Introduction

JR Kyushu celebrated the 20th anniversary of its establishment on 1 April this year. During this time, the company has tried to assure the safety of its railway operations, improve services, and revitalize the local area. In addition, we have promoted efficiency, positively expanded railway-related businesses and tried to strengthen our management base. Although the worst operating loss was ¥1.5 billion in FY1987, operating profits of ¥1.5 billion were achieved in FY2006. The company is targeting profits of ¥10 billion in FY2008 and is putting business on a sound footing.

This article looks at the last 20 years and future business developments from both the hardware and ‘software’ aspects, including railway-related businesses expansion, efficiency promotion, and promotion of group management.

The Last 20 Years

Operating results

Table 1 shows the operating results for the last 20 years. Fiscal 1987—the first business year—saw operating losses of ¥28.8 billion with a current profit of ¥1.5 billion. In the subsequent economic boom years until 1992, JR Kyushu made continuous efforts to improve and steadily expand its railway-related businesses. The recession starting in 1992 saw non-operating profits drop along with the first ever drop in year-on-year current profits. In FY1993, year-on-year transport-related profits dropped too due to fiercer competition with other transport modes and natural disasters and by the end of FY1994, both operating and non-operating profits had dropped further, pulling JR Kyushu into the red for the first time.
Fare revisions in January 1996 helped to increase revenues and moves were started to cut costs, resulting in a return to the black in FY1995 and FY1996. However, after peaking in 1996, transport profits dropped for 6 years in straight succession until FY2003 when the Kyushu Shinkansen opened. In the difficult business situation after FY1996, the company tried implementing more thorough measures to raise business efficiency and cut costs by growing railway-related businesses and reinforcing the operations base.

The partial opening of the Kyushu Shinkansen on 13 March 2004 helped revive railway-operation profits for FY2003 while the company tried boosting revenues through new developments, including real estate, such as shopping malls in main stations, apartment buildings, and rental apartments. In FY2004, JR Kyushu made a profit of ¥400 million and returned to the black. Operating profits in FY2005 and 2006 were ¥1.5 billion and ¥2.5 billion, respectively.

Concerns about the viability of railway business in Kyushu prior to the 1987 privatization and division led the government to establish a Management Stabilization Fund of ¥387.7 billion to help stabilize the financial conditions of the three smaller island JR operators on Kyushu, Shikoku and Hokkaido. Although the interest profit from this fund was ¥28.3 billion in 1987, it soon dropped to ¥14.3 billion in FY2005 because of the massive drop in interest rates during the recession. In FY2006, JR Kyushu targeted current earnings of ¥10 billion.

Comprehensive service improvements

The main factor in improved business performance is improving all services from both the hardware and ‘software’ aspects.

In hardware, JR Kyushu has introduced new expresses in quick succession since 1988, like the Series 783 (Hyper Saloon), 787, 883, and 885, to offer more comfortable inter-city services. Meanwhile, new Series 811 and 813 rapid trains have been introduced for urban commuters. As a result, 58% of all JR Kyushu’s services were using new rolling stock by late FY2005 and the total number of services had risen by 70% compared to FY1987. Train timetables had also been improved.

In addition, the company has built 52 new stations (Table 4) to improve passenger convenience and is promoting universal design concepts and park-and-ride for good accessibility.

Restaurants and shopping amenities, such as Amu Plazas, have been built at main stations to help revitalize regional communities and offer shopping convenience.

In ‘software,’ the company has worked hard to create a corporate service culture by conducting extensive employee training to raise awareness and improve service quality. In addition, a new business strategy was implemented in July 2003 to improve basic business skills and methods, including organizing and managing a workplace.
Related business development

For several years following 1987, most profits came from railway operations (67% of total profits in 1987). With the company's expansion into new travel, distribution, restaurants, shipping, real estate, etc., profits of these affiliated businesses had increased to more than 60% of total profits by FY2005, reflecting the great change in JR Kyushu's business structure (Fig. 2). Affiliated business is now just as important as railway business, and JR Kyushu maintains a firm focus on expanding affiliated business profits.
Promoting streamlining
In addition to improving services and profits, JR Kyushu is making efforts to streamline work and labour through rationalization and cost reductions. Station systems have been changed, the control centre has been improved to integrate railway operations, and the number of one-man trains has been increased. Some business operations, such as accounting, computer systems, and network management have been transferred to subsidiary specialists in the JR group of companies, and new regional departments have been established to manage and control lines and stations. Following these policies has streamlined staff levels from 15,000 in 1987 to 8700 in April 2007.

Promoting group management
JR Kyushu has promoted a group management system and improved infrastructure by forming a mission strategy, introducing integrated financial systems, and establishing group management committees. At the same time, the company has reviewed its businesses, services, and products to streamline overlapping areas. Furthermore, competitiveness has been strengthened as a member of the JR Kyushu group with 34 business affiliates all sharing the same philosophy and working to accomplish the same medium- and long-term targets.

Table 5 shows the group’s consolidated results for 7 years; in FY2005, the group achieved ¥256.4 billion in operating revenues, ¥5 billion in operating profits, and ¥13.2 in current profits.

Future Prospects
So far, the biggest project is opening the entire Kyushu Shinkansen and redeveloping the new Hakata Station, which is scheduled for spring 2011. In addition, new mid-term plans have been drawn up to marking the company’s 20th anniversary.

Opening Completed Kyushu Shinkansen
The Kyushu Shinkansen started revenue service between Kagoshima-Chuo and Shin-Yatsushiro on 13 March 2004, cutting travel time between Kagoshima-Chuo and Hakata from 3 hours 49 minutes to 2 hours 12 minutes (Table 3). The cross-platform transfer between the shinkansen and conventional line at Shin-Yatsushiro Station eliminates an awkward train change.

JR Kyushu aims to revive the local tourist industry by introducing comfortable and convenient train services and although the Kyushu Shinkansen is now only running over a limited section, the number of passengers has almost doubled since the opening; season-ticket holders have increased since FY2006, indicating the local popularity of the shinkansen. The total number of passengers passed 10 million on 18 March 2007. The remaining section between Hakata to Shin-Yatsushiro is being constructed with completion schedule for late FY2010 and the company is making steady progress with other related construction, including redevelopment of Hakata Station. After the complete Kyushu Shinkansen is opened, the time between Hakata and Kagoshima-Chuo will be only 1 hour 20 minutes.

Table 5 Consolidated results

<table>
<thead>
<tr>
<th>(Unit: ¥ billion)</th>
<th>FY 1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
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<tr>
<td>Group operating revenue</td>
<td>229.9</td>
<td>230.2</td>
<td>229.6</td>
<td>234.8</td>
<td>252.1</td>
<td>254.7</td>
<td>256.4</td>
</tr>
<tr>
<td>Group operating profit and loss</td>
<td>Δ15.3</td>
<td>Δ10.9</td>
<td>Δ13.8</td>
<td>Δ0.3</td>
<td>1.5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Consolidated profit</td>
<td>2.7</td>
<td>6.5</td>
<td>3</td>
<td>8.3</td>
<td>10.2</td>
<td>12.7</td>
<td>13.2</td>
</tr>
<tr>
<td>Number of affiliated companies</td>
<td>32</td>
<td>34</td>
<td>32</td>
<td>34</td>
<td>36</td>
<td>36</td>
<td>34</td>
</tr>
</tbody>
</table>

The Kyushu Shinkansen opening is promoting train use.
Hakata Station redevelopment
Since the present Hakata Station opened in 1963, it has increased in importance due to the opening of the San’yo Shinkansen and a track-sharing agreement with Fukuoka Municipal Subway. The station has contributed to development of Fukuoka City—a major conurbation in Kyushu and East Asia. However, the station’s functions have deteriorated with social change, and there are various problems caused by the increase in passenger numbers. As a result, JR Kyushu is planning redevelopment of the station and surrounding areas to take advantage of the fully opened Kyushu Shinkansen. A ten-story building with three underground floors will be built on a site covering about 22,000 m² and the floor area will be about 200 thousands m². Construction started in April 2006 and the company is trying to minimize any impact on passengers and customers. One of Japan’s major department stores, Hankyu, as well as a multiple-theatre cinema complex, have already signed lease contracts. Tokyu Hands, a popular store for hobbies, recreation, sports, and activities, has agreed a lease in principle. Another new building called Ex-Side Hakata opened on the site of the old headquarters near Hakata Station on 9 April 2007. After extensive cooperation with the municipal government and organizations dedicated to revitalizing Hakata City, plans are advancing to develop the area around the station for the grand opening of the complete Kyushu Shinkansen and Hakata Station in spring 2011.

New medium-term business plans
Since the company was established in 1987, there have been four medium-term business plans: Action 21 (1991–95), New Action 21 (1996–2000), G-Vision ’03 (2001–03), and JR Kyushu Group Medium-Term Business Plan 2004–06. JR Kyushu developed the first two plans, and worked with its affiliates on the last two plans. The new, 5-year, medium-term plan started in April 2007 on the 20th anniversary of the company’s establishment and runs until after the opening of the entire Kyushu Shinkansen and Hakata Station; to ensure the success of the two openings, it promotes safety awareness and improved services to passengers and customers.

Conclusion
JR Kyushu celebrates its 20th anniversary this year and has been supported by passengers, customers and Kyushu citizens since the opening. Although JR Kyushu has grown and strengthened its management base, business conditions remain severe due to depopulation, intensifying competition, and rising oil prices. In the near future, the company is focusing on making a success of two big projects—the opening of the complete Kyushu Shinkansen, and Hakata Station—to grow its business. JR Kyushu is working to become a leading local company, assisting Kyushu’s economic development, and finally become a fully privatized businesses.
## JR Kyushu Chronology

**1987**
- 1 Jul: Started Japanese travel sales
- 1 Oct: Opened Kurume Station on Chikuho main line

**1988**
- 13 Mar: Started Hyper Saloon (Series 785) and special limited train (Kiha 183) services to Hitakosan (Nagasato Dutch Village)
- 1 Apr: Transferred Matsura Line to Matsura Railway Co., Ltd.
- 12 Jul: Launched Japan-Korea Through Ticket
- 28 Aug: Started SL Aso Boy special rapid train service

**1989**
- 11 Mar: Started Yufuin no Mori limited express train service
- 29 Apr: Transferred Takachito Line to Takachito Railway Co., Ltd.
- 1 Oct: Transferred Itosu Line, Itosu Line, and Tagawa Line to Heisei Chikuho Railway

**1990**
- 10 Mar: Opened Nagasato Station on Nagasaki main line
- 2 May: Started Beetle service from Hakata to Hitakosan (Nagasato Dutch Village)
- 5 Jun: Started overseas travel sales

**1991**
- 16 Mar: Started Series Kiha 200 (new railcar) operation on Sasaguri Line
- 25 Mar: Started Beetle 2 service from Hakata to Busan
- 28 Apr: Developed Action 21 medium-term plan
- 1 Jun: Established train operation division in Karatsu
- 30 Sep: Opened Chidori Station on Kagoshima main line

**1992**
- 25 Mar: Opened Huistenbosch Station on Omura Line
- 1 Jun: Established train operation division in Hitoyoshi and Kirishima
- 15 Jul: Started Series 787 Tsuihame services

**1993**
- 6 Mar: Opened New Miyazaki Station with elevated platforms
- 17 Mar: Started Dream Tsuihame and Dream Nichinan limited express services
- 18 Mar: Started Nichinan Sagagura limited express services
- 1 Jun: Established train operation division in Nichinan

**1994**
- 1 Mar: Introduced new Series 813 suburban train services
- 20 Apr: Started Sonic 883 services
- 1 Jun: Opened ANA Hotel JR Hitachinokabel
- 1 Sep: Banned smoking in all local and rapid trains
- 28 Oct: Opened Misakigaoka Station on Chihi Line

**1995**
- 10 Jan: Revised train fares
- 16 Mar: Banned smoking in all Green Cars (first class)
- 9 Apr: Announced New Action medium-term plan
- 20 Apr: Started NICE GOSO CARD membership service
- 1 Jun: Recorded more than 5 billion passenger-km on Beetle services
- 18 Jul: Opened Miyazaki Airport Line
- 14 Oct: Established JR Kyushu group official site

**1996**
- 22 Mar: Opened Ipomatsusabura Station on Chikuhi Line
- 18 Jul: Started Series Kiha 200 operations on Chikuhai Line
- 25 Jul: Started Series Kiha 200 operations on Houhi main line

**1997**
- 14 Mar: Opened New Kokura Station and Amu Plaza
- 1 Apr: Launched JR-KYUSHU RAIL PASS
- 27 Apr: Opened Station Hotel Kokura
- 1 May: Established new operation system for two Beetle services

**1998**
- 13 Mar: Started New Yufuin no Mori and Sunbird service
- 1 Jun: Established train operation divisions in Kurume, Hitahikosan, Nagasaki, Sasebo, Kagoshima, and Ibusuki
- 2 Jul: Opened Space World Station on Kagoshima main line
- 28 Aug: Completed grade separation around Yakuhashi Station
- 1 Oct: Electrified Houhi main line between Kumamoto and Higo-Ozu
- 16 Oct: Franchised deluxe Gokurakuyu public bathhouse in Saga
- 17 Oct: Opened first automatic ticket gates in Minami-Fukuoka Station
- 1 Dec: Established train operation divisions in Oita, Kumamoto, and Aso
- 19 Dec: Reopened Chikuzen-Maebaru Station into elevated station

**1999**
- 22 Jan: Opened double track between Shimoyamato and Chikuzen-Maebaru
- 1 Apr: Consolidated Fukuoka Head Office and Kita-Kyushu Head Office into North Kyushu Regional Head Office
- 6 Apr: Established new operation system for three Beetle services
- 11 Apr: Announced G-vision'03 medium-term management plan for JR Kyushu group
- 1 Jun: Established train operation division in Saga
- 1 Aug: Opened JR Kyushu Hotel Kagoshima
- 1 Oct: Launched ticket books
- 6 Oct: Electrified Sasaguri Line and Chikuho main line
- 15 Oct: Started Relay Tsuihame limited express services
- 1 Dec: Opened new Hakozaki Station with elevated platforms

**2000**
- 15 Mar: Started Hayato no Kaze, Kyushu Odan, and Yufu DX limited express services
- 7 Apr: Announced JR Kyushu Group Medium-Term Management Plan 2004–06
- 17 Sep: Opened Amu Plaza Kagoshima

**2001**
- 2 Feb: Opened Umaya Akasaka restaurant in Tokyo
- 20 Mar: Recorded more than 1.5 million passengers on Beetle services
- 23 Mar: Opened Oita-Daigaku-Mae Station on Houhi main line
- 27 Apr: Opened Hakata Information Center in Hakata Station
- 25 May: Launched KOREA RAIL & BEETLE PASS
- 15 July: Started Relay Tsuihame limited express services
- 1 Dec: Opened new Hakoizaki Station with elevated platforms

**2002**
- 20 Mar: Recorded more than 3 billion annual passenger-km on Beetle services for first time
- 1 Jul: Established new operation system for four Beetle services
- 7 Jul: Opened Chikuhaya Station on Kagoshima main line
- 7 Aug: Held first meeting of South Kyushu Tourism Development Committee
- 9 Aug: Opened Kyushu Railway History Museum
- 1 Oct: Started new Series 817 suburban train operation in Miyazaki
- 6 Nov: Recorded more than 2 million passengers on Beetle services

**2003**
- 9 Mar: Opened JR Kyushu Hotel Kumamoto
- 13 Mar: Opened Kyushu Shinkansen between Shin-Yatsushiro and Kagoshima-Chuo and started Tsuihame Series 800 operations
- 17 Apr: Announced JR Kyushu Group Medium-Term Management Plan 2004–06
- 17 Sep: Opened Amu Plaza Kagoshima

**2004**
- 8 Mar: Opened JR Kyushu Hotel Kagoshima
- 13 Mar: Opened Kyushu Shinkansen between Shin-Yatsushiro and Kagoshima-Chuo and started Tsuihame Series 800 operations
- 22 Jul: Launched JR Kyushu Group Medium-Term Management Plan 2004–06
- 17 Sep: Opened Amu Plaza Kagoshima

**2005**
- 1 Aug: Spun-off marine transportation business as separate JR Kyushu Jet Ferry Inc.
- 28 Aug: Started SL Aso Boy services
- 31 Aug: Stopped JR Aso Boy services
- 27 Sep: Started Kyushu-Ikikakurakko Station on Chihi Line
- 1 Oct: Opened JR Hotel Kagoshima

**2006**
- 14 Feb: Agreed tie-up between JR Kyushu Jet Ferry Inc. and MiraJet Co., Ltd.
- 18 Mar: Opened Kikinomori Station on Houhi main line
- 1 Apr: Opened SJJ Betsumi senior care home
- 22 Jul: Started SJJ 1982 service
- 17 Dec: Completed construction of elevated platforms at Hyuga Station

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*Compiled by Kotsu Shimbunsha, based on company directory and Kotsu Shimbun*