FY20.3
Financial Results Overview, First Quarter

August 5, 2019

Kyushu Railway Company

KYUSHU RAILWAY COMPANY

- I am Toshihiro Mori, General Manager of the Strategy Management Department of Kyushu Railway Company. I would like to thank everyone for taking the time to join us today.

- I will discuss our results in the three-month period ended June 30, 2019, our performance forecasts for the fiscal year ending March 31, 2020, and the status of our initiatives in the Medium-Term Business Plan.

- Please turn to slide 4 .

Contents

Ⅰ. Financial Results for the Three-month Period Ended June 30, 2019

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2019 (Year on Year)

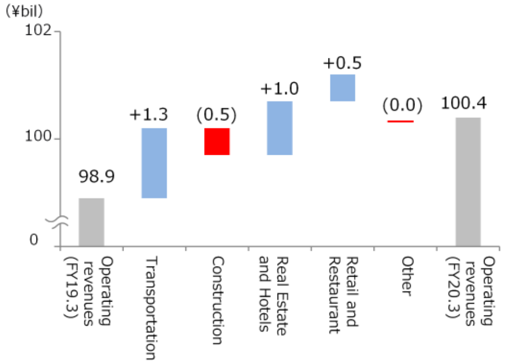
- Operating revenues up for the third consecutive year (record high)
- Operating income down for the second consecutive year
- Net income attributable to owners of the parent down for the second consecutive year
- EBITDA up for the third consecutive year

(¥bil)

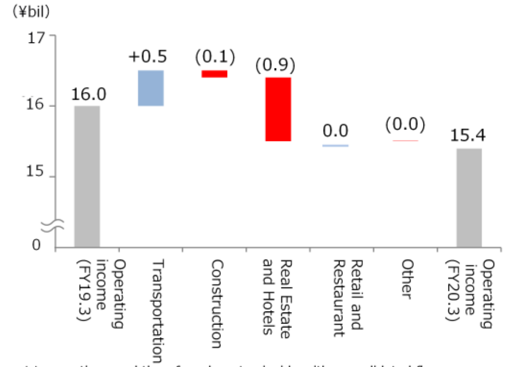
	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY	
Operating revenues	98.9	100.4	1.5	101.6%
Operating income	16.0	15.4	(0.5)	96.4%
Ordinary income	17.2	16.0	(1.1)	93.1%
Net income attributable to owners of the parent	13.4	12.3	(1.0)	92.1%
EBITDA (※)	21.0	21.3	0.2	101.3%

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 (New Segments)



Change in 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 increased ¥1.5 billion year on year due to increases in revenues from railway transportation and in revenues from condominium sales at JR Kyushu.
- On the other hand, operating income was down ¥0.5 billion year on year due to such factors as higher depreciation costs and an increase in taxes due to the elimination of special tax measures at JR Kyushu.
- Net income attributable to owners of the parent decreased by ¥1.0 billion, due in part to lower operating income and, in non-operating income and expenses, a decline in gain on investment securities.
- EBITDA rose ¥0.2 billion year on year.
- More details on performance can be found on slide 5.
- Next, I will discuss the results by segment. Please turn to slide 6.

Consolidated Income Statements

(¥bil)

	3 months ended June, 30 2018	3 months ended June, 30 2019	YoY		Major factors
Operating revenues	98.9	100.4	1.5	101.6%	Increase in revenue from railway transportation, Increase in revenue from condominium sales (JR Kyushu), etc.
Operating expenses	82.8	84.9	2.1	102.6%	Increase due to elimination of special tax measures (JR Kyushu) Increase in depreciation cost (JR Kyushu), etc.
Operating income	16.0	15.4	(0.5)	96.4%	
Non-operating income and expenses	1.2	0.6	(0.6)	49.5%	Decline in gains on investment securities (JR Kyushu), etc.
Ordinary income	17.2	16.0	(1.1)	93.1%	
Extraordinary gains and losses	(0.0)	0.1	0.1	-	
Net income attributable to owners of the parent	13.4	12.3	(1.0)	92.1%	
EBITDA	21.0	21.3	0.2	101.3%	

Segment Information 【Summary】(New segments)

(¥bil)

	3 months ended June, 30 2018	3 months ended June, 30 2019	YoY		Major Factors
Operating revenues	98.9	100.4	1.5	101.6%	
Transportation	42.8	44.1	1.3	103.0%	
Railway Business (non-consolidated)	40.6	41.9	1.3	103.3%	Increase in revenues from railway transportation, increase due to change in revenue/expense classifications related to station buildings, etc.
Construction	12.9	12.4	(0.5)	95.9%	Decrease in Shinkansen-related construction, etc.
Real Estate and Hotels	18.6	19.7	1.0	105.7%	
Real Estate Lease	16.7	17.3	0.5	103.4%	
Condominium Sales	1.9	2.3	0.4	125.6%	Increase in revenue from sales of condominiums, etc.
Retail and Restaurant	25.4	26.0	0.5	102.0%	Increase due to new store openings, etc.
Other	16.1	16.1	(0.0)	99.9%	
Operating income	16.0	15.4	(0.5)	96.4%	
Transportation	9.3	9.9	0.5	106.2%	
Railway Business (non-consolidated)	9.2	9.8	0.6	106.9%	
Construction	(0.3)	(0.5)	(0.1)	-	
Real Estate and Hotels	6.0	5.0	(0.9)	83.5%	
Real Estate Lease	6.0	4.8	(1.1)	80.9%	Increase due to change in revenue/expense classifications related to station buildings, etc.
Condominium Sales	0.0	0.1	0.1	743.4%	
Retail and Restaurant	0.7	0.7	0.0	106.2%	
Other	0.4	0.3	(0.0)	87.9%	
EBITDA	21.0	21.3	0.2	101.3%	
Transportation	10.9	12.1	1.2	111.0%	
Railway Business (non-consolidated)	10.6	11.9	1.2	111.9%	
Construction	(0.0)	(0.2)	(0.1)	-	
Real Estate and Hotels	8.5	7.6	(0.8)	90.0%	
Real Estate Lease	8.5	7.5	(1.0)	88.2%	
Condominium Sales	0.0	0.1	0.1	670.0%	
Retail and Restaurant	1.1	1.1	0.0	102.9%	
Other	0.7	0.8	0.0	113.3%	

- I will explain the results by segment.

- In the Transportation segment, there was higher depreciation cost at JR Kyushu and an increase in taxes due to the elimination of special tax measures. However, there was an increase in revenues from railway transportation and an increase due to a change in revenue/expense classifications related to station buildings, etc. As a result, the segment recorded higher revenues and higher income.

- The Construction segment registered lower revenues and lower income due to a decline in Shinkansen-related construction work, etc.

- The Real Estate and Hotels segment recorded higher revenues due to higher revenues from real estate leases, higher revenues from condominium sales, etc. However, the segment registered lower income due to hotel opening preparation expenses and changes in the revenue/expense classifications related to station buildings, etc.

- The Retail and Restaurant segment registered higher revenues and higher income due to new fast food store openings, etc.

- Next, I will discuss our non-consolidated performance. Please turn to slide 8

Balance Sheet

(¥bil)

	FY19.3	3 months ended June 30, 2019	Increase/ (decrease)	Major Factors
Total Assets	801.4	784.0	(17.4)	
Cash and time deposits	16.9	27.5	10.5	
Short-tem securities	19.9	22.0	2.0	
Money held in trust	56.9	51.1	(5.7)	Redemption of domestic bonds, etc.
Property, plant and equipment	461.3	469.2	7.9	
Railway business assets	72.4	69.7	(2.7)	Increase in depreciation cost (JR Kyushu), etc.
Interest-bearing debt	107.9	108.4	0.5	
Net assets	420.7	424.6	3.9	
Paid-in capital	249.9	249.9	-	
Capital and retained earnings	160.5	164.6	4.1	

Non-consolidated Income Statements

(¥bil)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY		Major Factors
Operating revenues	49.5	51.3	1.7	103.5%	
Railway transportation revenues	36.8	37.8	0.9	102.6%	Longer Golden Week holiday period, operations resumed on the Kyudai Main Line, etc.
Other revenues	12.6	13.4	0.7	106.2%	Increase in revenue from sales of condominiums, etc.
Operating expenses	36.0	38.0	2.0	105.7%	
Personnel expenses	12.4	12.4	(0.0)	99.5%	
Non-personnel expenses	18.7	19.4	0.6	103.7%	
Energy costs	2.2	2.3	0.0	102.7%	
Maintenance costs	5.5	5.2	(0.3)	94.4%	
Other	10.9	11.9	0.9	108.6%	Increase due to elimination of special tax measures, etc.
Taxes	1.9	2.6	0.7	135.9%	Increase due to elimination of special tax measures, etc.
Depreciation costs	2.7	3.4	0.7	125.3%	
Operating income	13.5	13.2	(0.3)	97.8%	
Non-operating income and expenses	7.3	4.8	(2.4)	66.1%	Decrease in dividend income, etc.
Ordinary income	20.8	18.0	(2.7)	86.7%	
Extraordinary gains and losses	0.0	0.1	0.1	735.8%	
Net income	17.8	15.1	(2.6)	84.9%	

- I will explain our non-consolidated performance.

- We recorded an increase in revenues due to revenues from railway transportation, revenues from condominium sales, etc., but due to the elimination of special tax measures, an increase in depreciation, etc., operating income declined.

- Also, net income attributable to owners of the parent decreased due to a decline in non-operating income and expenses resulting from lower dividend income.

- Please turn to the next slide.

Railway business

Transportation Revenues

(¥bil)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY		Major Factors
Total	36.8	37.8	0.9	102.6%	
Commuter pass	8.3	8.3	(0.0)	99.1%	
Non-commuter pass	28.4	29.5	1.0	103.7%	
Shinkansen	13.1	13.3	0.2	101.5%	・Basic trend (approx. 101%) ・Increase due to longer Golden Week holiday period ・Decrease due to rebound from broadcast of "Sego-don" period drama
Commuter pass	0.6	0.7	0.0	102.8%	
Non-commuter pass	12.4	12.6	0.1	101.5%	
Conventional Lines	23.7	24.4	0.7	103.3%	・Basic trend (approx. 100%) ・Increase due to longer Golden Week holiday period ・Operations resumed on Kyudai Main Line (resumed on July 14, 2018)
Commuter pass	7.6	7.6	(0.0)	98.8%	
Non-commuter pass	16.0	16.8	0.8	105.4%	

Passenger-Kilometers

(Millions of passenger-kilometers)

	3 months ended June 30, 2018	3 months ended June 30, 2019	YoY	
Total	2,341	2,361	19	100.8%
Commuter pass	1,133	1,122	(10)	99.1%
Non-commuter pass	1,208	1,238	29	102.5%
Shinkansen	484	493	8	101.8%
Commuter pass	51	52	1	102.5%
Non-commuter pass	432	440	7	101.8%
Conventional Lines	1,857	1,867	10	100.6%
Commuter pass	1,081	1,070	(11)	98.9%
Non-commuter pass	775	797	21	102.8%

- Next, I will explain revenues from railway transportation.
- On the Shinkansen, there was a rebound from the broadcast of "Sego-don" period drama in the previous year, but the longer Golden Week holiday period and firm demand led to an increase of 1.5% in revenues.
- Besides, on conventional lines, in addition to the longer Golden Week holiday period, operations were resumed on the Kyudai Main Line, and as a result revenues were up 3.3%.
- Next, I will explain our forecasts for performance in the fiscal year ending March 31, 2020.
- Please turn to slide 11.

II. Forecasts for FY20.3

Consolidated Financial Highlights for FY20.3

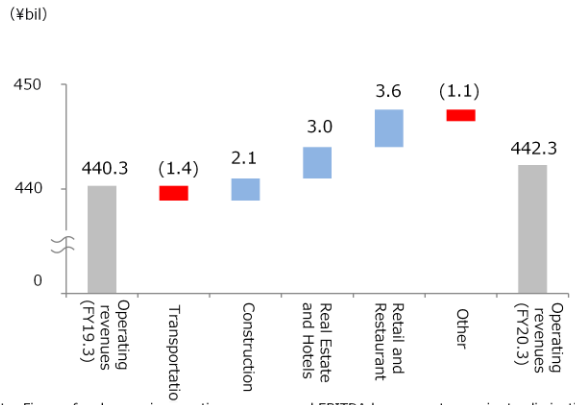
(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY	
Operating revenues	440.3	442.3	1.9	100.4%
Operating income	63.8	56.6	(7.2)	88.6%
Net income attributable to owners of the parent	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	85.4	82.3	(3.1)	96.4%

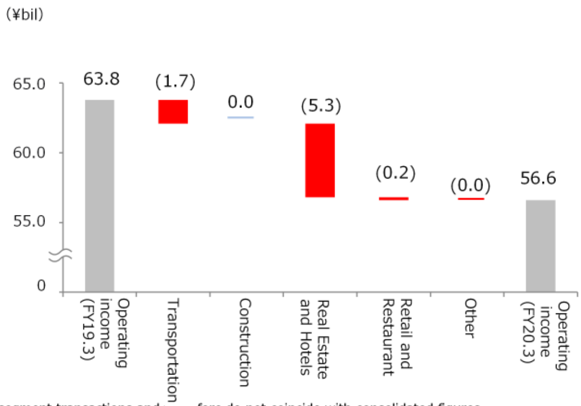
* From FY2020.3, the method of recording revenues/expenses related compensated construction work has changed.

* Forecasts for the fiscal year ending March 31, 2020, remain unchanged from those announced on May 13, 2019. The same applies hereafter.

Change in operating revenue by segment (new segments)



Change in EBITDA 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.

- Our forecasts for the fiscal year ending March 31, 2020, remain unchanged from those announced on May 13, 2019.

- Segment performance forecasts are shown on slide 12, and non-consolidated performance forecasts on slide 13.

- Next, I will discuss the status of our initiatives for the medium-term business plan. Please turn to slide 15.

Consolidated Financial Forecasts (By Segment) (New Segments)

(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Major 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 method of recording revenues and expenses related tocompensated construction work, 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 method of 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 rate, 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%	

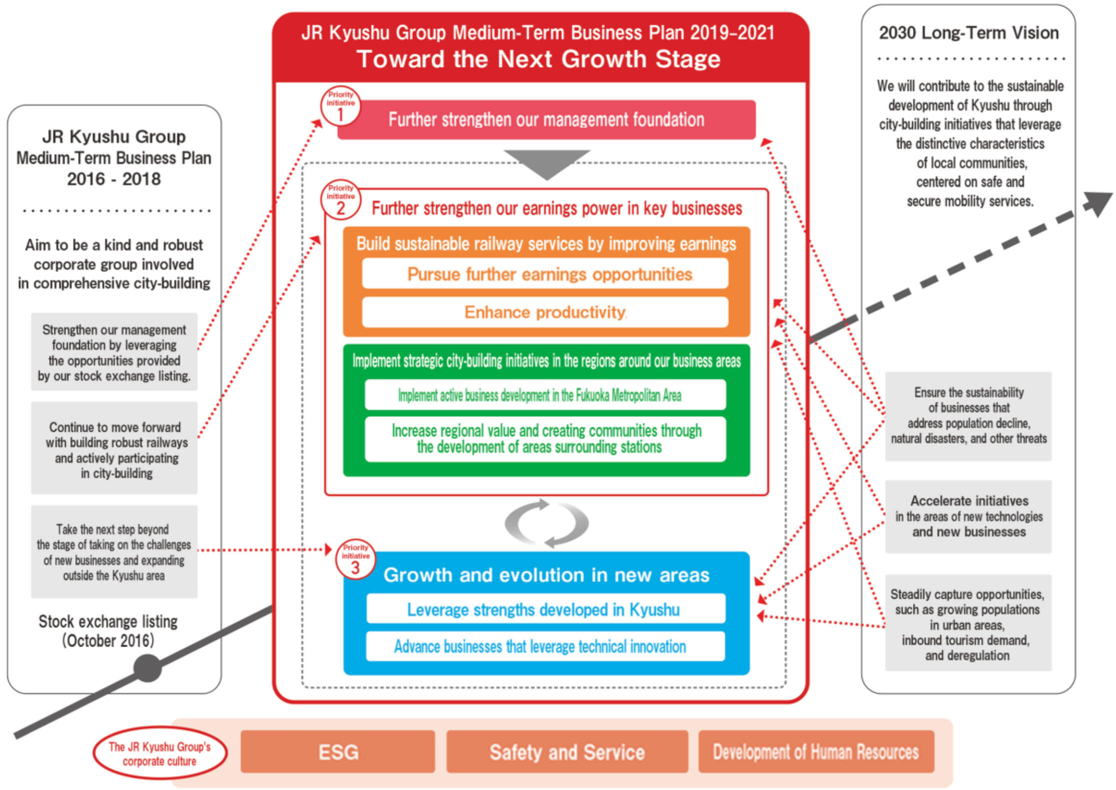
Non-consolidated Financial Forecasts

(¥bil)

	Results FY19.3	Forecasts FY20.3	YoY		Major Factors
Operating revenues	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 work, 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 work, 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 losses	(0.9)	(0.2)	0.7	-	
Net income	44.2	36.2	(8.0)	81.8%	

Ⅲ. Status of Initiatives for the Medium-Term Business Plan

Position and Priority Initiatives of the JR Kyushu Group Medium-Term Business Plan 2019-2021



- This slide shows the positioning of the medium-term business plan and our priority initiatives.

- With consideration for the issues that were carried over the previous Medium-Term Business Plan, and targeting the realization of the 2030 Long-Term Vision, we established three priority initiatives for this plan. Specifically, with a foundation provided by the further reinforcement of our management base, we will advance integrated initiatives, simultaneously taking steps to strengthen our earnings power in key businesses while pursuing growth and evolution in new regions.

- Next, I will discuss the status of our initiatives for the medium-term business plan. Please turn to the next slide.

Build Sustainable Railway Services by Improving Earnings

Pursue further earnings opportunities

Promote tourism demand, advance city-building initiatives that leverage the appeal of railways

- Promotion of tourism demand through the “Go! Waku Waku Trip with MICKEY ” project
- Announcement of collaboration with ALL NIPPON AIRWAYS CO., LTD .
  - Conduct “Design & Story” train PR activities through “Japan Travel Planner”
  - Planned launch of “ANA & JR KYUSHU RAIL PASS” (September 2019)

Promoting “Design & Story” trains through “Japan Travel Planner”

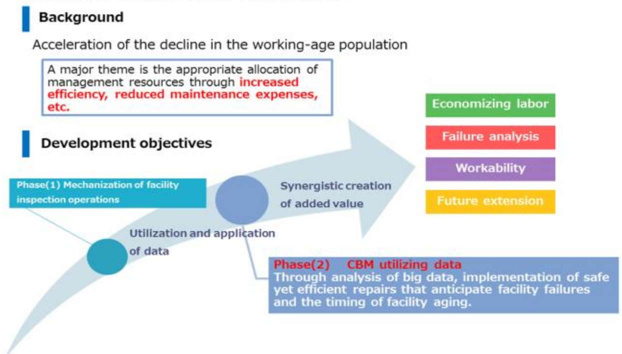
Enhance productivity

Advance initiatives to reduce maintenance costs through the active use of new technologies

- Joint development with NIPPON SIGNAL CO., LTD., and Kyosan Electric Manufacturing Co., Ltd., targeting the use of CBM* for railway signal equipment.
- Joint development with A.L.I. Technologies Inc. to develop railway facility inspection solutions utilizing drones

*CMB (Condition Based Maintenance): Maintenance is implemented only when it is judged to be necessary based on condition.

Maintenance vision for railway signal facilities



- First, I will discuss the status of initiatives related to “build sustainable railway services by improving earnings.”
- In regard to “pursuing further earnings opportunities,” to promote tourism demand and advance city-building initiatives that leverage the appeal of railways, we are implementing the “Go! Waku Waku Trip with MICKEY” project and working in collaboration with ALL NIPPON AIRWAYS CO., LTD.
- In addition, to “enhance productivity,” with the objective of improving earnings in the future, we are taking steps to utilize data in order to reduce maintenance costs for railway signal equipment, and we are working to advance laborsaving, workforce reductions, etc., through the use of drones.
- Please turn to the next slide.

Implement Strategic City-Building Initiatives in the regions around our business areas

Implement active business development in the Fukuoka Metropolitan Area

Advance initiatives to maximize city value through further development in the Hakata Station area

- Planned opening of new hotel — THE BLOSSOM HAKATA Premier — near Hakata station (September 2019)
- Established Hakata Station Area Development Council, started Hakata Connected initiatives (May 2019)

THE BLOSSOM HAKATA Premier

Establishment of the Hakata Station Area Development Council

Increase regional value and create communities through the development of areas surrounding stations

Favorable progress with Miyazaki Station west entrance development and development in the area around Kumamoto Station

Miyazaki

- Selected the company that will open the cinema complex that will be the core facility at AMU PLAZA Miyazaki

Kumamoto

- Start of construction, tenant leasing, etc., for Kumamoto Building (provisional name; commercial facilities, hotel facilities, etc.) and Kumamoto Station North Building (provisional name; offices)

Miyazaki Station west entrance development

Development in the area around Kumamoto Station

- Next, I will discuss the status of initiatives related to “implementing strategic city-building initiatives in the regions around our business areas.”

- In regard to “implement active business development in the Fukuoka Metropolitan Area,” we are planning to open a hotel in the Hakata Ekimae 2-chome district in September. The brand of this new hotel will be “THE BLOSSOM,” our highest grade of hotel brands. In addition, together with a party that has endorsed the “Hakata Connected” project announced by Fukuoka City, we established the “Hakata Station Area Development Council.” Moving forward, we will implement initiatives to extend the dynamism and lively atmosphere of Hakata Station to the surrounding area and to invigorate the local community.

- Moreover, we are steadily advancing initiatives related to “increase regional value and creating communities through the development of areas surrounding stations.” For example, the central facility at Amu Plaza Miyazaki has been determined. Moreover, in the development in the area around Kumamoto Station, construction of the station building and office buildings has commenced.

- Please turn to the next slide.

Growth and Evolution in New Areas

Leverage strengths developed in Kyushu

In business areas that are expected to be competitive, implement business development initiatives outside of Kyushu

- Planned opening of new hotel — THE BLOSSOM HIBIYA — in Minato-ku, Tokyo (August 2019)
- Announced plan to open first hotel in Kansai region, in Shimogyo-ku, Kyoto City (planned open in Summer 2021)
- Currently developing tower condominium in Sakaisuji, Osaka City (planned completion in late February 2021)

Advance businesses that leverage technical innovation

Advance initiatives in the digital field

- CRM* Joint development, centered on Digital Garage, Inc., and also including other Digital Garage Group companies, to build platform and development smartphone app
- Start verification testing of system to reduce waiting time with advance orders, through the introduction of mobile ordering

* CRM (Customer Relationship Management)

THE BLOSSOM HIBIYA

MJR/RJR Sakaisuji Hommachi Tower

Principal functions of the JR KYUPO app

Introduction of mobile ordering

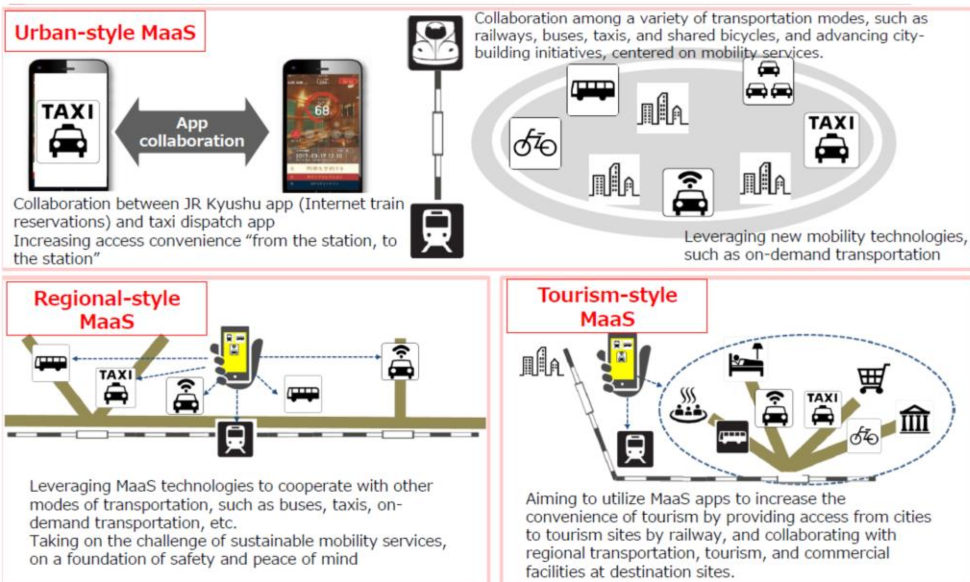
- Next, I will discuss initiatives related to “growth and evolution in new areas.”
- To “leverage strengths developed in Kyushu,” we plan to open “THE BLOSSOM HIBIYA,” in Hibiya, Tokyo, on August 20. In addition, in Kyoto we plan to open our first hotel in the Kansai region, and we plan to complete a tower condominium project in central Osaka in 2021.
- Furthermore, initiatives to “advance businesses that leverage technical innovation,” include the development of a smartphone application and the start of verification testing of a system for advance ordering with the aims of laborsaving and increased efficiency.
- Please turn to the next slide.

Growth and Evolution in New Areas

Take on the challenge of new mobility services (MaaS)

Advance initiatives with other transportation companies

- Concluded a business alliance agreement with DAIICHI KOUTSU SANGYO Co., Ltd., with a focus on the development of integrated mobility services based on the future of MaaS
- Collaboration with "MaaS Japan," which is led by Odakyu Electric Railway Co., Ltd.



- 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.

- As an initiative targeting the establishment of that vision, in May we concluded a business alliance agreement with DAIICHI KOUTSU SANGYO Co., Ltd. We will aim to achieve public transportation services that better match the needs of customers by combining high-speed, high-capacity railway services with attentive taxi transportation services.

- We also reached an agreement to expand collaboration related to the "MaaS Japan" shared data platform being developed by Odakyu Electric Railway Co., Ltd. Through this agreement, we will work to advance initiatives targeting the realization of MaaS seamlessly providing users with multiple modalities and activities at destination sites, from searches to reservations and payment, in the form of a single service.

- Moving forward, 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 expanding MaaS, in addition to collaboration with local governments and communities, as we did with this initiative, we will also need to implement initiatives related to 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.

- Please turn to the next slide.

Further Strengthen Our Management Foundation

Establishment of the Nomination and Compensation Advisory Committee (announced March 19, 2019)

- The Compensation Advisory Committee was established in 2016 with the objective of enhancing the objectivity and transparency of procedures related to officer compensation.
- We determined that to advance the Medium-Term Business Plan 2019–2021, which was announced on March 19, 2019, it would be important to draw on the knowledge of the outside directors in considering officer skill sets, successor planning, etc. Accordingly, the area of nomination was added to the Compensation Advisory Committee to establish the Nomination and Compensation Advisory Committee.
- Appointment of outside director as chair to further enhance transparency and objectivity of nomination procedures

Clarification of Chief Financial Officer (CFO) position (June 21, 2019)

- We determined that, in conjunction with our core railway business, we must strengthen our earnings power in the real estate business, where we conduct strategic city-building initiatives, and we must bolster the appropriate allocation of management resources in order to form a strategic business portfolio, including M&A, etc. As a result, we decided to clarify the position of CFO.
- With consideration for a report from the Nomination and Compensation Advisory Committee, a newly appointed inside director, Toshihiro Mori, was appointed as CFO.
- Currently, Mr. Mori is focusing on bolstering financial strategy and IR activities.

Further increase in outside directors (June 21, 2019)

- To advance the Medium-Term Business Plan and strengthen the oversight function, with consideration for a report from the Nomination and Compensation Advisory Committee, the following two outside directors were newly appointed.
  1. Toshihide Ichikawa: Oversight of measures to increase earning power in the real estate business, which conducts strategic city-building initiatives
  2. Shinji Asatsuma: Oversight of measures to strengthen appropriate allocation of management resources in order to form a strategic business portfolio, including M&A, etc.
- Outside directors make up a majority of the Board of Directors (53.3%)

Introduction of a performance-based stock compensation plan (details announced on August 5, 2019)

- Introduction of a performance-based stock compensation plan in order to provide an incentive to executives with business execution duties and to strengthen the oversight function
- As key performance indicators (KPIs) — the plan uses a target management indicator in the Medium-Term Business Plan (consolidated operating income) as a short-term KPI, and total shareholder return (TSR) as a long-term KPI

- Finally, to “further strengthen our management foundation,” we established the Nomination and Compensation Advisory Committee, and at this year’s shareholders’ meeting a CFO was appointed, the number of outside directors was further increased, and, as announced in detail today, a performance-based stock compensation plan was introduced.

- Moreover, in conjunction with our core railway business, we must strengthen our earnings power in the real estate business, where we conduct strategic city-building initiatives, and we must bolster the appropriate allocation of management resources in order to form a strategic business portfolio, including M&A, etc. We are focusing on the reinforcement of our financial strategy and IR activities.

- As one facet of those initiatives, today we announced the transfer of our subsidiary’s leasing and installment financing businesses. Our medium to long term financial strategy is of considerable interest to shareholders and institutional investors. We are currently energetically considering our approach to this strategy, and we will announce our policy in the future.

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

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.

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