

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.
- First, before I begin the presentation, I would like to respectfully express our sympathy for those who have contracted the COVID 19 infection and their families, as well as all others affected by this crisis. Also, in consideration of the status of the spread of the COVID 19 infection and the requests from the national government and local governments to exercise restraint in regard to going outside, we have changed the results presentation from a meeting hall format to a telephone conference format. Thank you for your understanding.
- Please turn to slide 3.

Contents	
Highlights	3
I Financial results for FY20.3	4
II Forecasts for FY21.3	11
■ Short-term strategies	15
IV Status of Medium-Term Business Plan Initiatives	18
APPENDIX	28
	2

## **Highlights**



## Results for FY20.3

 Consolidated operating revenue, operating income, ordinary income, and net income all declined.

## Forecasts for FY21.3

 Due to the influence of the spread of the COVID 19 infection, future revenue trends are very unclear, and accordingly our results forecast and annual dividends have not yet been determined at this point. In the future, when it becomes possible to make a forecast, we will release it promptly.

## Short-term strategies

- Cash flow is declining substantially, centered on the decline in railway passenger revenues. Accordingly, we will advance measures with the highest priority on securing liquidity at hand.
- In preparation for further worsening of cash flow, we will consider and implement diversification of our fund-raising methods.
- Looking at capital investment, we will steadily advance railway safety investment and investment in two station buildings. On the other hand, we will delay or control investment as much as possible.
- When we generate cash through the reevaluation of our portfolio, we will first allocate it to working capital.

#### Status of Medium-Term Business Plan Initiatives

- To further strengthen our management foundation, we will accelerate the reevaluation of our business portfolio.
- We will work to build sustainable railway services through improved profitability, and will strive to increase the population in the areas around our railway lines by investing in strategic city-building initiatives in the regions around our bases.

- Today, I will discuss the four points listed here: our financial results for FY2020.3, our performance forecasts for FY2021.3, our short-term strategies with consideration for the spread of the COVID 19 infection, and the status of the business initiatives in the Medium-Term Business Plan.
- > First, I will discuss our financial results in FY2020.3.
- Please turn to slide 5.



#### Consolidated Financial Highlights for FY20.3 **Financial Results Overview** (¥bil) **Operating revenue** Through the third quarter, results were solid, centered on the railway business and the real estate leasing business. However, Operating revenue 440.3 432.6 (7.7)98.2% from February 2020, revenue were down due to the influence of the spread of the COVID 19 infection. Operating income 49.4 (14.4)77.3% In addition to the elimination of special tax measures $[ \pm (4.6) \text{ billion} ]$ and an increase in depreciation $[ \pm (3.6) \text{ billion} ]$ at JR Kyushu, the spread of the COVID 19 infection also had an influence. As a result, the scale of the Ordinary income 50.6 (15.9)76.1% Extraordinary gains and (2.1)(7.5)(5.4)decline in profits expanded. Net income attributable to 49.2 (17.7)64.0% 31.4 Extraordinary gains and losses owners of the parent An extraordinary loss was recorded on the new-style passenger ship QUEEN EBITDA (\*) 85.4 75.0 (10.3)87.9% Pair consideration of the dramatic changes in the external environment, such as the long-term worsening of Japan-South Korea relations, intensified competition due to the rise of LCCs, the spread of the COVID 19 infection, the entire amount was recorded as a loss. [¥(6.1) billion] Change in operating revenue by segment Change in operating income by segment (¥bil) (¥hil) 70 445 440.3 (8.1) +0.6 (0.5) (5.9) +0.6 +5.5 +0.2 (6.2)435 432.6 (0.5)+0.049.4 50 40 Operating revenue (FY19.3) Retail and Restaurant Operatin revenue (FY20.3) Real Estate Hotels Operating income (FY19.3) Adjustment Real and Construction

Consolidated operating revenue decreased ¥7.7 billion year on year due to such factors as a decline in revenue from railway transportation due to the spread of the COVID 19 infection.

- Operating income was down ¥14.4 billion year on year due to the spread of the COVID 19 infection as well as to higher depreciation and the elimination of special tax measures.
- Furthermore, looking at extraordinary gains/losses, results worsened by ¥5.4 billion year on year due to an impairment loss on the new-style passenger ship QUEEN BEETLE and other factors.
- As a result, net income attributable to owners of the parent decreased by ¥17.7 billion, and EBITDA was down by ¥10.3 billion.
- Please turn to the next slide.

### Major Consequences Related to COVID 19 (Railway Business)

- Due immigration and movement restrictions and people staying inside, railway transportation revenues declined substantially.
- In particular, the influence on middle and long distance revenues has been significant, and JR

(A)	nsen and
Limited Express Trains (Mar. 20 ~ Apr. 5)  Started suspension of operations from Mar. 20, centered on special trains  First 9 months (A) 4Q (B) (B)-(A)  Analyting revenues 101.4% 78.3% (23.1)%  Short distance revenues 103.7% 89.2% (14.5)%  Medium and long distance revenues 101.2% 72.1% (29.1)%  R Kyushu Rail Pass: Sales Amount 115.2% 56.3% (58.9)%  Monthly Railway Transportation Revenues (YoY)  120%  Monthly Railway Transportation Revenues (YoY)  120%  86.8%	msch und
YoY	
Analysis   Analysis   Aq (B)   (B)-(A)	
Short distance revenues   101.4%   78.3%   (23.1)%   Regular trains and special trains   47,592   670	Guspended
Short distance revenues   103.7%   89.2%   (14.5)%	eration rate
Medium and long distance revenues   101.2%   72.1%   (29.1)%	1%
R Kyushu Rail Pass: Sales Amount 115.2% 56.3% (58.9)% of which, regular trains 641 272  * Changes in segments on which trains are operated are not included in the number of ausi  Monthly Railway Transportation Revenues (YoY)  120%  101.2%  86.8%	1%
Monthly Railway Transportation Revenues (YoY)  120%  100%  80%	42%
100% 100% 80%	ended trains
Solid results through the third quarter 52,70%	
52.770	
40%  1 Q  Longer Golden Week holiday period Restart of operations on Kyudal Main Line  1 Q  Longer Golden Week holiday period Restart of operations on Kyudal Main Line  1 Q  Substantial increase in September due to rush prior to increase in consumption tax increase  Solid results despite rebound from consumption tax increase  (Mar. 28) Request for self-restraint in regard to going out	

- $\triangleright$ Next, I will explain the influence of COVID 19 on the railway business.
- Until January 2020, usage was up year on year, and as a result railway transportation revenues were firm. However, from February 2020 revenues declined significantly due to the influence of COVID 19.
- In particular, middle to long distance revenues recorded a large decline, centered on Shinkansen and limited express trains. In addition, due to the marked decrease in inbound customers, in the fourth quarter the JR Kyushu Rail Pass was down significantly year on year.
- As a result, we estimate that COVID 19 had an influence of approximately ¥6.2 billion on railway transportation revenues.
- Please turn to the next slide.

### Major Consequences Related to COVID 19 2 (Other than railway)

- Due to the decline in railway passengers, the number of visitors to facilities around stations has declined substantially, and station building tenant sales have decreased
- In particular, at an early stage, the hotel business was affected as people refrained from going out, and occupancy
  rates in the fourth quarter were down.
- In the retail and restaurant businesses, conditions in March were challenging, centered on stores located at stations.

		FY20	020/3	Anticipated		359250 115V-15	
	(¥bil)	Forecast (Feb. 10)	Full-year result	influence of COVID 19	Quarterly Trend	4Q Overview	
Real estate	Operating revenue	54.8	55.2	(0.6)	Station building tenant sales 125% 105.9% 104.8% 100.2%	[Station buildings] • Through February, sales were strong, at a record- setting pace • In March, tenant sales at JR Hakata City were down	
leasing business	Operating income	16.6	16.7	(0.3)	75% 50% 1Q 2Q 3Q 4Q	to approximately 40% of the previous year's level due to the suspension of events to attract customers, reduced operating hours, etc.	
Hotel business Op	Operating revenue	18.5	16.6	(1.3)	Occupancy rate  100% 81.8% 79.0% 78.6% 75%	Results were solid through January. In February, the occupancy rate was down by about 20% YoY due to a decline in inbound customers, etc. In March, the occupancy rate was down by about	
	Operating income	1.6	0.7	(0.8)	50% 56.1% 1Q 2Q 3Q 4Q	60% YoY due to the cancellation of events, etc. In particular, at the Huis Ten Bosch Hotel, the adjacent theme park was closed, and the occupancy rate declined by about 90%.	
Retail and restaurant – segment		106.6	104.6	(1.3)	External sales (YoY) 125% 102.1% 101.3% 101.5%	[Retail] <ul> <li>Through February, results were solid. In March, sales in the convenience store business were down about 20% YoY. [Restaurants]</li> </ul>	
	Operating income	2.9	2.8	(0.2)	75% <b>100.6%</b> 50% 1Q 2Q 3Q 4Q	<ul> <li>Through February, results were solid. In March, business was affected, centered on stores located at stations, and sales were down about 40% YoY.</li> </ul>	

- Next, I will explain the influence of COVID 19 on other major businesses.
- In the station building business, which is the core of the real estate leasing business, tenant sales declined due to the suspension of events to attract customers, and reduced operating hours. At JR Hakata City, monthly tenant sales in March were down to approximately 40% of the previous year's level.
- The hotel business was the most significantly affected among our non-railway businesses. There was a notable decline in inbound customers from February, and in the fourth quarter the occupancy rate declined to less than 60%.
- Furthermore, looking at the retail and restaurant business, in drugstore operations, there was special demand for masks and disinfectant-related products, but in other retail and restaurant operations, the circumstances were challenging due to the influence of people staying inside.
- > Next, I will explain our forecasts for performance in FY2021.3. Please turn to slide 12.

/

## **Segment Information (Summary)**

	_
-	_
-	ш
•	

					(¥bil)
	FY19.3	FY20.3			Major factors
Operating revenue	440.3	432.6	(7.7)	98.2%	
Transportation	181.8	173.7	(8.1)	95.5%	
Railway Business (non-consolidated)	172.2	165.2	(7.0)	95.9%	Increase in revenues from railway transportation, increase due to change in revenue/expense classifications related to station buildings (+2.4), etc.
Construction	93.8	99.3	5.5	105.9%	Increase in Shinkansen-related construction, etc.
Real Estate and Hotels	90.0	90.7	0.6	100.8%	
Real Estate Lease	53.9	55.2	1.3	102.5%	
Condominium Sales	19.7	18.9	(0.8)	95.7%	Decrease in revenue from sales of condominiums, etc.
Hotel Business	16.4	16.6	0.1	101.1%	
Retail and Restaurant	104.0	104.6	0.6	100.6%	
Other	72.6	72.1	(0.5)	99.3%	Decrease due to transfer of financing subsidiary leasing business, etc.
Operating income	63.8	49.4	(14.4)	77.3%	
Transportation	27.4	19.8	(7.5)	72.4%	
Railway Business (non-consolidated)	26.7	20.0	(6.6)	75.1%	Decrease due to elimination of special tax measures and increase in depredation, increase due to change in method of revenue/expense dassifications, such as those related to station buildings, (+5.0), etc.
Construction	6.2	6.5	0.2	104.6%	
Real Estate and Hotels	25.4	19.1	(6.2)	75.2%	
Real Estate Lease	20.6	16.7	(3.9)	81.1%	Decrease due to change in revenue/expense classifications, such as those related to station buildings, (-5.0), etc.
Condominium Sales	2.3	1.5	(0.8)	65.4%	Decrease in revenue from sales of condominiums, etc.
Hotel Business	2.3	0.7	(1.5)	33.4%	Increase in opening preparation expenses, etc.
Retail and Restaurant	3.4	2.8	(0.5)	82.8%	Increase in personnel cost and other expense, etc.
Other	2.2	2.2	0.0	103.8%	
BITDA	85.4	75.0	(10.3)	87.9%	
Transportation	34.3	29.5	(4.7)	86.1%	
Railway Business (non-consolidated)	32.8	28.8	(4.0)	87.7%	
Construction	7.2	7.6	0.4	105.8%	
Real Estate and Hotels	35.6	30.5	(5.0)	85.9%	
Real Estate Lease	29.5	26.1	(3.3)	88.5%	
Condominium Sales	2.4	1.5	(0.8)	65.5%	
Hotel Business	3.7	2.8	(0.8)	77.9%	
Retail and Restaurant	5.0	4.4	(0.6)	88.2%	
Other	4.1	4.3	0.1	103.6%	

## **Non-consolidated Income Statements**



(¥bil) FY19.3 FY20.3 **Major Factors** Operating revenue 96.8% 221.9 214.8 (7.0)Railway transportation 97.3% Influence of the spread of the COVID 19 infection, etc. 151.4 147.3 (4.1)revenues Other revenue 70.4 67.5 (2.9)95.8% Operating expense 4.3 176.1 180.4 102.4% Personnel expense 49.7 48.7 (0.9)98.0% Non-personnel expense 106.5 105.5 (1.0)99.0% 97.9% **Energy cost** 9.2 9.4 (0.2)Maintenance cost 37.2 33.4 (3.7)Other 104.9% Increase due to elimination of special tax measures, etc. 59.8 62.8 2.9 **Taxes** 8.0 10.7 2.6 133.1% Increase due to elimination of special tax measures, etc. Depreciation cost 11.8 15.4 3.6 130.6% Operating income 45.7 75.2% 34.3 (11.3)Non-operating income Decline in gains on investment securities, decline in dividend 76.8% income, etc and expense 8.0 6.1 (1.8)**Ordinary income** 53.7 40.5 (13.1)75.5% Increase in provision for loss on guarantees, etc., related to Extraordinary gain △ 0.9 △ 6.3 (5.3)- loss on QUEEN BEETLE and losse Gain on sales due to transfer of leasing business, etc Net income 44.2 28.6 (15.5)64.8%

## FY20.3 — Consolidated and Non-Consolidated Quarterly Results

### Consolidated results

					(¥bil)			
		FY20.3						
	1Q	2Q	3Q	4Q	Total			
Operating revenue	100.4	112.3	106.8	112.9	432.6			
Operating income	15.4	14.7	15.6	3.5	49.4			
Ordinary income	16.0	14.9	15.9	3.6	50.6			
Net income attributable to	12.3	10.6	12.3	(3.8)	31.4			

### Non-consolidated results

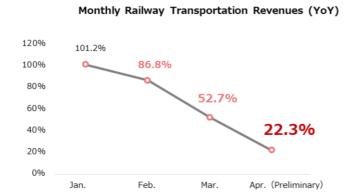
(¥bil)

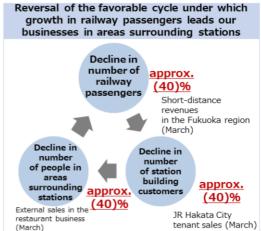
		(481)			
	1Q	2Q	3Q	4Q	Total
Operating revenue	51.3	56.2	52.6	54.6	214.8
Operating income	13.2	11.0	11.8	(1.6)	34.3
Ordinary income	18.0	12.0	12.1	(1.6)	40.5
Net income	15.1	9.2	10.6	(6.3)	28.6

## **II.** Forecasts for FY21.3

## Most Recent Business Conditions (Railway Business)

- Due to the growing consequences of people staying inside due to the state of emergency declaration, request for suspension of business operations, etc., the scale of the decline in transportation-related revenues is expanding.
- In addition to measures for unmanned and labor-saving operations, which we have been implementing, we will also
  work to reduce costs by suspending operations, etc. In these ways, we will work to improve profitability, but we expect
  circumstances to remain challenging for the time being.





#### Status of suspended train operations

- Implementing step-by-step expansion of scale of operational suspension for conventional line limited express trains and the Shinkansen
  - · Limited express trains: Over the period from March 20 to May 31, suspending approximately 30% of scheduled trains
  - · Shinkansen: Appropriately reevaluating operational plans, suspending approximately 30% of scheduled trains from May 11
  - \* From May 2 to May 6, we suspended all limited express trains on conventional lines from the perspective of preventing the spread of COVID 19.
  - \* In addition to suspending all special trains for conventional line limited express trains and the Shinkansen, we are suspending certain local trains on conventional lines.

#### Inbound status

- From March, due to international departure and arrival controls by many countries, international airline routes in Kyushu were suspended.
- All international routes between Kyushu and the countries and regions that are the major sources of demand for the Rail Pass, including China, Hong Kong, Taiwan, and Thailand, have been suspended.

I will explain the most recent circumstances in the railway business.

- Due to the increased effect of people staying inside due to the declaration of a state of emergency and requests for suspension of business operations, the scale of the decline in transportation-related revenues continues to increase. Under our business model, growth in railway passengers had been leading our businesses in areas surrounding stations, and synergies among our various businesses were being created. However, due to the decline in railway passengers, all of our businesses face a wider range of challenges.
- In addition, our transportation network has an important role in society that must be fulfilled. Therefore, to prevent the spread of the COVID 19 infection, we had to make the difficult decision to suspend operation of all limited express trains on conventional lines from May 2 to May 6, which is during the Golden Week holiday period.
- Please turn to the next slide.

## Most Recent Business Conditions (Other than railway)

- The influence extended to the entire Group, centered on the railway and hotel businesses but also including station buildings, retail stores, restaurants.
- There is concern that if the influence lengthens, there will be a further increase in the effect on results.

Segment	Business		Major influences
Transportation services (other than railway)	· Hydrofoil ferries · Buses	*	[Hydrofoil ferries]  • Suspended operation due to the government's request to suspend operation of passenger ships (Mar. 9 ~)  • Delayed timing of introduction of new-style passenger ship QUEEN BEETLE (timing not yet determined)  [Buses]  • Suspended operation of certain buses (Mar. 21~), decline in charters
Construction		$\Rightarrow$	Concern about halt in materials procurement, suspension of construction, etc.
	Real estate lease	*	<ul> <li>Due to the declaration of a state of emergency, facilities have been closed or their operating hours have been reduced, centered on station buildings.</li> <li>Station building closure: (April 8~: Hakata, Kokura; April 17~: Nagasaki, Kagoshima, Oita)</li> <li>* Planning to reopen Nagasaki (May 13), Kagoshima (May 15).</li> <li>Implementing support measures, such as offering tenants reduced rent payments and delaying payment timing</li> </ul>
Real Estate and Hotels	Condominiums	$\Rightarrow$	• Due to the declaration of a state of emergency, some condominium model rooms are closed.
	Hotels	*	<ul> <li>Consolidated open hotels in each area due to the declaration of a state of emergency</li> <li>Of 16 facilities in Japan, 7 are closed and 1 has reduced its operating hours.</li> </ul>
Retail and	Retail	•	Implemented closure/reduced hours at certain stores
restaurants	Restaurants	•	Implemented closure/reduced hours at certain stores
Other businesses	Construction equipment	•	[Caterpillar Kyushu] • Decline in demand for construction machinery

- Next, I will explain the most recent circumstances in other businesses.
- The influence of COVID 19 is increasing in most segments, and it has become especially significant in the hydrofoil ferry, real estate leasing, and hotel businesses.
- In the hydrofoil ferry business, operations remain suspended due to the government's request to suspend operation of passenger ships.
- In station building operations, which are in the real estate leasing business, facilities have been closed or their operating hours have been reduced, centered on station buildings. We are implementing support measures, such as offering tenants reduced rent payments and delaying payment timing.
- In the hotel business, a certain number of hotels also remain closed, and the occupancy rate in April was down by approximately 80% year on year.
- There is concern that if the influence lengthens, the effect on results could become more serious.
- Please turn to the next slide.

### Forecasts for FY21.3



- Due to the influence of people staying at home accompanying the spread of the COVID 19 infection, mobility demand from domestic and overseas customers is declining rapidly. Also, to prevent the spread of the infection to customers or employees, we are suspending operation of certain trains and of hydrofoil ferries and temporarily closing or reducing operating hours at station buildings, hotels, and restaurants.
- In these circumstances, future revenue trends are very unclear, and it is difficult to rationally calculate performance forecasts. Accordingly, at this point we have not yet determined our consolidated forecasts.
- The determination of our annual dividends is also pending at this point, including the interim dividend.
- In the future, when it becomes possible to make a forecast, we will release it promptly.

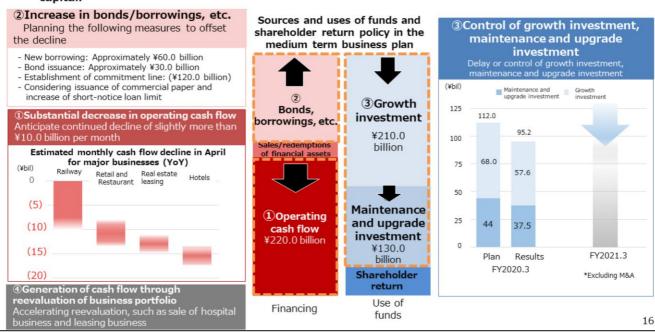
In consideration of the above circumstances, future revenue trends, etc., are very unclear, and accordingly we have not yet determined our results forecast for FY2021/3 or annual dividends. In the future, when it becomes possible to make a forecast, we will release it promptly.

Next, I will explain our current financial strategy. Please turn to slide 16.



## **Short-term strategies**

- ① Cash flow is declining substantially, centered on the decline in railway passenger revenues. Accordingly, we will advance measures with the highest priority on securing liquidity at hand.
- 2 In preparation for further worsening of cash flow, we will consider and implement diversification of our fund-raising methods.
- 3 Looking at capital investment, we will steadily advance railway safety investment and investment in two station buildings. On the other hand, we will delay or control investment as much as possible.
- When we generate cash through the reevaluation of our portfolio, we will first allocate it to working capital.



- > I will explain our short-term strategies.
- Centered on the railway business, most of our businesses face difficult circumstances due to COVID 19, and cash flow is declining substantially. Accordingly, we will advance measures with the highest priority on securing liquidity at hand.
- As one facet of those measures, in preparation for further worsening of cash flow, we will work to diversify our fund-raising methods. We have already borrowed funds, and moving forward, in addition to issuing bonds and establishing a commitment line, we will also consider issuing commercial paper and increasing our short-notice loan limit.
- Looking at capital investment, we will steadily advance railway safety investment and investment in two station buildings in Miyazaki and Kumamoto. On the other hand, we will delay and control investment as much as possible.
- Moreover, we will allocate as a part of working capital the cash generated through the reevaluation of our portfolio, such as the recently announced transfer of a portion of our shares in JR KYUSHU DRUG ELEVEN CO., LTD.
- Please turn to the next slide.

## Financial Strategies: Review and Looking Ahead



#### Initiatives in FY2020/3

① We decided to advance consideration of our financial strategies and to reevaluate our shareholder return policy (November 2019).

- Due to historical factors, our balance sheet has excess capital, and we recognize that this is an issue. Accordingly, we reconsidered
  our financial strategy from the perspective of increasing corporate value.
- Through aggressive growth investment, including the use of debt, we worked to expand business and assets, while maintaining financial soundness.
- In addition, from the perspective of financial soundness, we strengthened (changed) shareholder return.



- The Company will aim for a dividend payout ratio of 35%, with minimum dividend per share of ¥93.0.
- To increase capital efficiency, the Company will implement share repurchases depending on the situation. (Details of the change in shareholder return policy)
- 2 Announced ¥10.0 billion in share repurchases (November 2019)
- In accordance with the new return policy, aiming to increase shareholder return and capital efficiency, we announced the repurchase of shares (repurchase completed in January 2020, cancellation completed in February)
- 3 Decided on annual dividend of ¥93.0 (May 2020)
- With a year-end dividend of ¥46.5, maintained minimum annual dividend of ¥93.



#### **Future Financial Strategy**

- Due to the influence of COVID 19, the risks of expanding debt and shrinking capital are increasingly apparent. In the future, we will prioritize working to maintain financial soundness.
- On the other hand, we have reaffirmed the importance of a certain level of capital from the perspective of business continuity.
- If stable improvement of the influence of COVID 19 is confirmed, then we will consider reevaluating our business and financial strategies in line with the circumstances at that point.

- > I will review our financial strategy and explain our future policies.
- In FY2020/3, we enhanced our shareholder return policy while actively considering our financial strategy. In addition, we repurchased our own shares for the first time.
- Also, although the circumstances are challenging due to the influence of COVID 19, we did maintain the minimum annual dividend of ¥93.0 per share.
- The risks of expanding debt and shrinking capital are increasingly apparent, and accordingly, going forward, we will prioritize working to maintain financial soundness.
- Also, we have reaffirmed the importance of capital from the perspective of business continuity. In addition, if stable improvement of the influence of COVID 19 is confirmed, then we will consider reevaluating our business and financial strategies in line with the circumstances at that point.
- Next, I will discuss the status of our initiatives for the medium-term business plan. Please turn to slide 21.

# IV. Status of Medium-Term Business Plan Initiatives

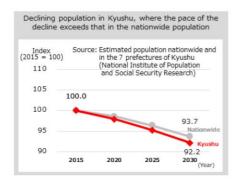
## 2030 Long-Term Vision



#### 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)



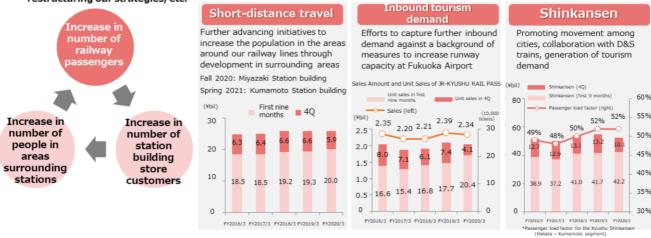
## Initiatives to increase the population in areas around our railway lines



#### Position and Priority Initiatives of the JR Kyushu Group Medium-Term Business Plan 2019-2021 JR Kyushu Group Medium-Term Business Plan 2019-2021 2030 Long-Term Vision **Toward the Next Growth Stage** We will contribute to the sustainable development of Kyushu through Further strengthen our management foundation city-building initiatives that leverage JR Kyushu Group the distinctive characteristics Medium-Term Business Plan of local communities, 2016 - 2018 centered on safe and 2 secure mobility services. Further strengthen our earnings power in key businesses Aim to be a kind and robust Build sustainable railway services by improving earnings corporate group involved Pursue further earnings opportunities in comprehensive city-building Enhance productivity foundation by leveraging the opportunities provided by our stock exchange listing. Implement strategic city-building initiatives in the regions around our business areas Ensure the sustainability Implement active business development in the Fukuoka Metropolitan Area of businesses that address population decline, tural disasters, and other threats Continue to move forward with building robust railways and actively participating in city-building Increase regional value and creating communities through the development of areas surrounding stations in the areas of new technologies and new businesses Take the next step beyond the stage of taking on the challenges Growth and evolution in new areas Steadily capture opportunities, such as growing populations in urban areas, inbound tourism demand, Leverage strengths developed in Kyushu Stock exchange listing (October 2016) and deregulation The JR Kyushu Group's corporate culture Safety and Service

## Building Sustainable Railway Services by Improving Revenues and Expenditures

- We will further strengthen our efforts to increase our earning power in short-distance, inbound, and Shinkansen operations.
   In this way, we will continue to implement measures to maximize a favorable operating cycle under which growth in railway passengers leads our businesses in areas surrounding stations.
- On the other hand, there is a heightened possibility that the influence of COVID 19 will change the social structure and will become a major business model turning point. Accordingly, we will also focus on considering new measures, such as restructuring our strategies, etc.



#### Full restoration of Hohi Main Line

- In FY2021.3, we plan to restart operation of the Higo-Ozu~Aso segment of the Hohi Main Line, which was damaged by the Kumamoto earthquakes in April 2016 and had been suspended.
- We anticipate an increase in transportation revenue of approximately ¥300 million a year (expectation before COVID 19). We also anticipate increased revenues in the future from the opening of the Kumamoto Airport Access Railway (provisional name), which is planned by Kumamoto Prefecture..



- > I will explain our approach to building sustainable railway services by improving earnings.
- The railway business currently faces challenging conditions. However, after the influence of COVID 19 declines, we expect the concentration of the population in urban areas and the trend toward growth in inbound demand to continue. Accordingly, we will further strengthen our efforts to increase our earning power through three strategies short-distance, inbound, and Shinkansen operations. In this way, we will work to maximize earnings growth through a business model under which growth in railway passengers leads our businesses in areas surrounding stations.
- Please turn to the next slide.

### Implementing Strategic City-Building Initiatives in the Regions **Around our Business Areas**

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

#### **Kumamoto Station Area Development** (Opening in Spring 2021)

- Site area: Approx. 70,000m (including area below elevated tracks)
- Total floor space: 107,000mf (station building: same scale as JR Oita City)
- · Use: Commercial areas (station building, etc.), hotels, offices, residential areas
- Recent status of construction:

Work was halted from April 26 to May 6 but restarted from May 7.

[Construction]





#### Nagasaki Station Area Development

- · 2023: Partial opening 2025: Full opening
- Site area: Approx. 18,000m²

(including existing Amu Plaza section, approx. 35,000m²)

- Total floor space: Approx. 114,000m
- · Use: Commercial facilities, hotels, offices, etc.

[Elevated tracks at Nagasaki Station]



#### Miyazaki Station West Entrance Development (Opening in Fall 2020)

Site area: Approx. 7,300m

Total floor space: Approx. 37,700m

Use: Commercial facilities, offices, etc.

JR Miyako Twin Building (joint development with Miyakohgroup)

Recent status of construction:

Work was halted from April 26 to May 6 but restarted from May 7.

[Construction]





#### Development in the Fukuoka City Metropolitan Area

**Development through the acquisition of projects via recruitment/bidding Project to utilize the former site of Sunoko elementary school** 

(Uses: hospital, senior citizens facility, etc.) [January 2024] Project for effective use of site of Fukuoka east government building

(Uses: offices, commerce) [Spring 2024]
Plan for utilizing the space above the tracks at Hakata Station

\* Hakata Connected: A program of Fukuoka City focused on the area around Hakata Station, which will promote the replacement of buildings within the area, through cooperation between the government sector and the private sector







- Next, looking at strategic city-building initiatives in the regions around our business areas, I will explain the status of progress with major development projects.
- For the development in the area around Kumamoto Station and the Miyazaki Station west entrance development, construction had been temporarily suspended due to the influence of COVID 19. However, we are moving ahead with leasing in preparation for the planned opening.
- In addition, we will continue to advance initiatives to increase the population in the areas around our railway lines, such as development in the Nagasaki Station area and the Fukuoka Metropolitan Area.
- Please turn to the next slide.

#### **Reevaluating Our Business Portfolio** To achieve strategic business portfolio formation and appropriate management resource allocation, we have implemented acquisition, reorganization, and sales initiatives, as described below. Moving forward, we will continue to implement initiatives while focusing on trends in market conditions. Acquisitions of businesses that lead to synergies Manbou Corp with existing businesses, promotion of tourism in Kyushu, and the fostering of demand for railway transportation Retail and Transportation Construction Real estate and Other segment restaurant segment segment hotels segment segment \*Share transfer (51%)Planned date: May 28, 2020 Reorganize/sell low-profit businesses **Drugstores** business business Transfer of leasing business and hospital business Transfer of a portion of shares of DRUG ELEVEN Leasing business [Overview/Background] Transfer of 51% of shares to TSURUHA Holdings. · Business transferred to Higo Bank in October 2019. Methods of fund-(change to equity-method affiliate) raising have diversified against a background of lower market interest · DRUG ELEVEN will aim to use the business know-how and other management rates, and lease accounting standards have changed. Due to these and resources of both companies to record growth as a company that has both local other factors, we determined that it would be difficult to achieve roots and profitable operations. significant growth. [Background] · Became a subsidiary in 2007. Results improved as a result of such initiatives as Hospital business T-point sales promotion, measures to address inbound demand, etc., but the [Overview/Background] · Business transferred to Medical Corporation Wakaba in April 2020. The management environment remained challenging due to changes in industry location has an excess of hospital beds, and the management circumstances. environment is expected to remain challenging. We determined that [Influence on financial results] the best course of action was to entrust management to an external FY2020.3: Net sales, approximately ¥52.2 billion; operating income, medical institution with a strong under record. \* For both of the above transfers, the effect on financial results will be 23 medical institution with a strong track record. approximately ¥0.9 billion

I will explain the revision of our business portfolio.

· Gain on transfer of approximately ¥9.0 billion due to share transfer

To realize strategic business portfolio formation and appropriate management resource allocation, we are planning to transfer to TSURUHA Holdings, Inc. a portion of our shares of JR KYUSHU DRUG ELEVEN CO., LTD., which is a key business in our retail segment.

insignificant.

- We have worked to enhance the performance of JR KYUSHU DRUG ELEVEN CO., LTD. since it became a subsidiary in 2007. However, the management environment has remained challenging due to changes in the industry's operating environment. Accordingly, we decided that the best course of action was to work in collaboration with TSURUHA Holdings, Inc. to utilize the business know-how and other management resources of both companies.
- The reevaluation of our business portfolio is one part of measures to "further strengthen our management foundation", which is one of the priority initiatives in our medium-term business plan. Moving forward, we will continue to reevaluate our business portfolio while focusing on market trends.
- Please turn to the next slide.

## Take on the challenge of new mobility services (MaaS)

#### Initiatives with Other Regional Transportation Companies in FY2020/3

Planning to implement business alliances with a focus on rolling out seamless mobility services and start verification testing

- · Concluded a business alliance agreement with Nishi-Nippon Railroad Co., Ltd., and DAIICHI KOUTSU SANGYO Co., Ltd.
- Full-scale launch of "my route" MaaS app for smartphones together with Toyota Motor Corporation, Nishi-Nippon Railroad, Fukuoka City, and Kitakyushu City.
- Announced plans to start verification testing of tourism-style MaaS in Yufu City, Oita Prefecture, and in Miyazaki City and Nichinan City, Miyazaki Prefecture.
- As an initiative targeting the establishment of a highly convenient public transportation network together with Nishi-Nippon Railroad Co., Ltd., from the March 2020 timetable revision, we have increased train/bus connection convenience at JR Shimosone Station.



## Increasing convenience of train/bus connections at JR Shimosone Station

At JR Shimosone Station (Kokuraminami-ku, Kitakyushu City), new connecting bus routes were established, the number of connecting buses was increased, and the mutual provision of information was strengthened.

#### Nishitetsu Bus

Guidance regarding train timetables provided on the fare display monitors inside buses



#### JR Shimosone Station

Convenience of train to bus transfers increased through the installation of guidance monitors within Shimosone Station to display the timetable for the closest bus stop and information about approaching buses



- 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.
- To work toward the realization of that vision, in FY2020/3 we implemented a business tie-up with Nishi-Nippon Railroad Co., Ltd., and DAIICHI KOUTSU SANGYO Co., Ltd., and we announced plans for verification testing using an app in the Yufuin region and Miyazaki Prefecture.
- Furthermore, when we revised the timetable in March 2020, we started initiatives aimed at realizing seamless connections at JR Shimosone Station by working in collaboration with Nishi-Nippon Railroad to strengthen the mutual provision of train and bus information. Moving forward, by providing highly convenient services, we will continue to advance initiatives aimed at generating and securing customers who use public transportation organizations.
- Please turn to the next slide.

## **Regional Transportation Initiatives**





#### Status of progress toward restoration of Hitahikosan Line

- Held five restoration meetings between April 2018 and April 2020
- In regard to maintaining the transportation network, we presented a
  restoration plan involving railways, BRT, and buses. Subsequently, at
  briefings hosted by local governments in the areas around our railway
  lines, the Company provided explanations to local residents about the
  restoration plan, etc.
- The timing of the next restoration meetings has not yet been determined due to the influence of COVID 19.

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

#### Disclosure of profitability by railway line

- Moving forward, we plan to disclose train line profitability, which will
  enable us to work together with local governments and residents in
  the areas around our railway lines to consider the future policies for
  the use of those lines.
- We had planned to implement this disclosure at the end of April 2020, but this has been temporarily postponed in consideration of the declaration of a state of emergency, etc., due to the spread of the COVID 19 infection.

I will discuss initiatives in the area of regional transportation.

- In regard to the Hitahikosan Line, we have held multiple discussions with local governments, and we have explained our thoughts regarding maintaining the network. We have held briefings to explain the restoration plan. The timing of the next restoration meeting has not yet been determined, but we will work to achieve mutual agreement regarding restoration policies as soon as possible.
- Furthermore, we had planned to disclose profitability by railway line in April 2020, but this has been temporarily postponed in consideration of the declaration of a state of emergency. Moving forward, we will continue to consider the timing of the disclosure, which will enable us to work together with local governments and residents in the areas around our railway lines to consider the future policies for the use of those lines.
- Please turn to the next slide.

## **Duties that the JR Kyushu Group Must Fulfill Now**



We will work together with stakeholders to overcome COVID 19 and fulfill our social duty as a mobility services company in Kyushu.

### Society

- · Maintaining transportation network as social infrastructure
- Suspending operation of all conventional line limited express trains during the Golden Week holiday period with the objective of preventing the spread of infection resulting from travel between prefectures.
- · Exercising self-restraint in regard to events held by the JR Kyushu Group.
- Implementing temporary closure or reduced operating hours at certain station buildings, hotels, etc.

#### Customers Business partners

- Frequent cleaning and disinfecting of railway facilities, station buildings, hotels, and other facilities.
- Implementing measures to support station building tenants, such as offering reduced rent payments and delaying payment timing.

### **Employees**

- Providing information, such as comments from Company leaders to employees.
- Implementing short-term employment adjustments, such as temporary leave, while remaining committed to maintaining employment.
- Utilizing staggered commuting times and teleworking, with the objective of securing the safety of employees and their family members.

#### **Shareholders**

• Advancing measures to maintain corporate value, with the highest priority on securing liquidity at hand.

- > Due to the influence of the spread of the COVID 19 infection, we have taken such steps as suspending train operations and closing station buildings and other facilities on an unprecedented scale. We anticipate the continuation of a difficult environment in which future trends are unclear.
- ➤ Moving forward, we will full our social duty as a mobility services company in Kyushu and work together with our various stakeholders to implement measures that will help us to overcome COVID 19.
- > Please turn to the next slide.

### Purpose of the JR Kyushu Group: "Regional Invigoration"





For details, please refer to the following site: https://www.jrkyushu.co.jp/train/sonohimade/

- Finally, with the objective of continuing to promote the vitality of Kyushu, JR Kyushu will roll out a project under following title: "Until the day the state of emergency is lifted, let's stay strong together."
- On the day on which the unified efforts of the Kyushu region enable us to overcome this challenging period, we will further accelerate initiatives for our 2030 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." In this way, we will advance city-building initiatives that leverage the unique capabilities of JR Kyushu.
- > This concludes my presentation. Thank you for your attention.





## **Consolidated Income Statements**



(¥bil)

	FY19.3	FY20.3	YoY		Major factors
Operating revenue	440.3	432.6	(7.7)	98.2%	Decline in railway transportation revenue, etc.
Operating expense	376.4	383.2	6.7	101.8%	Elimination of special tax measures (JR Kyushu) Increase in depreciation cost (JR Kyushu), etc.
Operating income	63.8	49.4	(14.4)	77.3%	
Non-operating income and expense	2.6	1.2	(1.4)	45.5%	Decline in gains on investment securities (JR Kyushu), etc.
Ordinary income	66.5	50.6	(15.9)	76.1%	
Extraordinary gains and losses	(2.1)	(7.5)	(5.4)	_	Extraordinary loss on the new-style passenger ship QUEEN BEETLE, etc.
Net income attributable to owners of the parent	49.2	31.4	(17.7)	64.0%	
EBITDA	85.4	75.0	(10.3)	87.9%	

## **Balance Sheet and Cash Flow Statement**



Balance Sheet						
	FY19.3	FY20.3	YoY	Major factors		
Total Assets	801.4	828.5	27.1			
Cash and time deposits	16.9	23.8	6.8			
Short-tem securities	19.9	-	(19.9)			
Property, plant and equipment	461.3	517.9	56.6			
Railway business assets	72.4	89.1	16.6			
Interest-bearing debt	107.9	141.5	33.5	Increase due to issuance of bonds, etc.		
Net assets	420.7	418.2	(2.4)			
Capital and paid-in capital	249.9	240.0	(9.9)			
Retained earnings	160.5	176.3	15.7			

ROE	12.4%	7.6%
ROA	6.4%	3.9%
D/EBITDA	1.26	1.89
Equity ratio	51.8%	49.9%

#### Cash flow statement

(¥bil)

	FY19.3	FY20.3	YoY	Major factors
Cash flows from operating activities	41.4	60.4	18.9	
Depreciation expense	21.9	26.7	4.8	
Cash flows from investing activities	(74.6)	(76.9)	(2.3)	
Capital expenditures	(105.9)	(109.9)	(4.0)	
ree cash flow	(33.1)	(16.4)	16.6	
Cash flows from financing activities	5.6	3.3	(2.2)	
Cash and cash equivalents	36.8	23.8	(13.0)	

## Railway business



### Railway Transportation Revenues

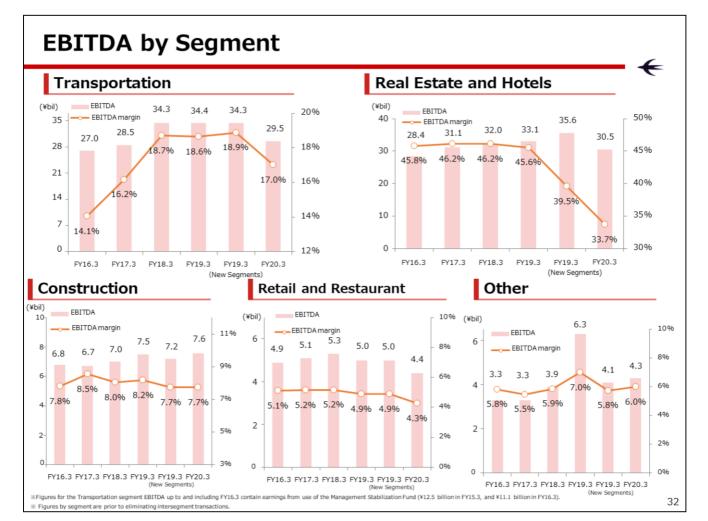
					(¥bil)
	FY19.3	FY20.3	Ye	γ	Major Factors
Total	151.4	147.3	(4.1)	97.3%	
Commuter pass	32.4	32.5	0.1	100.4%	
Non-commuter pass	119.0	114.7	(4.2)	96.4%	
Shinkansen	54.9	52.3	(2.6)	95.2%	Basic trend (approx. 101% )
Commuter pass	2.7	2.8	0.0	102.9%	-
Non-commuter pass	52.2	49.5	(2.6)	94.8%	Decline due to influence of COVID 19, etc.
Conventional Lines	96.5	95.0	(1.4)	98.5%	· Basic trend (approx. 100%)
Commuter pass	29.7	29.7	0.0	100.2%	-
Non-commuter pass	66.8	65.2	(1.5)	97.7%	Decline due to influence of COVID 19, etc.

## Passenger-Kilometers

(Millions of passenger-kilometer)

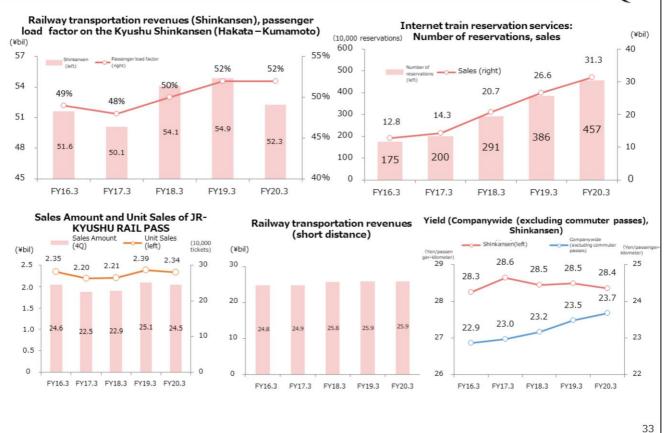
	(Millions of passenger-knometer)				
	FY19.3	FY20.3	YoY		
Total	9,285	9,059	(226)	97.6%	
Commuter pass	4,214	4,211	(3)	99.9%	
Non-commuter pass	5,070	4,847	(223)	95.6%	
Shinkansen	2,032	1,950	(82)	96.0%	
Commuter pass	199	204	5	102.6%	
Non-commuter pass	1,832	1,745	(87)	95.2%	
Conventional Lines	7,252	7,108	(144)	98.0%	
Commuter pass	4,015	4,006	(8)	99.8%	
Non-commuter pass	3,237	3,102	(135)	95.8%	

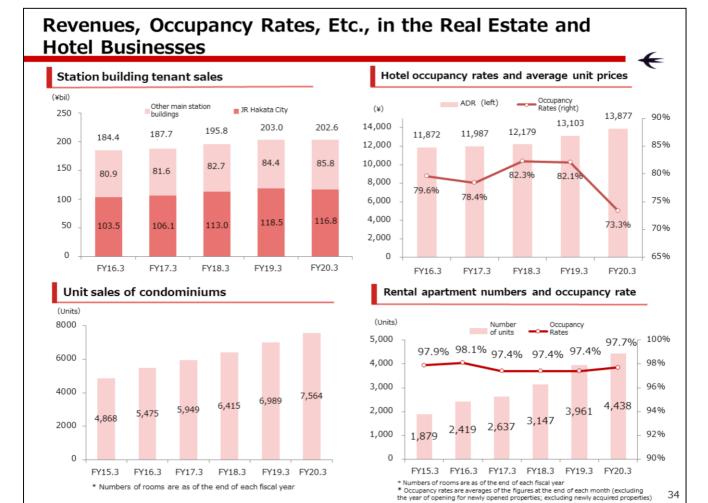
3 I



## Initiatives in the Railway Business —Strengthening Earning Power



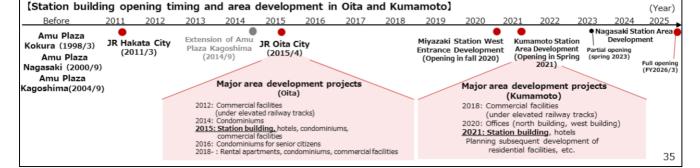




## **Categories of Growth Investment**

	Investment category		Characteristics	Major investments
Within	1	Station building development	Development centered on commercial facilities, using sites owned by the Company     Generating synergy effects between the railway business and related businesses	JR Hakata City (Commercial facilities, etc.)     JR Oita City (Commercial facilities, etc.)     Amu Plaza Kagoshima(Commercial facilities, etc.)
n Kyushu	2	Development in areas surrounding station buildings and around railway lines	<ul> <li>In addition to the use of sites owned by the Company, we will acquire public recruitment/bidding projects and develop a wide range of assets.</li> <li>Generating synergy effects between the railway business and related businesses</li> </ul>	Ropponmatsu 421, etc.(commercial facilities, etc.)  JRJP Hakata Building (offices, etc.)  Fukuoka east government building (offices, etc.)*planned  JR Kyushu Hotel Blossom Hakata Chuo (Hotels)  Rental/condominium/senior citizen housing
Outside of Kyushu	3	Development outside of Kyushu	Acquiring public recruitment/bidding projects and developing a wide range of assets.	Nibancho Center Building (offices)     JR Kyushu Hotel Blossom Shinjuku (Hotels)     MJR/RJR Sakaisuji Honmmachi Tower (Condominium/rental)

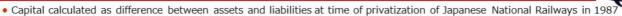
- In investment category ①,the timing of the opening cannot be controlled due to urban planning, etc.
- Accordingly, we will work to achieve ongoing increases in cash generating capability by continuing to implement investments in categories ② and ③.



## **Overview of Major Development Pipelines**

Name	Location	Schedule	Floor space/Lot area Units Rooms	Notes (Uses, 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	Development of commercial areas, office buildings, etc.	
Kumamoto Station area development	Kumamoto City	Sta. building: Commenced construction in spring 2019, opening in spring 2021	Lot area: Approx. 70,000m² (including area below elevated tracks) Floor space: Approx. 107,000m² (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 City Station Nagasaki area development City		Scheduled to open under elevated railway tracks in FY2023/3 Scheduled for partial opening of new station building in spring 2023 Scheduled for opening of new station building in FY2026/3	Lot area: Approx. 18,000mi	Promotion of development in area surrounding station out of consideration for Shinkansen tentative opening 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.	
RJR Precia Tenjin South	Chuo Ward, Fukuoka City	Scheduled to be completed in April 2020	Floor space: Approx. 15,000㎡	Apartment building (202 units)	
		Scheduled to be completed in September 2020	Floor space: Approx. 5,200m	88 units	
MJR/RJR Sakaisuji Honmachi Tower	Chuo Ward, Osaka City	Scheduled to be completed at end of February 2021	Floor space: Approx. 47,470m	296 condominium units 144 apartment units	

## JR Kyushu's Capital Structure



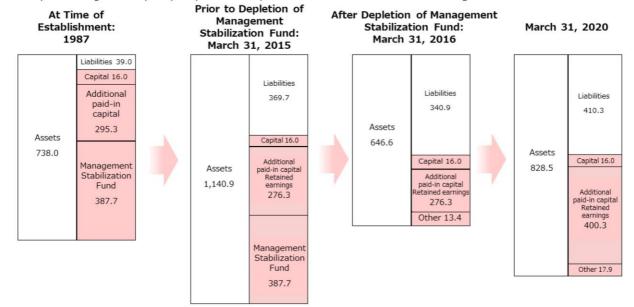
• JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities

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



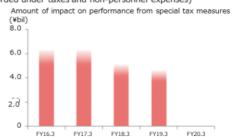
## **Changes in Cost Structure**



#### **Elimination of Special Tax Measures**

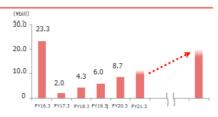
- Elimination of special tax measures (special tax breaks implemented following the privatization of Japanese National Railways and provisions extending the period of these breaks) effective March 31, 2019 (period extending provisions eliminated effective March 31, 2017)
- · Inability to accurately calculate 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 Taxation standard						
	category	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	



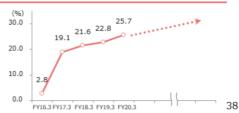
#### **Depreciation Costs of the Railway Business**

- 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 FY20.3) 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



#### **Railway Business**

### - Outline of Fares/Charges and Measures to Increase Revenues

#### Fares/charges



#### Procedures for establishing and adjusting fares/charges

· Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism(MLIT). · Establishing/adjusting fairs and Shinkansen express charges within the scope of the upper limit and establishing/adjusting conventional line express charges, etc., can be handled by notification to the Minister of the MLIT.

#### Examination standards for upper limit fares/charges

· Prior to giving approval for establishing/adjusting the upper limit on fares, the Minister of the MLIT must confirm that the new upper limit does not exceed "total cost," which is the sum of the proper operating costs if it were to carry out efficient management and the proper profit calculated pursuant to specified methods.

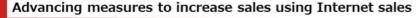
(The Company implemented a substantial fare revision, other than consumption tax revision, in 1996)

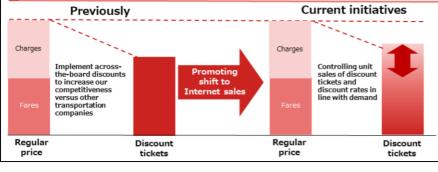
#### Operating income in the railway business 40 28.2 26.7 25.0 30 20.0 20 FY15.3 FY16.3 Ω FY17.3 FY18.3 FY19.3 FY20.3 (14) (11.5) (20)

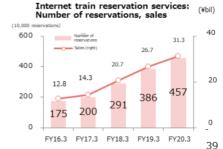
#### If examination standards are met (illustration)



Expense > Revenue (Reference) MLIT web site







## **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/