- In regard to station buildings, we have strengthened our ability to attract tenants and implemented a large-scale tenant replacement at Hakata City. As a result of these types of initiatives, tenant sales continue to increase each year.

- Moving forward, we continue to advance a series of new developments, and to increase operational efficiency, we have reorganized our station building subsidiary into a holding company.

- In the condominium and rental apartment business, the number of units and sales have shown steady growth, and we have established a brand in Kyushu. The occupancy rate remains at a high level.

- In the hotel business, the number of customers from overseas is increasing significantly due to growth in inbound demand. In this environment, revenues are increasingly steadily and occupancy rates are strong.

- Please turn to the next slide.

- Looking at key elements of our future pipeline, in addition to the Kumamoto and Miyazaki projects, which will open during the period of the medium-term business plan, moving forward we also plan to implement development initiatives centered on the major Kyushu cities of Kagoshima, Nagasaki, and Hakata.

- The Kumamoto Station development project, which is scheduled to open in spring 2021, is an integrated development project that includes not only the station building but also hotel and residential facilities. Leveraging the know-how that we have cultivated to date, we will work to increase city value with stations as bases.

- Please turn to the next slide.

Retail and Restaurant Segment
(Results: Former Segments / Forecasts: New Segments)

Retail and Restaurant Segment performance

Results (Former Segments) / Forecasts (New Segments)

(¥bil)

	Results FY18.3	Results FY19.3	YoY		Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	103.1	104.0	0.8	100.8%	104.0	107.7	115.0
Operating income	3.6	3.4	(0.2)	93.5%	3.4	3.2	4.0
EBITDA	5.3	5.0	(0.2)	95.2%	5.0	5.1	-

Positive factors

- Active development of new stores
- Increase in store visits and spending due to inbound tourism
- Entry into new business categories
- Leveraging new technologies to increase convenience

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

FY20.3 initiatives

- Improve segment profitability through scrap and build
- Continue to strengthen inbound tourism initiatives
- Steady operation of new formats
- Streamline business operations
  - Introduce self-checkout on a trial basis
  - Consider RPA

- In the Retail and Restaurant segment, there is a basic trend of growth in revenues due to new store openings. However, in certain formats there are signs of an excess of stores, and going forward the store opening policy will become even more important than in the past.

- In FY20.3, we will strengthen initiatives for inbound tourism demand, but we also anticipate increases in personnel costs, etc. Consequently, we are forecasting higher revenues and lower income. We will continue to implement profitability management through scrap-and-build initiatives. In addition, we will introduce self-checkout registers, reduce costs through the use of RPA, etc.

- Please turn to the next slide.

Construction Segment (Results: Former Segments / Forecasts: New Segments)

Construction Segment performance

Results (Former Segments) / **Forecasts (New Segments)**

(¥bil)

	Results FY18.3	Results FY19.3	YoY		Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	88.0	91.7	3.7	104.3%	93.8	96.0	98.0
Operating income	6.2	6.5	0.2	104.1%	6.2	6.3	6.0
EBITDA	7.0	7.5	0.4	106.1%	7.2	7.3	-

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

FY20.3 initiatives

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

- In the Construction segment, the scale of revenues is high, but the contribution to profits is limited.

- In FY20.3, the segment will benefit from higher demand due to favorable market conditions. However, there are also a significant number of factors that will affect profits, such as higher prices for construction materials. We expect the Construction segment to record higher revenues and profits as a result of our efforts to steadily implement construction work and to reduce expenses.

- Please turn to the next slide.

Other Segment (Results: Former Segments / Forecasts: New Segments)

Other Segment performance

Results (Former Segments) | **Forecasts (New Segments)**

(¥bil)

	Results FY18.3	Results FY19.3	YoY		Results FY19.3	Forecasts FY20.3	FY22.3 (medium-term business plan)
Operating revenues	67.4	89.8	22.4	133.3%	72.6	71.5	76.0
Operating income	2.4	3.5	1.1	148.1%	2.2	2.2	2.5
EBITDA	3.9	6.3	2.3	159.1%	4.1	4.3	-

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, Naha
- 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

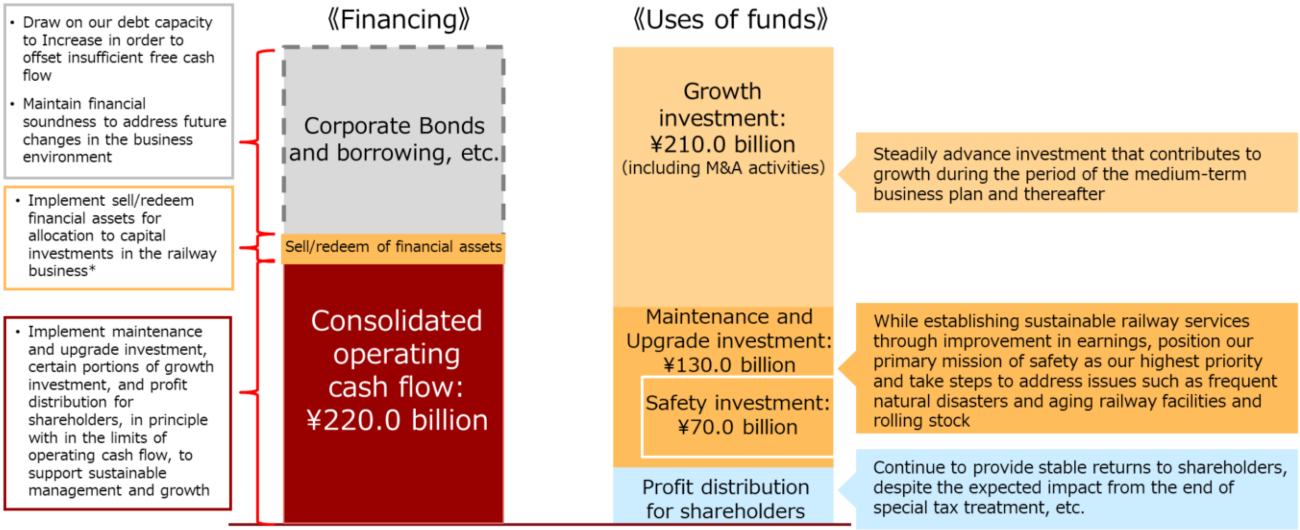
FY20.3 initiatives

- Achieve group synergies by consolidating Caterpillar Kyushu

- In the Other segment, performance in FY19.3 was led by strong results in the hotels division and by Caterpillar Kyushu, which we have acquired, and the segment recorded higher revenues and income.
- In FY20.3, we are forecasting lower revenues and lower income due to a decrease in revenues from sale of construction materials for elevated tracks-related construction work, etc.
- Accompanying the change in segments, the hotel business has been transferred to the Real Estate and Hotels segment from FY20.3.
- Please turn to the next slide.

Sources/Uses of Funds, and Principal Management Indicators

Over the period of the medium-term business plan, we will aim for capital investment of ¥340.0 billion, which will exceed our cumulative consolidated operating cash flow. We will take a flexible approach to investment opportunities and work to realize growth by issuing corporate bonds and borrowings.



* ¥87.2 billion of funds directed to the Management Stabilization Fund will be allocated to capital investment in assets for use in the railway business that contribute to the maintenance and enhancement of the railway network. Funds will be allocated within the five years from FY17.3.

- The total amount of investment over the period of the medium-term business plan will be ¥340.0 billion, which will exceed our cumulative consolidated cash flow over the same period.

- To establish sustainable railway and mobility services, we recognize that we will need to address the frequent disasters, upgrade aging facilities and rolling stock, etc., and that those initiatives will require funds.

- In this setting, for the Group to continue to implement sustainable management, we must achieve further growth in cash flow and profits, not only in the Transportation Segment but also in the Real Estate and Hotels Segment and other segments. To that end, we will continue to steadily implement growth investment during the period of the medium-term business plan.

- To realize sustainable management and growth, we will implement maintenance and upgrade investment, certain portions of growth investment, and shareholder returns, in principle, within the limits of operating cash flow. On the other hand, to raise funds to address the shortage of cash resulting from growth investment, we will utilize debt while maintaining financial discipline.

- Please turn to the next slide

Shareholder Return

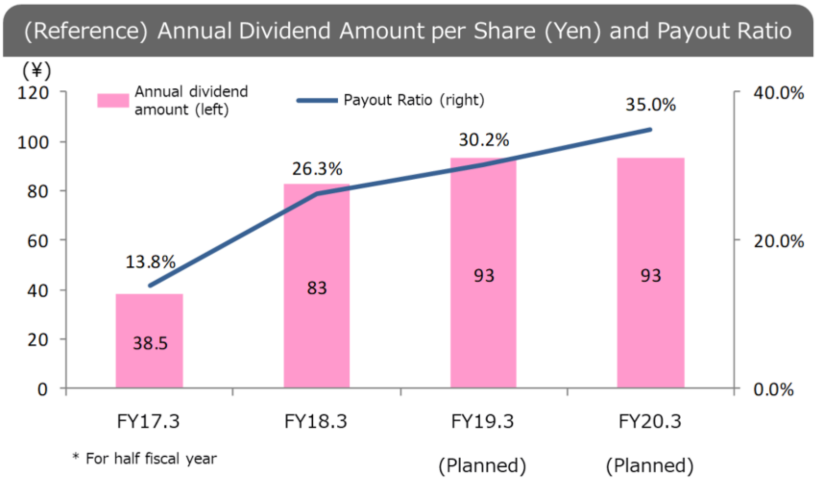
Shareholder Return Policy

JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY22.3**, we will aim for a total payout ratio of 35% while providing stable dividends and implementing share repurchase depending on the situation**

Annual Dividend Amount per Share

Planned dividend of <u>¥93.00 per share</u> for FY19.3

Planned dividend of <u>¥93.00 per share</u> for FY20.3



- Next, I will discuss the provision of returns to shareholders.

- JR Kyushu places importance on the stable provision of returns to shareholders over the long term.

- Up to this point, our basic policy has been to aim for stable dividends per share with a consolidated payout ratio at a level of approximately 30% as the standard guideline.

- Going forward, profit is expected to decline due to the elimination of special tax measures, etc., but nonetheless we will continue to provide a stable return to shareholders. Over the period of the medium-term business plan, we will aim for a total payout ratio of 35% while providing stable dividends and implementing share repurchases depending on the situation.

- In regard to the annual dividend for FY19.3, in accordance with operating results for the fiscal year, the Company plans to propose to the Annual General Meeting of Shareholders a dividend of ¥93.00 per share, which is ¥10.00 higher than the the most recent dividend forecast.

- For FY20.3, we are planning an annual dividend of ¥93.00 per share, the same as the dividend for FY19.3.

- This concludes my presentation. Thank you for your attention.

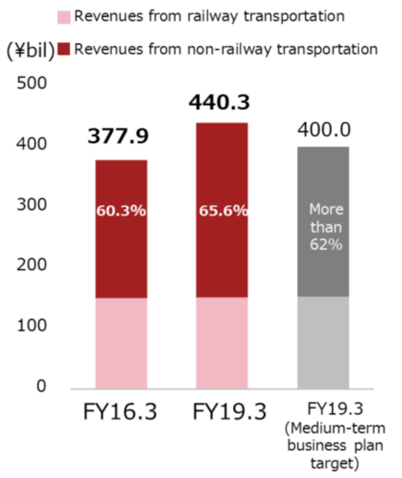
APPENDIX

KYUSHU RAILWAY COMPANY

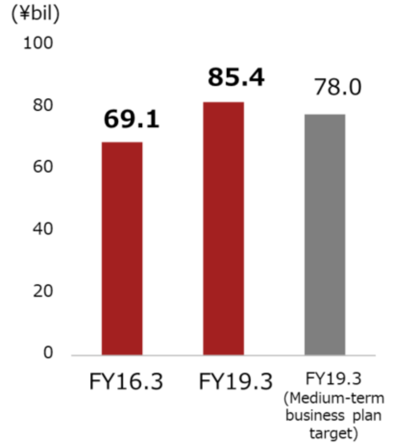
Review of the Medium-Term Business Plan 2016-2018

- Due to favorable results in revenues from railway transportatio n and in the construction segment, we surpassed the financial targets (operating revenues and EBITDA) in the previous medium-term business plan.
- ［Reference］Capital investment surpassed the initial plan of ¥190.0 bill ion due to growth investment mostly in the rental apartment business, the hotel business, an d overseas projects

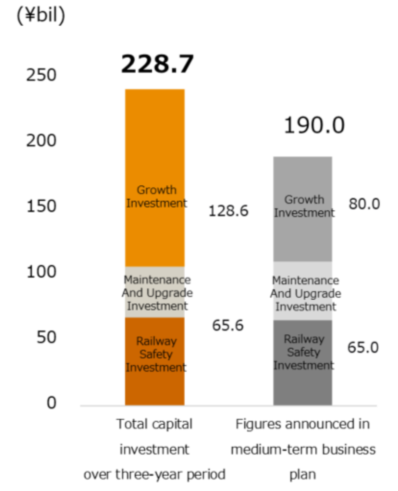
Operating revenues



EBITDA



［Reference］Capital Investment



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

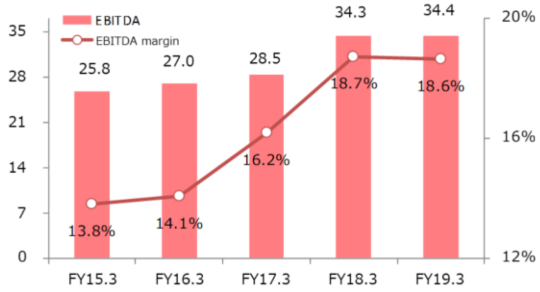
Previous Medium-Term Business Plan (FY17.3–FY19.3) | Current Medium-Term Business Plan (FY20.3 and Beyond)

		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)	
Railway Business		• Start of operation of DENCHA dual energy charge trains (Oct. 2016) • Commencement of Kawasemi Yamasemi D&S Train service (Mar. 2017) • 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)	• Commencement of service of renovated 811 series rolling stock (Apr. 2017) • Introduction of services allowing for payment for Internet reservations to be made at convenience stores (May 2017) • Integration of point services into JR KYUPO (Jul. 2017) • Commence of demonstration tests for lightweight platform screen doors (Nov. 2017) • Revision of timetables, including introduction of Smart Support Stations in Oita [3rd case](Mar. 2018)	• End of sales of four-sheet paper tickets (May 2018) • Reorganization of railway business subsidiaries (Jul. 2018) • Start of Wi-Fi services on Kyushu Shinkansen (Jul. 2018) • Resumption of service on Kyudai Main Line (Jul. 2018) • Strategic alliance with the Alibaba Group (Jul. 2018)	• Introduction of next-generation rolling stock (821 series, YC1 series)
Real Estate Leasing Business	Commercial facilities		• Ropponmatsu development project (Sep. 2017)		• Kumamoto Station Area Development (spring 2021) • Miyazaki Station West Entrance Development (fall 2020) • Nagasaki Station Area Development (undecided) • Kagoshima-Chuo Station West Entrance Development (undecided)
	Offices	• JRJP Hakata Building (Apr. 2016) • Hirakawacho Center Building (Sep. 2016)			
	Rental apartments	• RJR Precia Hakata (Feb. 2017)	• Higashi Jujo Rental Apartments (Jun. 2017) • RJR Precia Oita Ekimae II (Feb. 2018) • RJR Precia ChiyoKenchoguchi Ekimae (Feb. 2018) • RJR Precia Nishikoen Bayside (Mar. 2018) • RJR Precia Takeshita I (Mar. 2018)	• Park Square Takenotsuka (Jul. 2018) • RJR Precia Shin-Yokohama (Oct. 2018) • Grand Precia Shibaura (Dec. 2018) • RJR Precia Oita Ekimae III (Feb. 2019) • RJR Precia Korimoto II (Feb. 2019) • RJR Precia Hakataekiminami (Mar. 2019)	• RJR Precia Takeshita II (Feb. 2020) • RJR Precia Ropponmatsu (Mar. 2020) • RJR Precia Tenjin South (Apr. 2020) • MJR/RJR Sakaisuji Hommachi Tower (Mar. 2021)
Condominium Business		• MJR Uehonmachi (Jul. 2016) • MJR Ropponmatsu (Mar. 2017) • MJR Toso (Mar. 2017)	• MJR Kyudai Gakkentoshi Residence (Apr. 2017) • MJR Akasaka Tower (Nov. 2017) • MJR The Garden Oe (Mar. 2018)	• MJR Kuhonji Terrace (Aug. 2018) • MJR The Garden Kagoshima-Chuo (Aug. 2018 / Mar. 2019) • MJR Onojyo Ekimae (Mar. 2019) • MJR Sakurazaka The Residence (Mar. 2019) • MJR Shimizucho (Mar. 2019) • MJR Oitaekimae The Residence (Mar. 2019)	• MJR Shin-Oe (Jul. 2019) • MJR Meinohamaekiminami (Aug. 2019) • MarkS City Futsukaichi (Mar. 2020, joint development project) • MJR The Garden Miyazakiekimae (Mar. 2020, joint development project) • MJR The Garden Kami-Kumamotoekimae (Mar. 2020, joint development project) • MJR Chihaya Branchera (Dec. 2020)
Hotel Business			• JR Kyushu Hotel Blossom Naha (Jun. 2017) • Shama Lakeview Asoke Bangkok (Dec. 2017)		• THE BLOSSOM HIBIYA (Aug. 2019) • THE BLOSSAM HAKATA Premier (fall 2019)

EBITDA by Segment (Former Segments)

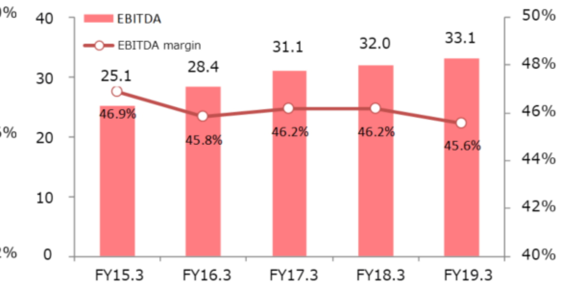
Transportation

(¥bil)



Real Estate

(¥bil)



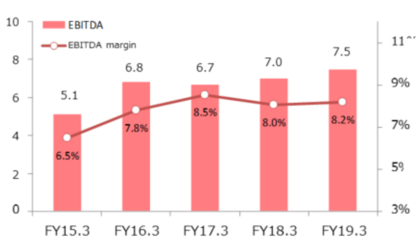
Notes:

Figures for the Transportation segment EBITDA up to and including FY16.3 contain earnings from use of the Management Stabilization Fund (¥12.5 billion in FY15.3, and ¥11.1 billion in FY16.3).

Figures by segment are prior to eliminating intersegment transactions.

Construction

(¥bil)

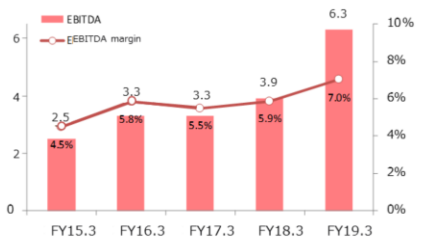


Retail and Restaurant

(¥bil)

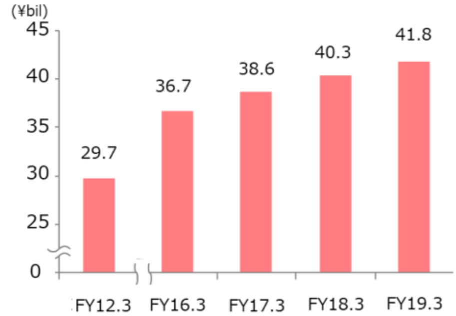
Other

(¥bil)



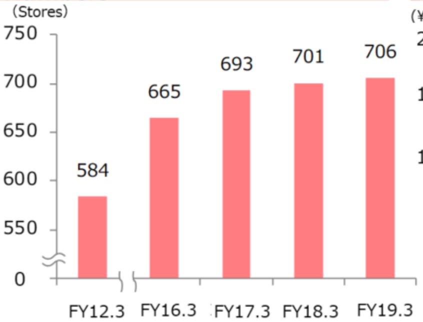
Progress of Business Initiatives

Station Building Business Revenues



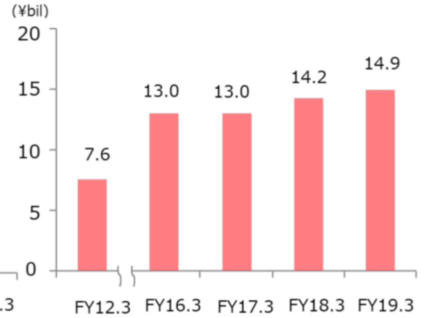
Note: Figures represent total business revenues from six station building operating subsidiaries and the JRJP Hakata Building.

Retail and Restaurant Store Numbers

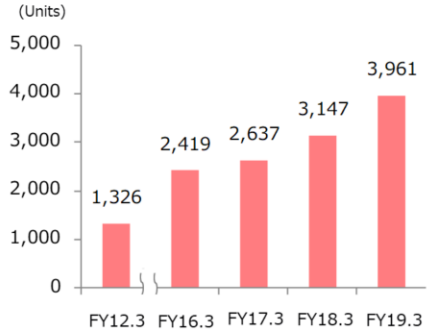


Note: Figures are as of the end of each fiscal year.

Hotel (Ryokan) Business Revenues

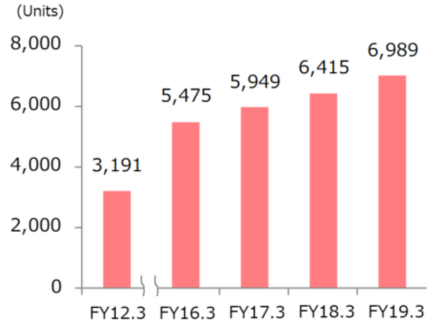


Aggregate Number of Apartment Units



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.

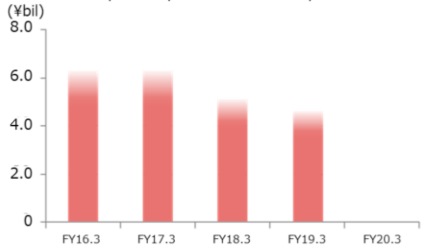
Changes in Cost Structure

Elimination of Special Tax Measures

- Elimination 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 eliminated 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 ¥4.8 billion (to be recorded under taxes and non-personnel expenses)

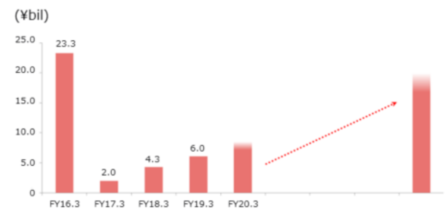
	Details of special tax measure					Affected line items
	Taxation category	Taxation standard				
		Up to FY17.3	FY18.3	FY19.3	FY20.3	
Period extending provisions	Property tax and city planning tax	3/5	Eliminated	Eliminated	Eliminated	Taxes
Tax breaks following privatization of Japanese National Railways	Property tax and city planning tax	1/2	3/5	3/5	Eliminated	・JR Kyushu: Taxes ・JRTT*: 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	Eliminated	Taxes

Amount of impact on performance from special tax measures



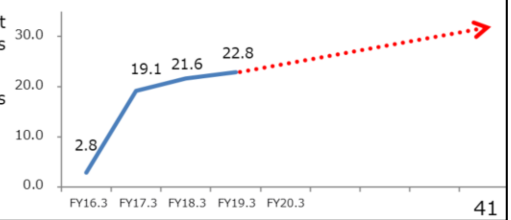
Depreciation Costs of the Railway Business

- 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 (excluding rolling stocks) after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)



Corporate Tax Rate

- Disparity between tax burden and effective tax rate (30.5% in FY19.3) 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

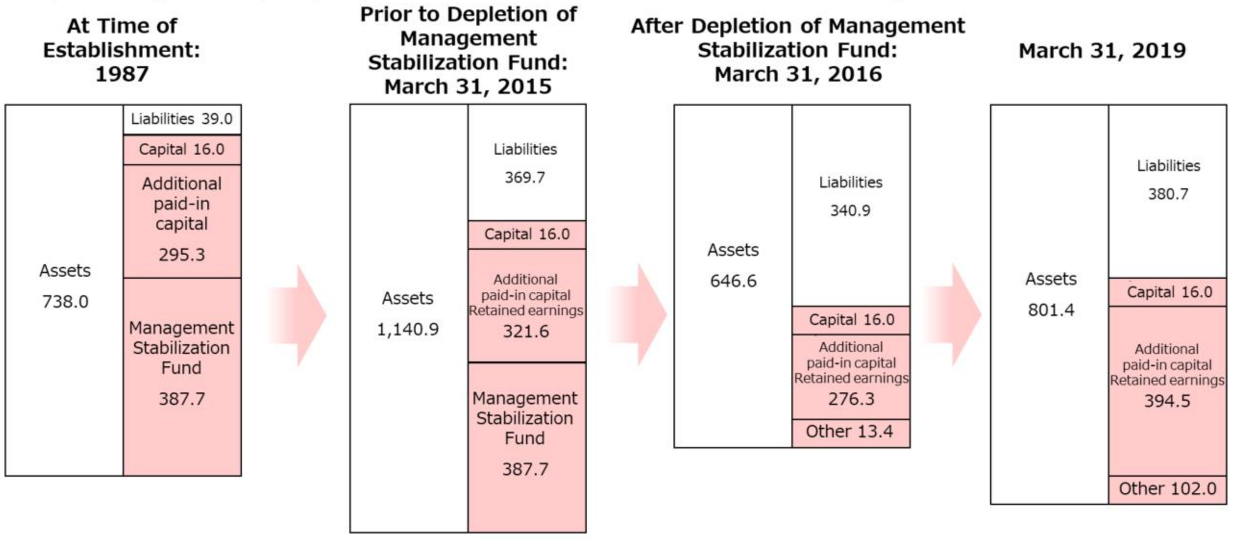
- Capital calculated as difference between assets and liabilities at time of privatization of Japanese National Railways in 1987
- JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities

  Note: The three JR companies on the 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



Net Cash on March 31,2019

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
87,324		15,064		65,077		55,783		(48,600)

Net Interest-Bearing Debt on March 31, 2019 (¥mil)

Interest bearing debt		Cash and cash equivalents						
Borrowings	−	Cash and deposits	−	Securities	−	Money held in trust	=	Net interest-bearing debt
107,966		16,971		19,926		56,901		14,167

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

Major Properties

Asset type	Name	Location	Opening/ Acquisition	Floor space Units Rooms	Tenant sales FY19.3	Major tenants
Commercial facility (Sta. buildings)	AMU PLAZA Kokura	Kokura Kita Ward, Kitta Kyusyu	Mar 1998	Approx. 48,500m^2	¥12.5 bil	UNITED ARROWS, Francfranc, etc.
	AMU PLAZA Nagasaki	Onoemachi, Nagasaki City	Sep 2000	Approx. 58,500m^2	¥21.0 bil	TOKYU HANDS, MUJI, UNITED CINEMAS, etc.
	AMU PLAZA Kagoshima	Chuocho, Kagoshima City	Sep 2004	Approx. 65,000m^2	¥26.8 bil	TOKYU HANDS, ZARA, Cinema Kagoshima Mitte 10, etc.
	JR Hakata City	Hakata Ward, Fukuoka City	Mar 2011	Approx. 240,000m^2	¥118.5 bil	Hankyu Department Store, TOKYU HANDS, T-Joy Hakata, etc.
	JR Oita City	Kanamemachi, Oita City	Apr 2015	Approx. 144,500m^2	¥24.1 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^2	–	TSUTAYA, Starbucks, Kyushu University Law School, Fukuoka City Science Museum, SJR Ropponmatsu, etc.
Office buildings	Akasaka Sanno Center Building	Chiyoda Ward, Tokyo	Mar 2011	Approx. 5,000m^2	–	–
	Nibancho Center Building	Chiyoda Ward, Tokyo	Mar 2014	Approx. 44,000m^2	–	–
	JRJP Hakata Building	Hakata Ward, Fukuoka City	Apr 2016	Approx. 44,000m^2	–	–
	Hirakawacho Center Building	Chiyoda Ward, Tokyo	Sep 2016	Approx. 8,000m^2	–	–
	Shinkawa East Building	Chuo Ward, Tokyo	Jan 2019	Approx. 10,000m^2	–	–
Apartment rentals	Grand Precia Shibaura	Minato Ward, Tokyo	Dec 2018	234 Units	–	–
	RJR Precia Korimoto	Korimoto, Kagoshima City	Feb 2019	142 Units	–	–
	RJR Precia Oita Ekimae II	Oita City, Oita Prefecture	Feb 2019	78 Units	–	–
	RJR Precia Hakataekiminami	Hakata Ward, Fukuoka City	Mar 2019	139 Units	–	–
	Total of 40 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	–	–
	Aloft Bangkok Sukhumvit 11	Bangkok, Thailand	Nov 2018	298 Rooms	–	–
	Total of 16 buildings including the above					

Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area Units Rooms	Notes (Uses, etc.)
Kumamoto Station area development	Kumamoto City	Area below elevated tracks opened in Mar 2018 Sta. building: Commenced construction in spring 2019, opening in spring 2021	Lot area: Approx. 70,000m^2 (including area below elevated tracks) Floor space: Approx. 107,000m^2 (sta. building)	Area below elevated tracks: Commercial area Sta. building: Commercial area, movie theaters, hotels, etc. Multilayered parking lots: 2,100 parking spaces Residential areas: MJR, RJR, SJR, etc.
Nagasaki Station area development	Nagasaki City	Undecided	Undecided	Promotion of development in area surrounding station out of consideration for Shinkansen tentative opening and change to elevated tracks for local lines; Potentially integrated development of commercial areas, hotels, office buildings, etc.
Kagoshima-Chuo Station West Entrance Development	Kagoshima City	Undecided	Undecided	Potentially integrated development of commercial areas, office buildings, residential areas, etc.
Miyazaki Station West Entrance Development	Miyazaki City	Scheduled for commencing construction in spring 2019 Scheduled to open in fall 2020	Lot area: Approx. 7,300m^2	Potentially integrated development of commercial areas, office buildings, etc.
Hakata Ekimae 2-Chome Complex (provisional name)	Hakata Ward, Fukuoka City	Scheduled to open in fall 2019	Lot area: Approx. 1,590m^2	Integrated building development centered on hotels (238 rooms)
RJR Precia Tenjin South	Chuo Ward, Fukuoka, City	Scheduled to be completed in April 2020	Floor space: Approx. 15,000m^2	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^2	296 condominium units 144 apartment units
THE BLOSSOM HIBIYA	Minato Ward, Tokyo	Scheduled to open in August 2019	255 rooms planned Floor space: Approx.10,400m^2	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

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/