

FY23.3

Semi-Annual Investors Meeting

November 2, 2022

KYUSHU RAILWAY COMPANY

- I am Takuma Matsushita, the CFO of JR Kyushu. I would like to thank everyone for taking the time to join us.
- Today, I will discuss our financial results for the first six months of the fiscal year ending March 31, 2023, our full-year performance forecast for the fiscal year ending March 31, 2023, the status of our segments, and progress on the three key strategies of our medium-term business plan.
- First, I will discuss our financial results for the first six months of the fiscal year ending March 31, 2023. Please turn to slide 5.

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Highlights

Financial results for the first six months of FY23.3

Full-year performance forecasts and dividend forecasts for FY23.3

Status of segments

Progress on the three key strategies of the medium-term business plan

- The number of COVID-19 infections around Japan trended toward record levels, particularly in July and August. However, the impact on our business revenue was limited, compared with previous surges in COVID-19.
- Due to a gradual recovery in demand since September, the contribution of cost reductions and other factors, centered on the railway business, consolidated operating revenues increased and profits at all levels rose year on year.
- We revised our consolidated performance outlook, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains).
 - Operating revenues, operating income, ordinary income, EBITDA: Unchanged from figures announced on August 2
 - Net income attributable to owners of the parent: Revised upward ¥24.5 billion→¥26.6 billion
- Our dividend forecast remained unchanged, at annual dividends per share of ¥93 (year-end dividend only).
- Despite a temporary decline in revenues due to the spread of the infection, the railway business has been on the path to recovery since late September.
- Performance in the hotel business was problematic in Q2, but in 2H we anticipate a recovery in demand following the start of the nationwide travel support program and the easing of protection measures.
- In real estate lease and sales, performance was generally solid. In 2H, we anticipate the sale of properties to a private REIT.
- The effects of BPR (Business Process Re-engineering) in the railway business are steadily showing results. We launched a new project to create the “future of railways.”
- The opening of the Nishi-Kyushu Shinkansen on September 23 triggered city-building in the western Kyushu area. In addition, we promoted initiatives in the Fukuoka area, which continues to grow.
- We are taking part in three M&A projects with a view to expanding the BtoB business areas.

I Financial Results for the First Six-Months of FY23.3

Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2022

	(¥bil)		
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY
Operating revenue	141.6	170.1	28.5 120.2%
Operating income	(4.0)	11.1	15.2 -
Ordinary income	(1.0)	11.8	12.9 -
Extraordinary gains and losses	(0.9)	1.9	2.9 -
Net income attributable to owners of the parent	(2.0)	12.0	14.0 -
EBITDA※	8.8	25.2	16.4 286.0%

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

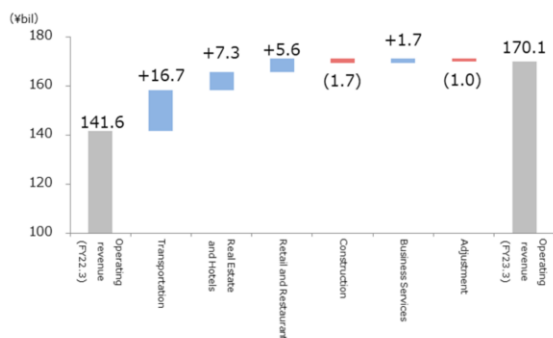
Operating revenue

Although COVID-19 continued to affect performance, revenue increased thanks to a modest recovery in demand from the railway business and various other businesses, as well as from the sale of a property held by the Company to a third party.

Operating income

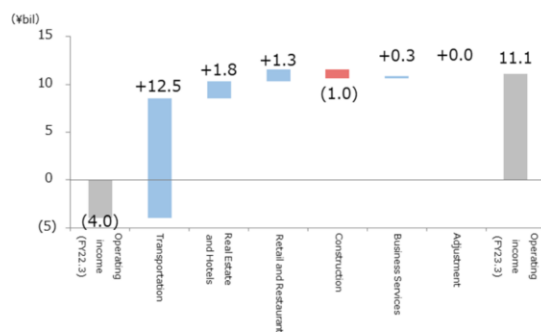
Operating income increased due to higher operating revenue and the effect of reducing fixed costs in the railway business, among other factors. (Moving into the black in Q2 for the first time since FY20.3)

Change in operating revenue by segment*



* New segment categorization

Change in operating income by segment*



- On a consolidated basis, during the first half operating revenue increased ¥28.5 billion year on year, to ¥170.1 billion. Although COVID-19 continued to affect performance, restrictions on behavior and socioeconomic activity began to normalize. Consequently, we benefited from a modest recovery in demand from the railway business and various other businesses, as well as from the sale of a property held by the Company to a third party in the first quarter.
- Operating income rose ¥15.2 billion, to ¥11.1 billion, moving into positive territory thanks in part to the rise in operating revenue and the steady effect of fixed cost reductions in the railway business. EBITDA increased ¥16.4 billion, to ¥25.2 billion.
- Net income attributable to owners of the parent was up ¥14.0 billion, to ¥12.0 billion, benefiting from an extraordinary gain associated with a gain on sales of shares in Huis Ten Bosch.
- Next, I will explain our full-year performance forecasts for the fiscal year ending March 31, 2023. Please turn to slide 9.

Results for the First Six Months of FY23.3 (by segment) (Shown According to New Segments)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	Major factors
Operating revenue	141.6	170.1	28.5	120.2%
Transportation	46.7	63.4	16.7	135.8%
Railway Business (non-consolidated)	46.2	62.8	16.5	135.9% Increase due to moderate recovery in demand
Real Estate and Hotels	45.2	52.6	7.3	116.3%
Real Estate Lease	28.5	30.3	1.7	106.2%
Real Estate Sales	13.1	15.4	2.3	117.6% Increase from the sale of a property, decrease in revenue from sales of condominiums
Hotel Business	3.5	6.8	3.2	192.8% Increase due to moderate recovery in demand
Retail and Restaurant	19.6	25.2	5.6	128.6% Increase due to moderate recovery in demand
Construction	37.3	35.5	(1.7)	95.3% Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	32.4	34.1	1.7	105.3%
Operating income	(4.0)	11.1	15.2	-
Transportation	(12.2)	0.3	12.5	-
Railway Business (non-consolidated)	(11.6)	0.8	12.4	-
Real Estate and Hotels	6.6	8.4	1.8	127.7%
Real Estate Lease	7.3	7.4	0.1	101.5%
Real Estate Sales	1.4	1.3	(0.1)	91.6%
Hotel Business	(2.1)	(0.2)	1.8	-
Retail and Restaurant	(1.1)	0.2	1.3	-
Construction	1.1	0.1	(1.0)	14.2%
Business Services	1.5	1.9	0.3	126.1%
EBITDA	8.8	25.2	16.4	286.0%
Transportation	(8.0)	5.3	13.4	-
Railway Business (non-consolidated)	(7.8)	5.7	13.5	-
Real Estate and Hotels	13.6	15.4	1.7	113.1%
Real Estate Lease	13.2	13.2	0.0	100.3%
Real Estate Sales	1.4	1.3	(0.1)	91.6%
Hotel Business	(1.0)	0.8	1.8	-
Retail and Restaurant	(0.5)	0.8	1.4	-
Construction	1.6	0.6	(0.9)	41.4%
Business Services	2.3	3.0	0.7	129.7%

Results for the First Six Months of FY23.3 (non-consolidated)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	Major factors
Operating revenue	74.7	94.2	19.5 126.1%	
Railway transportation revenues	39.8	55.4	15.5 138.9%	Increase due to moderate recovery in demand
Shinkansen	11.3	18.7	7.4 165.5%	
Conventional Lines	28.5	36.6	8.0 128.3%	
Other revenue	34.8	38.8	4.0 111.5%	Increase due to the sale of a property, decrease in revenue from sales of condominiums
Operating expense	77.6	85.1	7.5 109.7%	
Personnel expense	20.6	19.8	(0.8) 95.8%	
Non-personnel expense	42.8	50.4	7.6 117.8%	
Energy cost	4.1	4.9	0.8 120.3%	Unit price increase due to soaring resource prices
Maintenance cost	10.8	11.8	1.0 109.4%	Increase in system modification costs related to the Nishi-Kyushu Shinkansen
Other	27.8	33.6	5.7 120.6%	Rise in cost of sales due to sale of a property, decline in cost of sales due to lower revenue from sales of condominiums
Taxes	6.2	6.2	0.0 100.8%	
Depreciation cost	7.8	8.6	0.7 109.3%	
Operating income	(2.8)	9.0	11.9 -	
Non-operating income and expense	3.0	4.0	0.9 131.9%	Increase in dividend income
Ordinary income	0.1	13.1	12.9 -	
Extraordinary gain and losses	(0.8)	2.2	3.0 -	Increase due to a gain on the sales of Huis Ten Bosch shares
Net income	(0.2)	14.3	14.6 -	

Results by business (non-consolidated) (included in above table)

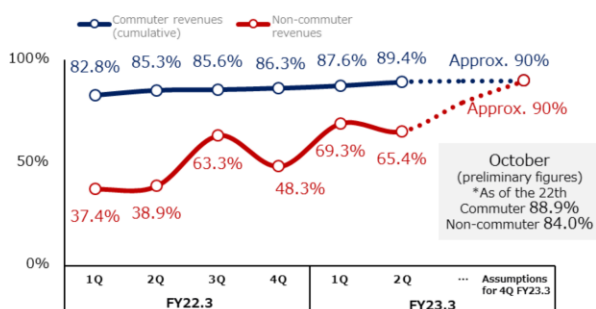
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	(¥bil)
Railway business	Operating revenue	46.2	62.8	16.5 135.9%
	Operating income	(11.6)	0.8	12.4 -
Related businesses	Operating revenue	28.4	31.4	2.9 110.3%
	Operating income	8.7	8.2	(0.4) 94.5%

II Full-Year Performance Forecasts and Dividend Forecasts for FY23.3

Performance Forecasts for FY23.3: Current Conditions and Revenues Expectations in Major Businesses

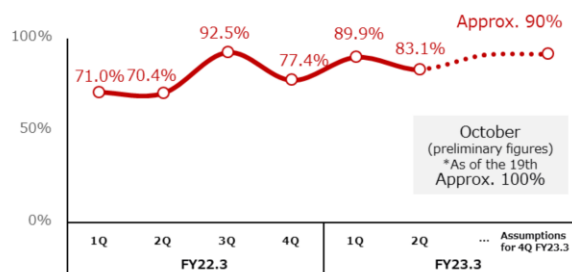
- We continue to anticipate a gradual recovery in mobility demand and personal consumption due to the combination of efforts to suppress infections and consumer activity.
- While performance in all businesses was sluggish in Q2 due to the impact of the COVID-19 infection spreading from July, from late September to the present the number of infections has declined and nationwide travel support program was introduced, leading to a recovery trend.

Railway Business | Handling revenues from railway transportation (vs. FY19.3)



Real Estate Leasing Business | Station building* tenant sales (vs. FY19.3)

* Excluding Miyazaki and Kumamoto Station Buildings

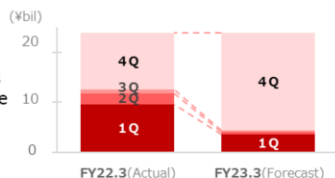


Real Estate Sales Business

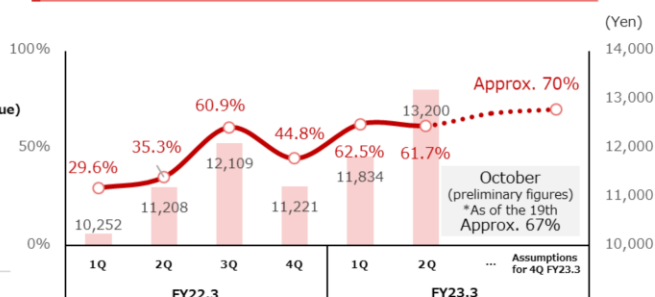
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.

- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of rental apartments and other properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.

Condominium sales forecast (operating revenue)



Hotel business | Occupancy rate and ADR



- First, I will describe the revenue situation for the main businesses on which the performance forecasts are based.
- In the first quarter, performance continued to recover from the end of the previous fiscal year, and particularly in the railway business, demand recovered at a faster pace than we had initially assumed.
- Moving into the second quarter, COVID-19 infections soared, causing the recovery to level off in July and August. However, compared to past surges in the number of infections, mobility demand and personal consumption were firm.
- Since late September, the government's nationwide travel support program, an easing of protection measures, and other factors have acted as a tailwind to the Company's various businesses, prompting a return to a recovery trend.
- Please turn to the next slide.

Consolidated Financial Forecast Highlights for FY23.3

	Results FY22.3	Forecasts FY23.3	(¥bil)	
			YoY	
Operating revenue	329.5	381.4	51.8	115.7%
Operating income	3.9	29.0	25.0	735.2%
Ordinary income	9.2	30.0	20.7	324.8%
Net income attributable to owners of the parent	13.2	26.6	13.3	200.7%
EBITDA	30.7	58.2	27.4	189.1%

Operating revenue

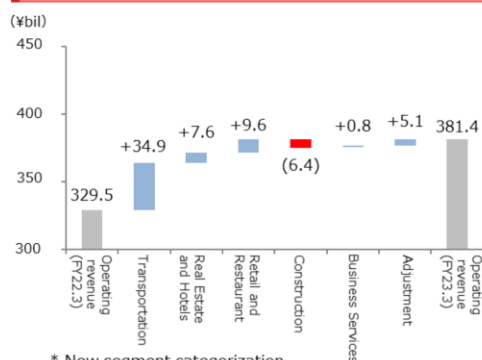
Despite the impact of COVID-19 and a downturn in the sale of properties, we expect operating revenues to increase due to gradual demand recovery in each segment and other factors.

Operating income

We anticipate an increase in operating income due to the impact of higher operating revenues and expect to achieve a ¥14.0 billion/year reduction in fixed costs, despite an increase in depreciation costs and a rise in expenses associated with the conclusion of Shinkansen special measures (between Hakata and Shin-Yatsushiro).

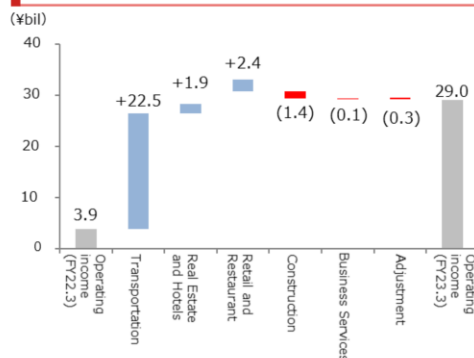
Revised upward, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains) in addition to the original forecast of ¥24.5 billion (which was announced August 2, 2022)

Change in operating revenue by segment*



* New segment categorization

Change in operating income by segment*



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- Looking at our financial forecast for the full fiscal year, the revenue situation remains uncertain, due to such factors as concerns of an eighth' wave of COVID-19 and a simultaneous influenza outbreak. However, based on our results for the first half of the fiscal year and the current situation, we maintain unchanged our forecasts for operating revenues, operating income, ordinary income, and EBITDA as announced on August 2.
- We have revised upward our forecast for net income attributable to owners of the parent, taking into account a gain on sales of shares in Huis Ten Bosch in September.
- Our dividend forecast remains unchanged, at annual dividends per share of ¥93.
- Next, in the status of segments, I will provide some supplementary explanations about the hotel business. Please turn to slide 20.

Consolidated Financial Forecasts for FY23.3 (by segment) (Shown According to New Segments)

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY	Major factors
Operating revenue	329.5	381.4	51.8	115.7%
Transportation	104.2	139.2	34.9	133.5% Increase due to moderate recovery in demand in railway business
Railway Business (non-consolidated)	102.9	136.9	33.9	133.0%
Real Estate and Hotels	113.7	121.4	7.6	106.8%
Real Estate Lease	58.5	61.6	3.0	105.2% Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	46.1	43.2	(2.9)	93.5% Decrease in the sale of properties
Hotel Business	8.9	16.6	7.6	184.6% Increase in the number of guests due to a moderate recovery in demand
Retail and Restaurant	43.6	53.3	9.6	122.1% Increase due to a moderate recovery in demand and Nurubon's full-year contribution to results
Construction	92.9	86.5	(6.4)	93.1% Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	69.5	70.4	0.8	101.3%
Operating income	3.9	29.0	25.0	735.2%
Transportation	(22.7)	(0.2)	22.5	-
Railway Business (non-consolidated)	(22.0)	0.1	22.1	-
Real Estate and Hotels	18.0	20.0	1.9	111.0%
Real Estate Lease	14.7	13.9	(0.8)	94.2%
Real Estate Sales	6.2	5.4	(0.8)	86.7%
Hotel Business	(2.9)	0.7	3.6	-
Retail and Restaurant	(1.2)	1.2	2.4	-
Construction	7.0	5.6	(1.4)	79.4%
Business Services	3.3	3.2	(0.1)	95.9%
EBITDA	30.7	58.2	27.4	189.1%
Transportation	(14.1)	10.3	24.4	-
Railway Business (non-consolidated)	(13.7)	10.4	24.1	-
Real Estate and Hotels	31.9	34.2	2.2	107.0%
Real Estate Lease	26.5	25.8	(0.7)	97.3%
Real Estate Sales	6.2	5.4	(0.8)	86.4%
Hotel Business	(0.7)	3.0	3.7	-
Retail and Restaurant	0.0	2.5	2.4	-
Construction	8.0	6.7	(1.3)	83.2%
Business Services	5.7	5.6	(0.1)	98.0%

Non-consolidated Financial Forecasts for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY		Major factors
Operating revenue	179.9	210.5	30.5	117.0%	
Railway transportation revenues	89.3	122.6	33.2	137.2%	Increase due to moderate recovery in demand
Shinkansen	27.4	43.8	16.3	159.5%	
Conventional Lines	61.9	78.8	16.8	127.3%	
Other revenue	90.6	87.9	(2.7)	97.0%	
Operating expense	181.3	192.3	10.9	106.1%	
Personnel expense	40.8	40.8	(0.0)	100.0%	
Non-personnel expense	113.2	121.2	7.9	107.0%	
Energy cost	8.6	10.1	1.4	116.4%	Unit price increases due to sharply higher crude oil prices
Maintenance cost	30.0	30.4	0.3	101.2%	
Other	74.5	80.7	6.1	108.3%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	12.2	0.8	107.6%	
Depreciation cost	15.9	18.1	2.1	113.6%	
Operating income	(1.3)	18.2	19.5	-	
Non-operating income and expense	3.5	4.5	0.9	125.7%	
Ordinary income	2.2	22.7	20.4	-	
Extraordinary gain and losses	(2.0)	2.4	4.4	-	
Net income	8.9	23.2	14.2	259.2%	

Results by business (non-consolidated) (included in above table)

	Results FY22.3	Forecasts FY23.3	YoY		(¥bil)
Railway business	Operating revenue	102.9	136.9	33.9	133.0%
	Operating income	(22.0)	0.1	22.1	-
Related businesses	Operating revenue	77.0	73.6	(3.4)	95.5%
	Operating income	20.7	18.1	(2.6)	87.4%

Net income forecast revised upward, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains) in addition to the original forecast of ¥21.1 billion (which was announced August 2, 2022)

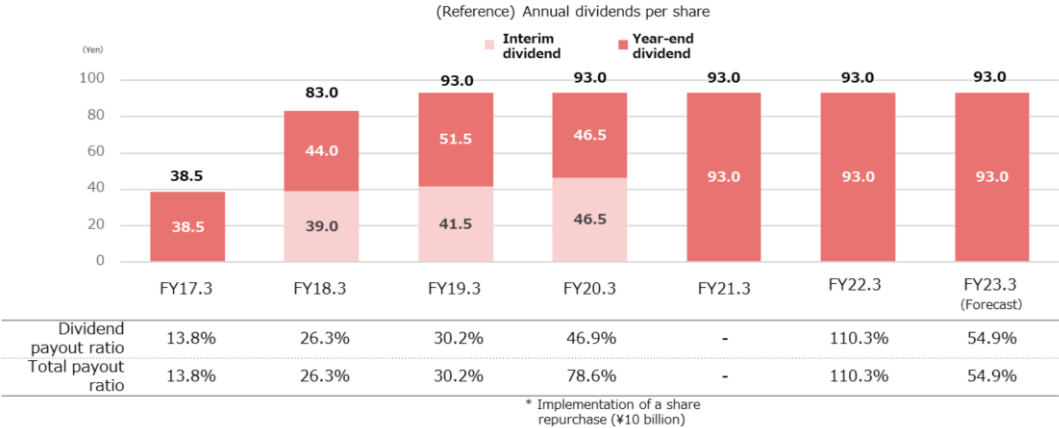
FY23.3 dividend forecasts

Shareholder return policy

- JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY25.3, we will **aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0**. We will **flexibly implement share repurchases as necessary**.

FY23.3 dividend forecasts

- We are forecasting continued extremely severe results for FY23.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY23.3 is ¥93.0 per share**.
- In FY23.3 we plan to pay dividends in one part, which will be the year-end dividend, with no interim dividend.** This is due to the need to carefully consider the influence on future results of matters such as the COVID-19 infection.



III Status of Segments

Transportation Segment

- The pace of recovery slowed in Q2, due to a surge in the number of COVID-19 infections. At present, however, a decrease in the number of infections and the introduction of the nationwide travel support program is prompting a recovery mainly in revenues from medium-to-long-distance travel.
- BPR in the railway business was favorable, and we expect to reduce fixed costs for the full year by ¥14.0 billion.

[Results]

	6 months ended September, 30 2021	6 months ended September, 30 2022	(¥bil)	
			YoY	
Operating revenue	46.7	63.4	16.7	135.8%
Railway Business (non-consolidated)	46.2	62.8	16.5	135.9%
Railway transportation revenues	39.8	55.4	15.5	138.9%
Operating income	(12.2)	0.3	12.5	-
Railway Business (non-consolidated)	(11.6)	0.8	12.4	-
EBITDA	(8.0)	5.3	13.4	-
Railway Business (non-consolidated)	(7.8)	5.7	13.5	-

[Forecasts]

	Results FY22.3	Forecasts FY23.3	(¥bil)	
			YoY	
Operating revenue	104.2	139.2	34.9	133.5%
Railway Business (non-consolidated)	102.9	136.9	33.9	133.0%
Railway transportation revenues	89.3	122.6	33.2	137.2%
Operating income	(22.7)	(0.2)	22.5	-
Railway Business (non-consolidated)	(22.0)	0.1	22.1	-
EBITDA	(14.1)	10.3	24.4	-
Railway Business (non-consolidated)	(13.7)	10.4	24.1	-

Assumptions behind performance forecasts

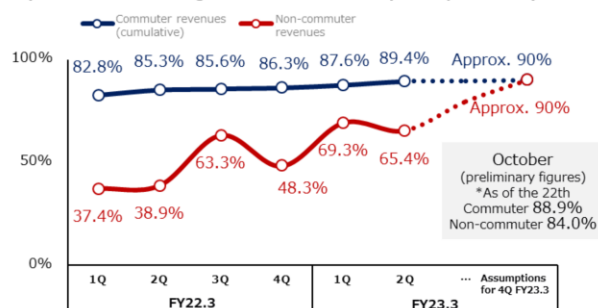
- Our performance forecasts for FY23.3 anticipate increased revenues due to the opening of the Nishi-Kyushu Shinkansen (September 2022).
- In Q4 FY23.3, we expect commuter revenues (cumulative) and non-commuter revenues to recover to around 90% of FY19.3 levels.
- We expect to achieve ¥14.0 billion in fixed cost reductions and ¥4.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.

TOPIC

A decision was reached to recommence service on the Japan-South Korea route (Fukuoka-Busan), which has been suspended since March 9, 2020, on weekends only from November 4, 2022.



Railway Business | Handling revenues from railway transportation (vs. FY19.3)



Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY		Major factors
Total	39.8	55.4	15.5	138.9%	
Commuter pass	14.2	14.8	0.6	104.2%	
Non-commuter pass	25.6	40.5	14.9	158.2%	
Cargo	0.0	0.0	0.0	186.1%	
Shinkansen	11.3	18.7	7.4	165.5%	
Commuter pass	1.2	1.3	0.0	105.7%	Increase due to gradual recovery in demand
Non-commuter pass	10.0	17.3	7.3	173.0%	
Conventional Lines	28.5	36.6	8.0	128.3%	
Commuter pass	12.9	13.5	0.5	104.1%	Increase due to gradual recovery in demand
Non-commuter pass	15.5	23.1	7.5	148.6%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Total	2,952	3,613	660	122.4%
Commuter pass	1,900	1,976	76	104.0%
Non-commuter pass	1,052	1,636	584	155.5%
Shinkansen	425	672	247	158.3%
Commuter pass	92	100	8	108.7%
Non-commuter pass	333	572	239	172.0%
Conventional Lines	2,527	2,940	413	116.3%
Commuter pass	1,808	1,876	68	103.8%
Non-commuter pass	719	1,063	344	147.9%

Real Estate and Hotels Segment: Real estate leasing business

- As in the railway business, the pace of recovery in station building tenant sales slowed in Q2 but are now trending toward recovery.
- In office buildings and rental apartments, performance was affected by such factors as the sale of properties to a private REIT and other buyers since FY22.3. However, performance remained robust, with no major changes to vacancy rates at currently owned properties.

[Results]

(¥bil)

[Forecasts]

(¥bil)

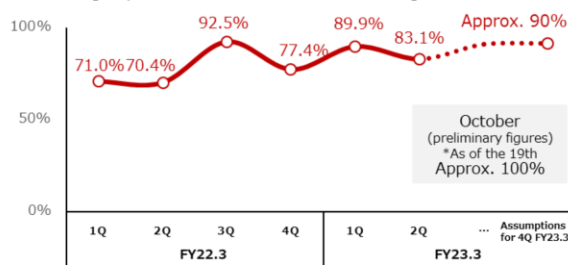
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY		FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	28.5	30.3	1.7	106.2%	58.5	61.6	3.0	105.2%
Operating income	7.3	7.4	0.1	101.5%	14.7	13.9	(0.8)	94.2%
EBITDA	13.2	13.2	0.0	100.3%	26.5	25.8	(0.7)	97.3%

Assumptions behind performance forecasts

- In Q4 FY23.3, we expect tenant sales at five station buildings to recover to around 90% of FY19.3 levels.
- In office buildings and rental apartments, we anticipate solid performance, with no sign of major changes in vacancy rates at existing properties.
- Despite a decline in rents stemming from the sale of properties, we expect higher earnings from station buildings and other items.

Station building* tenant sales (vs. FY19.3)

* Excluding Miyazaki and Kumamoto Station Buildings



Real Estate and Hotels Segment: Real estate sales business

- Revenues rose year on year in Q2, due to the sale of an office building (Shinkawa East Building). However, income decreased as a result of lower sales of condominiums and other factors. (Full-year operating revenues are expected to be flat year on year.)
- We are making steady progress on contracts for condominium sales, which on a full-year basis are expected to be on a par with the previous year. However, revenues and income are forecast to be down year on year, reflecting a large property sale to a private REIT in the previous fiscal year.

[Results]

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Operating revenue	13.1	15.4	2.3	117.6%
Operating income	1.4	1.3	(0.1)	91.6%
EBITDA	1.4	1.3	(0.1)	91.6%

(¥bil)

[Forecasts]

	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	46.1	43.2	(2.9)	93.5%
Operating income	6.2	5.4	(0.8)	86.7%
EBITDA	6.2	5.4	(0.8)	86.4%

(¥bil)

Assumptions behind performance forecasts

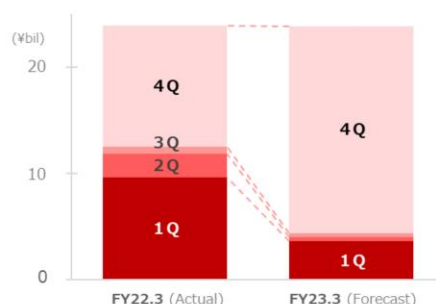
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.
- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of rental apartments and other properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.

Shinkawa East Building



Date of acquisition : January 2019
Location: Chuo-ku, Tokyo
Structure: 14 aboveground floors, 1 belowground floor
Date of construction: August 1990
Floor space: Approx. 10,289m²
Lot area: Approx. 1,249m²

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel business

- Conditions remained problematic in Q2, owing to an increase in COVID-19 infections, but as the result of thorough revenue management and other factors, the company posted ADR in the ¥13,000 level for the first time since Q3 of FY21.3, when the GoTo travel business was in operation.
- Although operations may be limited as a result of labor shortages, we will promote efforts to maximize earnings in light of the nationwide travel support program launched in October and increased demand due to the easing of protection measures.

[Results]	(¥bil)				[Forecasts]	(¥bil)			
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY			FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	3.5	6.8	3.2	192.8%		8.9	16.6	7.6	184.6%
Operating income	(2.1)	(0.2)	1.8	-		(2.9)	0.7	3.6	-
EBITDA	(1.0)	0.8	1.8	-		(0.7)	3.0	3.7	-

Assumptions behind performance forecasts

- THE BLOSSOM KYOTO was opened on 26th August
- In Q4 FY23.3, we expect occupancy rates to recover to around 70%.

THE BLOSSOM KYOTO



Date of open: 26th August, 2022
 Location: Shimogyo-ku, Kyoto City
 Guest rooms: 180
 Floor space : Approx. 9,600㎡

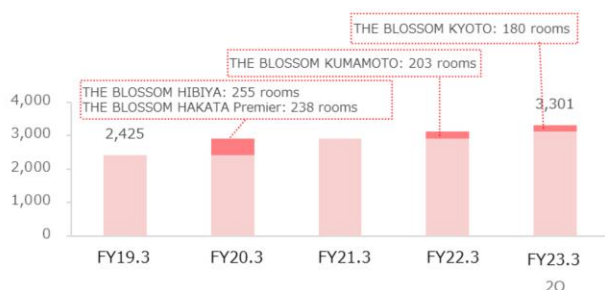
Hotel business | Occupancy rate and ADR



Real Estate and Hotels Segment: Hotel business

- The total number of hotel rooms in Japan was up by around 880 rooms (approximately 36%) from FY19.3 due to the opening of a high-end brand, THE BLOSSOM series.

Changes in total number of hotel rooms in Japan



Future development plans

Nagasaki Marriott Hotel



- Opening date: Early 2024 (revised from fall 2023)
- Rooms: 200 (forecast)

The first Marriott hotel in Kyushu, in collaboration with Marriott International

URESHINO YADOYA



- Opening date: Fall 2023
- Rooms: 36

A Japanese-style inn based on the concept of "hot spring" and "tea," two major attractions of Ureshino, which is along the Nishi-Kyushu Shinkansen line

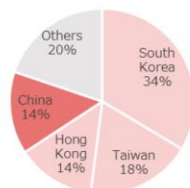
Trends in occupancy rate and ADR



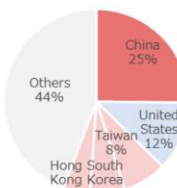
【Percentage of inbound travelers before COVID-19】
(As a percentage of total room sales)
Approximately 20%

<Reference> Ratios, by nationality, of foreign overnight guests (2019)

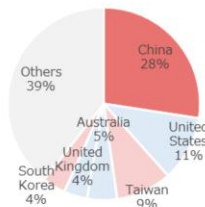
Seven Kyushu prefectures



Tokyo



Kyoto



Source: Edited by JR Kyushu based on "Japan Tourism Statistics," Japan National Tourist Organization (JNTO)

- I will discuss the current status of our hotel business.
- In the hotel business, our total number of hotel rooms in Japan was up by around 36% compared with the pre-pandemic fiscal year ended March 31, 2019, owing to the opening of our high-end brand, THE BLOSSOM. Next fiscal year, we plan to open the first Marriott hotel in Kyushu and develop Japanese-style inns along the Nishi-Kyushu Shinkansen line.
- Currently, the status of reservations is favorable, thanks in part to such factors as the impact of the government's nationwide travel support program and an easing of protection measures. We may be forced to limit operations at our hotels, owing to labor shortages. However, by thorough revenue management and other factors, we will strive to maximize revenues and profits.
- At the same time, we will continue our efforts to improve the competitiveness of existing hotels, which we recognize as an issue.
- Next, I will discuss progress on the key strategies of our medium-term business plan. Please turn to slide 22.

IV Progress on the Three Key Strategies of the Medium-Term Business Plan

JR Kyushu Group Medium-Term Business Plan 2022-2024

Three key strategies of the medium-term business plan

Robustly promoting three key strategies during the stage for returning the Company to a growth track

Completing business structural reforms

Key strategy ①

Railway business	Stabilizing profitability
Hotel business	Increasing competitiveness of existing hotels
Retail and Restaurant business	Increasing the competitiveness of brands and of stores/restaurants
Construction business	Implementing transition in primary focus from inside the Group to outside

Key strategies for the realization of the long-term vision

Key strategy ②

Creating a model for building cities that promote well-being

Key strategy ③

Developing businesses in new areas in which we can contribute

Developing human resources for the implementation and realization of strategies

Building foundations for advancing strategies on a Groupwide basis

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.

Policy ①

Implementing city-building initiatives for the realization of well-being, with consideration for changes in values

Policy ②

Expanding areas we work in that contribute to the sustainable development of Kyushu

FY31.3 (numerical targets)



Numerical targets, etc. (FY25.3)

[Consolidated]

Operating revenue	¥440 billion	Operating income	¥57 billion
EBITDA	¥94 billion	ROE [reference]	More than 8%

[By segment*]

Segment name	Operating revenue (¥bil)	Operating income (¥bil)
Transportation	163	17
Real Estate and Hotels	133	27
Retail and Restaurant	65	3
Construction	95	7
Business Services	80	4

* Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

[Cumulative investment planned for 2022-2024]

¥340 billion

¥225 billion
(including items that have not been confirmed)

¥115 billion

¥58 billion

Investment plan

Bonds, borrowings, etc.

Consolidated operating cash flow ¥230 billion

(Reference) Fund-raising (plan)

Financial soundness indicators (end-FY25.3)

D/EBITDA	Approx. 5 times
Capital adequacy ratio	Approx. 40%

Legend: Growth investment (including M&A) (pink), Maintenance and upgrade investment (light pink), Safety investment (light blue)

Shareholder return policy

JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY25.3, we will aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0. We will flexibly implement share repurchases as necessary.

- We are positioning the three-year period covered by our medium-term business plan through the fiscal year ending March 31, 2025 as the stage for returning the Company to a growth track, with a view to realizing our 2030 Long-Term Vision. We are pursuing three key strategies in this regard.
- I will discuss specifically the state of progress on individual measures aimed at achieving the numeric targets of our forecasts for the current fiscal year and the medium-term business plan.
- Please turn to the next slide.

Key strategy① Completing business structural reforms: Reduce Costs in the Railway Business through BPR*

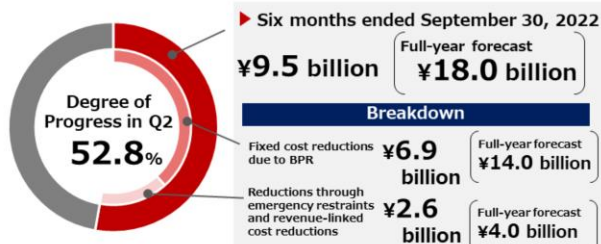
* Business Process Re-engineering

We made further progress toward reducing fixed costs by ¥14.0 billion through BPR through fall 2022 timetable revisions and other moves.

We expect to complete the project in approximately two and a half years from startup.

Progress on reducing costs (Q2 results)

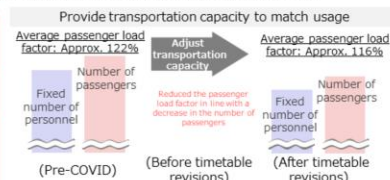
Note: Cost reductions are compared with FY20.3 and exclude extraordinary items.



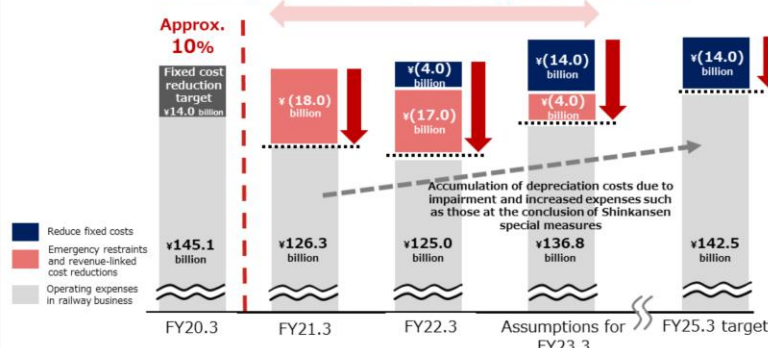
Fall 2022 timetable revisions

- In line with the opening of the Nishi-Kyushu Shinkansen, we configured the operating system to match passenger use.
- We revised the number of trains in the Fukuoka metro area, including during commuting times. We made renovations to ensure necessary transportation capacity by increasing boarding efficiency (using longer seats, etc.).
- After ensuring safety through the installation of train cameras, fixed platform gates, and other measures, we have increased the number of trains operated by a single conductor, expanded the number of single-person sections, and reduced the number of crew members required.

Train-kilometers	(2.3)%
Rolling stock owned	(7)%
Expected cost reductions (full year)	¥(0.8) billion



We expect project completion to take approximately two and a half years from startup to the appearance of effects.



Toward the realization of the 2030 Long-Term Vision

The Future Railway Project

- Based on the railway business streamlined through BPR, we have established a new project with the aim of creating a "railway of the future" that will drive city-building in Kyushu by advancing mobility and reinforcing the capabilities of our business.
- Going beyond mere cost reductions, we will also set our sights on growth investments, promote studies by cross-organizational teams for initiatives that will reduce costs through technological innovation and lead to new income generation.

23

- First, I will discuss business structural reforms in the railway business.
- Coinciding with the opening date of the Nishi-Kyushu Shinkansen, we revised the timetables for both Shinkansen and conventional lines in fall, taking actual usage into account. After securing the necessary transportation capacity, we are reviewing the number of trains, including during work and school commuting hours in the Fukuoka/Kitakyushu metropolitan area.
- We have launched an in-house project to reduce fixed costs ¥14.0 billion (equivalent to 10% of railway business operating expenses in the fiscal year ended March 31, 2020). As a result of further progress with BPR owing to this fall's timetable revisions, we expect to complete the project within around two and a half years from its launch date. Although we expect to conclude the reduction of ¥14.0 billion in fixed costs through BPR this fiscal year, we do not consider this to be the end of railway business structural reforms.
- To accomplish our 2030 Long-Term Vision, based on the railway business streamlined through BPR, we have established a new project with the aim of creating a "railway of the future" that will drive city-building in Kyushu by advancing mobility and reinforcing the capabilities of our business. Going beyond mere cost reductions, we will also promote studies on initiatives that will reduce costs and lead to new income generation by advancing DX, technological innovation, and other efforts.
- Please turn to the next slide.

Key strategy② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

The Nishi-Kyushu Shinkansen opened on September 23, and events were held at each station. The new D&S train, TWO STARS 4047, started operations, and we worked alongside the local residents to promote invigoration of the overall western Kyushu area.



About usage conditions and other factors

- **Situation on opening day**
 - With local residents, held events at Nishi-Kyushu Shinkansen stations to commemorate the opening
 - Even in the early morning, the passenger load factor exceeded 100% on both the incoming and outgoing routes.
 - There were major ripple effects in areas around the stations, such as a record number of visitors to the Nagasaki Station Building.
- **Usage conditions in the first month after opening**
(usage between Takeo Onsen and Nagasaki, 9/23 to 10/22)

Total usage	Daily average	Compared with pre-COVID (Reference)
Approx. 198,000 people	Approx. 6,600 people	Approx. 102% Kyushu Shinkansen (Hakata to Kumamoto) Approx. 77%

Note: Usage is in comparison with the Kamome express on conventional line between Isahaya and Nagasaki on the same day of 2018



Each hospitality station bustled with locals welcoming visitors.



Kamome Gakudan

Before the opening, various events were held, in which local residents participated, to welcome the Kamome at each Nishi-Kyushu Shinkansen station. A special movie of the day's events was aired.

<https://www.jrkyushu.co.jp/train/kamomegakudan/>

- Next, I will discuss the state of progress on our second key strategy, “creating a model for building cities that promote well-being.”
- September 23, 2022, marked the successful opening of the Nishi-Kyushu Shinkansen, which we had been preparing toward for some time.
- On opening day, in addition to the opening ceremony we hosted, a community-led event was held in front of the station, attracting an extremely large number of visitors not only from the local area but also from all over Japan. Once again, as a corporate group that creates vitality in the community, these events rekindled our desire to maintain and expand the excitement.
- Around 200,000 people used the train in its first month after opening. This represented a solid start, as it is around 102% of the pre-COVID usage level for express trains on conventional lines.
- At the same time, operations commenced on the new D&S train, TWO STARS 4047, and each hospitality station bustled with locals welcoming visitors.
- Please turn to the next slide.

Key strategy② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

We will seek to sustain and expand the effects of the Nishi-Kyushu Shinkansen opening through various initiatives to increase usage and enhance convenience.

Initiatives aimed at increasing usage and enhancing convenience

- **Saga and Nagasaki destination campaigns (10/1 to 12/31/2022)**
 - The JR Group and Saga and Nagasaki prefectures hold large-scale tourism campaigns.
- **“Nishi-Kyushu Opening Shop” campaign**
 - We opened a dedicated campaign website to suggest “how to enjoy western Kyushu,” including the attractions of western Kyushu, using the entire western Kyushu area as a store.



- **Sales of various discount tickets to promote sightseeing tours**



- **Expanding the Nagasaki MaaS initiative**

- Sales of digital admission tickets for tourist facilities and digital tickets in cooperation with other transportation operators and tourist facilities
- Collaboration with taxi tourism plan reservation service
- Sales of digital tickets for the Nagasaki Slow Line

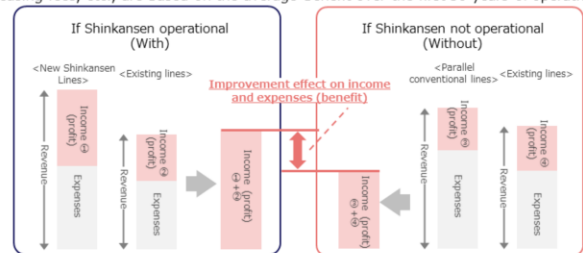


About leasing and other fees for the Nishi-Kyushu Shinkansen

- We lease facilities from the Japan Railway Construction, Transport and Technology Agency, which owns the Shinkansen facilities, and pay certain leasing and other fees to operate the Nishi-Kyushu Shinkansen.
[Leasing and other fees]
Fixed leasing fee of ¥510 million + property tax and other equivalent and other fees
- Property tax and other equivalent fees fluctuate each year. As with the Kyushu Shinkansen, fees are paid after applying Shinkansen special measures. (See page 40.)
(Reference) Amount approved for construction of the Nishi-Kyushu Shinkansen: Approx. ¥619.7 billion

Perspective on the basis for calculation leasing fees, etc. (concept)

Leasing fees, etc., are based on the average benefit over the first 30 years of operation.



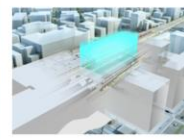
25

- We will continue promoting initiatives to increase usage and enhance convenience of the Nishi-Kyushu Shinkansen.
- In addition to sending passengers on Saga and Nagasaki destination campaigns, we opened a dedicated campaign website promoting the attractions of western Kyushu, and we are selling various discount tickets to promote sightseeing tours. We are also expanding initiatives related to Nagasaki MaaS such as sales of digital admission tickets for tourist facilities and digital tickets in cooperation with other transportation operators and tourist facilities, which commenced in August 2022.
- As a new Shinkansen line, for Nishi-Kyushu Shinkansen leasing fees, etc., are based on the average benefit over the first 30 years of operation. We will strive to increase revenues by promoting initiatives to increase usage, city-building in the western Kyushu area, and other methods.
- Please turn to the next slide.

Key strategy② Creating a model for building cities that promote well-being: City-Building in the Fukuoka Area

In the city of Fukuoka, where the amount and rate of population growth are the largest among ordinance-designated cities in Japan, in addition to real estate development we are promoting city-building across a wide domain, including outsourced property management business and the development and operation of outdoor facilities.

Major projects in the Fukuoka area



	New project	New project				
Name	Acquisition of the i-PRO Building	Handling of outsourced property management for "VIORO," a commercial facility in Tenjin	Aburayama Shimin no Mori and other renewal projects Note: Joint development by nine companies, with Kyushu Railway as the representative company	Project to utilize the former site of Sunoko elementary school Note: Joint development by eight companies, with Sakurajyoji Co., Ltd. as the representative company	Project for effective use of site of Fukuoka Prefecture east government building Note: Joint development by three companies, with Kyushu Railway as the representative company	Project utilizing the space above the tracks at Hakata Station
Details	Acquisition of office building	First time for the Group Outsourced property management of other companies' commercial facilities	First time for the Group Multi-faceted, experience type outdoor businesses	Multi-faceted development incorporating private retirement home, commercial facilities, etc.	Office building development (partly commercial stores)	Multi-faceted development incorporating offices, hotels, commercial facilities, squares, etc.
Opening	September 2022 (acquisition date)	November 2022 (date of contract start)	In FY24.3	January 2024	March 2024	End 2028
Lot area	Approximately 11,900㎡	—	Approximately 140ha	Approximately 8,560㎡	Approximately 2,700㎡	Approximately 5,200 ㎡
Floor space	Approximately 12,200㎡	Approximately 5,800㎡ (Leased area)	—	Approximately 27,000㎡	Approximately 22,000㎡	—

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- With regard to city-building in the Fukuoka area, we acquired an office building in the Hakozaki area, where use of the site of the former Kyushu University is under consideration and where we plan to build a new station.
- We have also taken on the outsourced property management for "VIORO," a commercial facility in Tenjin. This initiative marks the first time the Group has handled outsourced property management of another company's commercial facilities.
- We will continue to promote urban development in a wide range of areas, including multi-faceted, experience-type outdoor business, multifaceted developments incorporating private retirement homes, and office building development.
- Please turn to the next slide.

Key strategy② Creating a model for building cities that promote well-being: Regional transportation initiatives

Since FY18.3, we have disclosed the necessary data to share the current situation with local governments and residents in the areas around our railway lines, and hold meetings with local governments to consider issues related to the utilization of train lines in order to make the railway business sustainable as regional transportation.

Disclosure of data related to train lines

● Objectives

To provide more detailed information on the usage conditions of the railway business and to share the current status of the railway business with local governments and residents in areas around our railway lines

● Disclosed data

From FY18.3 (FY17.3 data)

- Number of passengers by station (top 300 stations, names of stations used by 100 or more people per day)
- Passenger transportation revenues by route (all routes)
- Average number of passengers by train line (all lines)

From FY21.3 (FY19.3 data)

- Income and expenditures by train line (lines with an average of 2,000 or fewer passengers per day)⇒See page 41 for details.

Meetings to consider issues related to the utilization of train lines

● Objectives

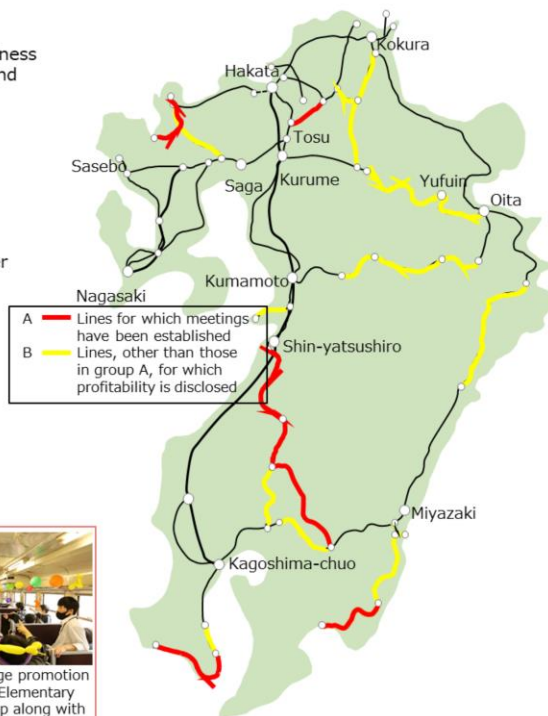
To help local governments understand the current status of the lines, and to work together to develop and implement measures to utilize the lines to make them sustainable

● Participants

Local governments along our train lines, Ministry of Land, Infrastructure, Transport and Tourism's Kyushu District Transport Bureau, JR Kyushu

● Start of meetings

From 2019



Key examples of utilization measures in FY22.3



Illumination trains



Subsidies to promote use by elementary and junior high school students



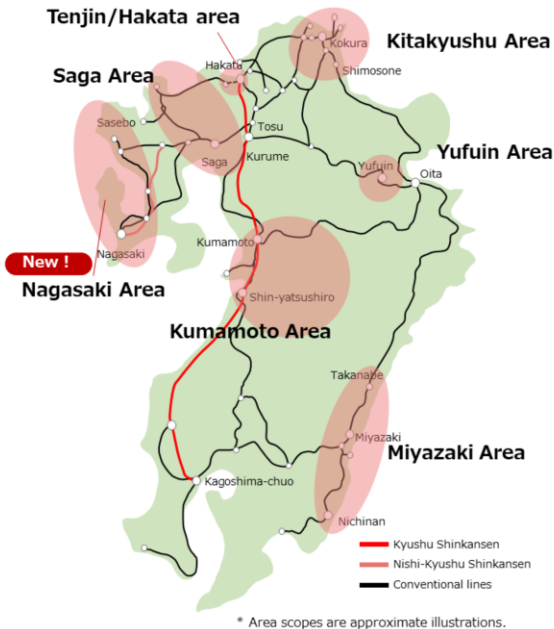
Public call for usage promotion events (Photo: Elementary school student trip along with high school students)

- With regard to regional transportation initiatives, we are disclosing data to share the current railway situation with local governments and residents in the areas around our railway lines.
- In the fiscal year ended March 31, 2018, we disclosed revenues by route and the average number of passengers by train line. In the fiscal year ended March 31, 2021, we disclosed income and expenditures by train line from the fiscal year ended March 31, 2019 by train line for lines with an average of 2,000 or fewer passengers per day. Income and expenditures by train line disclosed in the current fiscal year are shown on page 41.
- Also, in 2019 for certain train lines we began holding meetings with local governments to formulate and implement measures to make the railway business sustainable. The materials include key examples of utilization measures last fiscal year that we announced recently.
- We will continue working to increase community awareness in areas around train lines and undertake utilization measures that will promote daily use.
- Please turn to the next slide.

Key strategy② Creating a model for building cities that promote well-being: Promoting MaaS

Strengthen collaboration among regional transportation operators, local governments, economic organizations, and other bodies to further promote MaaS. In addition, expand and enhance initiatives throughout Kyushu.

Status of MaaS initiatives

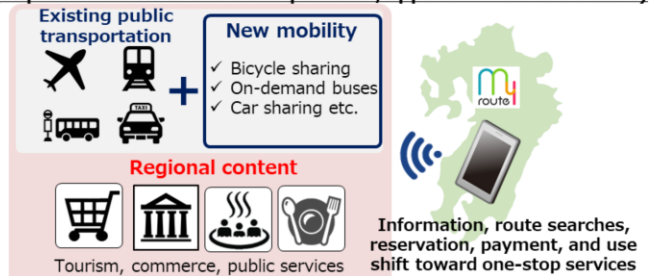


Future directions

- Expand MaaS initiatives throughout Kyushu, such as creating digital and seamless mobility services and providing services linked to local content, such as tourism. Promote initiatives that make local transportation more convenient and invigorate the local economy.

Wide-area MaaS in Kyushu

(implementation of the same platform/application infrastructure)



- Make a unified regional effort to promote the implementation of MaaS throughout society in Kyushu.
- Improve convenience for local residents and visitors.
- Utilize MaaS to build a sustainable transportation network, with transportation operators working together.
- Improve convenience to tourists and competitiveness as society adapts to living with COVID-19.

"Build a unified promotion system within Kyushu."

- Promote collaboration among a wide range of entities, including transportation operators, the public and private sectors, and economic organizations.
- Study the overarching design for MaaS, and promote the utilization of data.

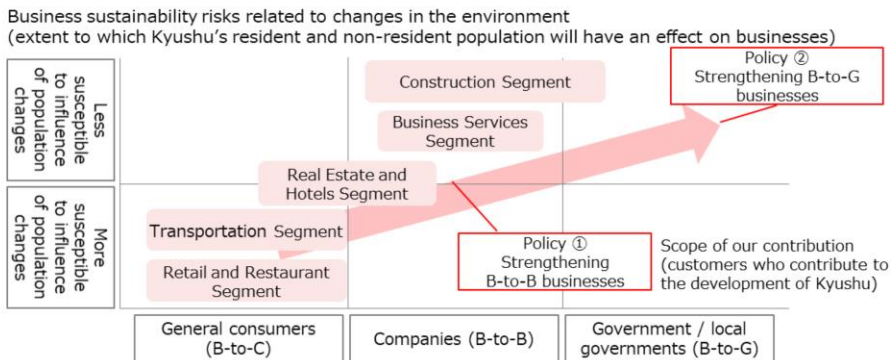
- We are rolling out MaaS initiatives in seven areas, starting with the Nagasaki area.
- Going forward, in the aim of promoting wide-area MaaS in Kyushu, we will work to strengthen ties with regional transportation operators, local governments, economic organizations, and other players. In this way, we will work to build a unified promotion system within Kyushu.
- Please turn to the next slide.

Key strategies ③ Developing businesses in new areas in which we can contribute: Course of action in business development

We will strengthen BtoB and BtoG businesses with an eye to expanding areas in which we can contribute and enhancing business sustainability.

Course of action in business development

The Group will work together to advance business development, with a focus on expanding the scope of our contribution and strengthening the sustainability of our businesses.



① Strengthening B-to-B businesses

- ✓ We will strengthen B-to-B businesses, centered on the Construction Segment and Business Services Segment.
- ✓ We will aim to grow these businesses into a pillar of the Group's operations, along with B-to-C businesses, by actively strengthening M&A, expanding areas, etc.

② Strengthening B-to-G businesses

- ✓ Leveraging the strengths of the entire Group, which have been cultivated through multi-faceted strategies, we will search for business areas in which we can develop a competitive edge and expand our businesses.

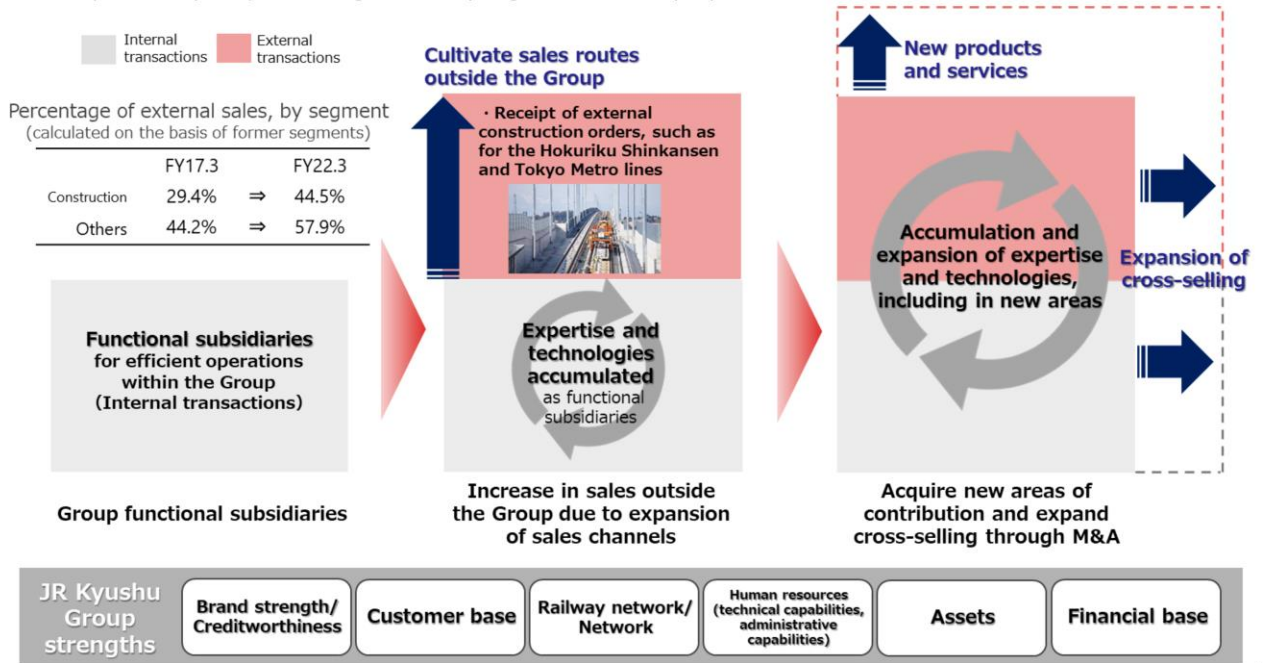
- In conclusion, I will discuss the third key strategy, "developing businesses in new areas in which we can contribute."
- Our current medium-term business plan calls for us to strengthen BtoB and BtoG businesses with an eye to expanding areas in which we can contribute and enhancing business sustainability. We are utilizing M&A to strengthen BtoB businesses, in particular.
- Please turn to the next slide.

Key strategies ③ Developing businesses in new areas in which we can contribute: Strengthening BtoB businesses

Promote M&A with a view to expanding the BtoB business domain, which is less susceptible to the influence of population changes

Conceptual image of expanding the BtoB business (construction and business services segment) domain through M&A

- Based on Group strengths developed through existing businesses, expand areas that can contribute to the sustainable development of Kyushu, while being aware of synergies with the Company



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- Initially, the construction and business service segments, which are the core of the BtoB business, were to play the role of functional subsidiaries focused on efficient operations within the Group, but in order to evolve from this role, we have continued to make use of management resources mainly within the Group such as expanding sales channels outside the Group by utilizing expertise and technology accumulated through transactions within the Group.
- To accelerate the trend toward strengthening this business, we will expand areas where we can contribute to Kyushu's sustainable development by promoting M&A, integrating outside expertise and technologies, and being aware of our synergies.
- Please turn to the next slide.

Key strategies ③ Developing businesses in new areas in which we can contribute: M&A implementation

Acquired three companies this fiscal year, as a foothold for expanding the BtoB business area

	Construction Segment	Business Services Segment	
Purchaser	JR Kyushu Engineering, Ltd. (wholly owned Company subsidiary) Design, manufacture, inspection, and repair of rolling stock (Fukuoka Prefecture)	JR Kyushu System Solutions Inc. (Company subsidiary) Development and contracted operation of information systems (Fukuoka Prefecture)	JR Kyushu Trading Co., Ltd. (wholly owned Company subsidiary) Sales of rolling stock, construction materials, office equipment and other items, and general motor truck transportation (Fukuoka Prefecture)
Companies acquired	 株式会社 メタルスター九州 Manufacturing and installation of architectural hardware (Kumamoto Prefecture)	 With-Unity Co., Ltd. 株式会社 ウイズユニティ Contracted development and maintenance of medical and business systems (Fukuoka Prefecture)	 Premium Logix 株式会社プレミアムロジックス Transportation of heavy items such as precision equipment and pianos (Fukuoka Prefecture)
Form	Conversion to wholly owned subsidiary through share transfer (April 15, 2022)	Conversion to wholly owned subsidiary through share transfer (June 30, 2022)	Conversion to wholly owned subsidiary through share transfer (October 12, 2022)
Objective	To reinforce the manufacturing function	To expand business in the field of medical systems	To make a full-fledged entry into the transportation business
Synergy	Cross-selling to acquired company's customers, cost reduction through in-house vehicle construction	Cross-selling to the purchasing company's customers, promotion of the acquisition of acquired company's human resources	Cross-selling to the purchasing company's customers, mutual utilization of both companies' bases

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- As specific examples, we have implemented three M&A projects this fiscal year.
- In the construction segment, we welcomed into the Group a hardware manufacturer from Kumamoto Prefecture. We will work to enhance their manufacturing functions through integration with our railroad technologies, which we also expect will help increase the number of business partners.
- In the business services segment, we plan to expand into the information services business by bringing into the Group a system development company from Fukuoka Prefecture that is strong in the medical systems field. We also plan a full-fledged expansion of our transportation business by welcoming to the Group a Fukuoka Prefecture-based transportation company with expertise in transporting heavy cargo.
- This concludes my presentation. Thank you for your attention.

APPENDIX

Balance Sheet and Cash Flow Statement

Balance Sheet

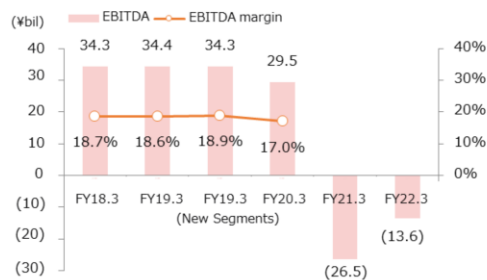
	Results FY22.3	6 months ended September, 30 2022	YoY	Major factors
Total Assets	951.9	938.8	(13.1)	
Cash and time deposits	39.7	31.6	(8.1)	
Securities	39.0	18.0	(21.0)	
Property, plant and equipment	575.3	602.9	27.6	Increase due to new production of rolling stock for the Shinkansen
Railway business assets	109.2	131.7	22.5	
Interest-bearing debt	323.1	334.2	11.1	Increase in long-term loans
Net assets	389.0	389.9	0.9	
Capital and paid-in capital	241.8	241.8	(0.0)	
Retained earnings	147.9	145.3	(2.6)	
Equity ratio	40.8%	41.4%		

Cash Flow Statement

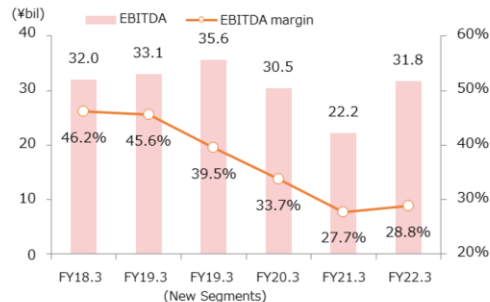
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	Major factors
Cash flows from operating activities	21.6	26.7	5.1	Increase in income before income taxes
Depreciation expense	13.9	15.1	1.2	
Cash flows from investing activities	(52.0)	(49.6)	2.3	Decrease in purchases of fixed assets
Capital expenditures	(59.5)	(55.6)	3.8	
Free cash flow	(30.3)	(22.8)	7.4	
Cash flows from financing activities	5.9	(6.3)	(12.2)	Increase in payments due to the redemption of commercial paper
Cash and cash equivalents	40.8	49.6	8.7	

EBITDA by Segment

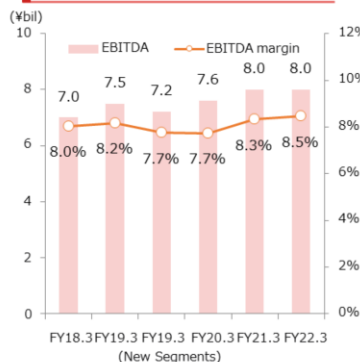
Transportation



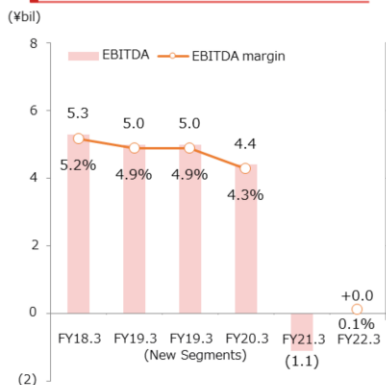
Real Estate and Hotels



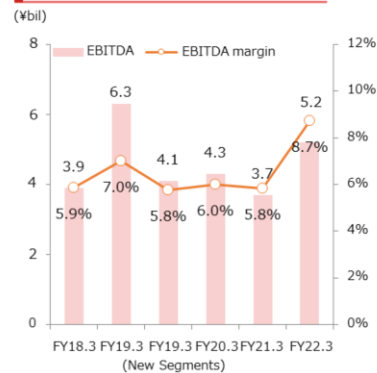
Construction



Retail and Restaurant



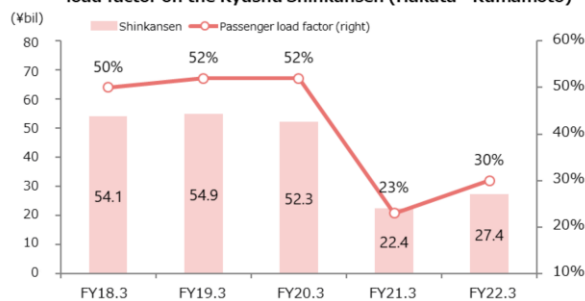
Other



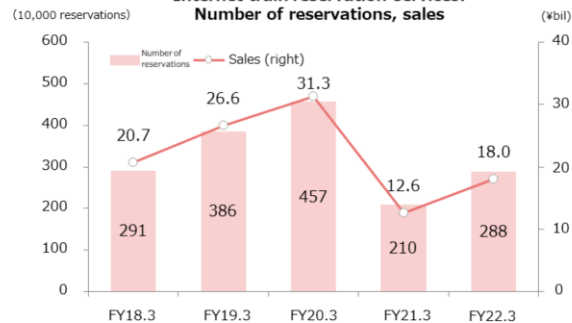
* Figures by segment are prior to eliminating intersegment transactions.

Trends in the Railway Business

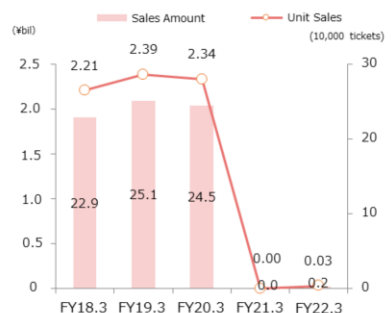
Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



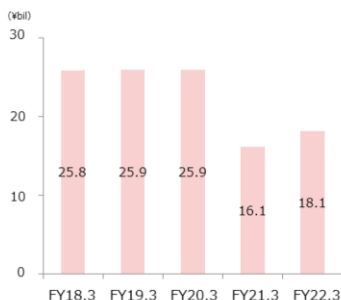
Internet train reservation services: Number of reservations, sales



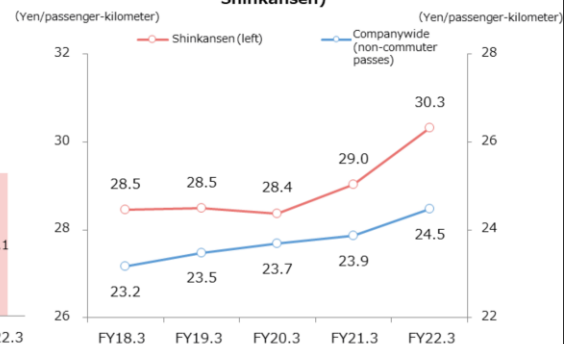
Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



Railway transportation revenues (short distance)

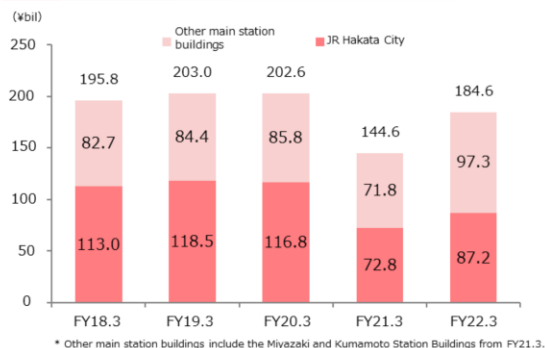


Yield (Companywide (non-commuter passes), Shinkansen)

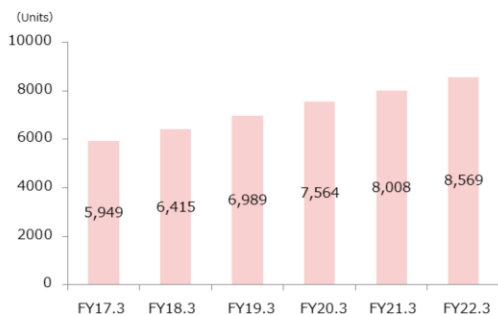


Trends in the Real Estate and Hotel Businesses

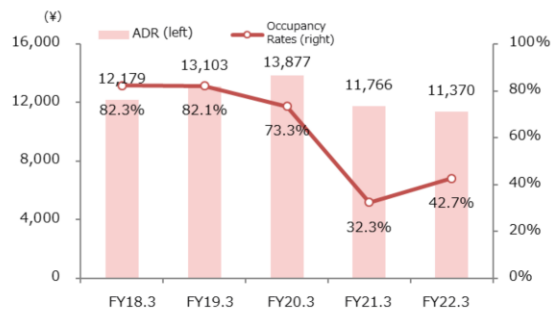
Station building tenant sales



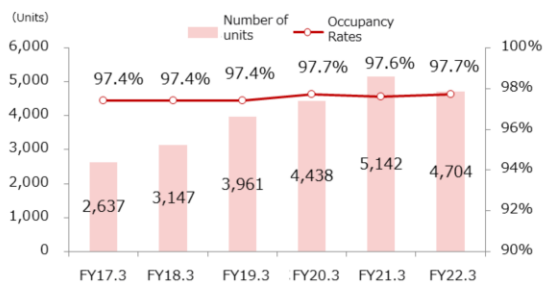
Unit sales of condominiums (cumulative)



Hotel occupancy rates and ADR



Rental apartment: Number of units and occupancy rate



* Numbers of units are as of the end of each fiscal year.
* Occupancy rates are averages of the figures at the end of each month (excluding the year of opening for newly opened properties; excluding newly acquired properties)

Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
Nagasaki Station area development	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks Fall 2023: Opening of new station building Early 2024: Hotel opening * revised from fall 2023	Floor space: Approx. 102,000㎡	• Multi-faceted development incorporating commercial facilities, hotels, offices, etc. • Considering environment burden reduction measures, use of AI/ICT
Kagoshima-Chuo Station West Entrance Development	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction Spring 2023: Phase 1 development opening From FY2025: Phase II development opening	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (phase 1 development)	• Phase 1: commercial facilities, offices, multi story parking garage; phase 2: multi-faceted development, including residences, etc. • Considering infection countermeasures, environment burden reduction measures, use of ICT
Project to utilize the former site of Sunoko elementary School <small>* Joint development by eight companies, with Sakurajyūji Co., Ltd. as the representative company</small>	Chuo-ku, Fukuoka City	November 2021: Start of construction January 2024: Opening	Lot area: Approx. 8,560㎡ Floor space: Approx. 27,000㎡	Multi-faceted development incorporating private retirement home, commercial facilities, etc.
Project for effective use of site of Fukuoka Prefecture east government building <small>* Joint development by three companies, with Kyushu Railway as the representative company</small>	Hakata-ku, Fukuoka City	Spring 2022: Start of construction March 2024: Opening	Lot area: Approx. 2,700㎡ Floor space: Approx. 22,000㎡	• Office buildings (partly commercial stores) • Introducing automatic cleaning robot, solar power generation, etc.
URESHINO YADOYA (Ureshino Japanese-style inn development)	Ureshino City, Saga Prefecture	June 2022: Start of construction Fall 2023: Opening	Lot area: Approx. 9,600㎡ Floor space: Approx. 5,300㎡ 36 rooms	• A hot-spring inn featuring Ureshino's attractions: hot springs and tea • All rooms equipped 100% spring-fed baths
Toranomon 2-chome category 1 urban redevelopment project <small>* Joint development by six companies, with NIPPON STEEL KOWA REAL ESTATE CO., LTD., as the Group representative for the acquisition of reserved floor area.</small>	Minato-ku, Tokyo	Winter 2020: Start of construction Spring 2025: Planned completion	Lot area: Approx. 22,500㎡ Floor space: Approx. 180,700㎡	Office buildings (partly commercial stores)
Aburayama Shimin no Mori and other renewal projects <small>* Joint development by nine companies, with Kyushu Railway as the representative company</small>	Minami-ku, Fukuoka City	July 2022: Start of construction FY2024.3: Renewed facility opening	Lot area: Approx. 140ha	Accommodation (camping, glamping), commerce, outdoor parks, farms, others
Project utilizing the space above the tracks at Hakata Station	Hakata-ku, Fukuoka City	End 2028: Opening	Lot area: Approx. 5,200㎡	Offices, hotels, and commercial operations, and plazas, etc.

Note: Schedules are subject to change

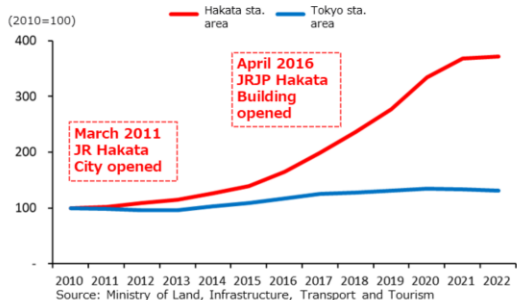
Kyushu has one of the best economic bases in Japan: Fukuoka is a rapidly growing city

- Kyushu is positioned as the "10% economy of Japan." (in terms of gross regional product, total population, total area, number of establishments, etc.)
- In particular, The Fukuoka Metropolitan Area is a city with high growth potential with a population that is expected to continue to increase even after COVID-19.

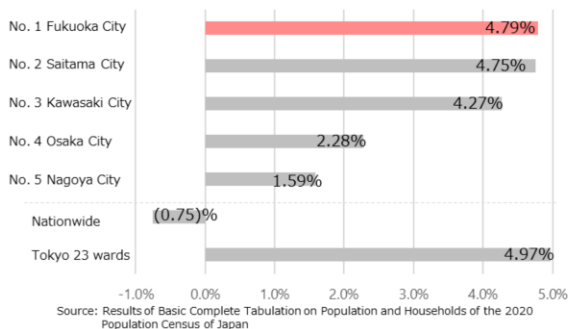
Major cities and population in Kyushu



Land price trend around Hakata Station

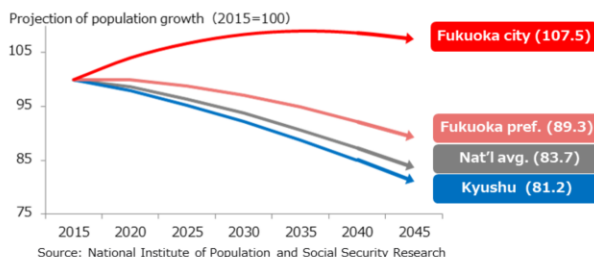


Ordinance-designated cities with high rates of population growth (2015 to 2020)



Urbanization of Fukuoka and decreasing populations in regional cities

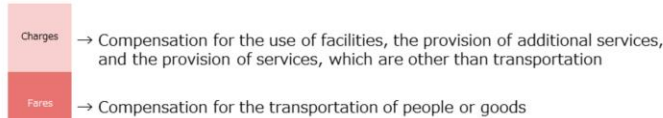
Population declining in Kyushu overall as population becomes concentrated in Fukuoka



Railway Business—Outline of Fares/Charges and Measures to Increase Revenues

Outline of Fares/Charges

■ Breakdown of fares/charges

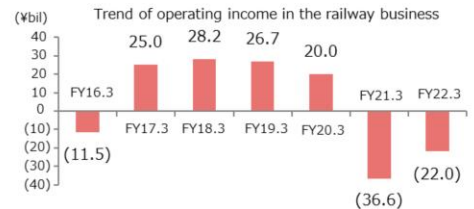


■ Procedures for establishing and adjusting fares/charges

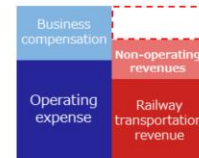
- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting 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)



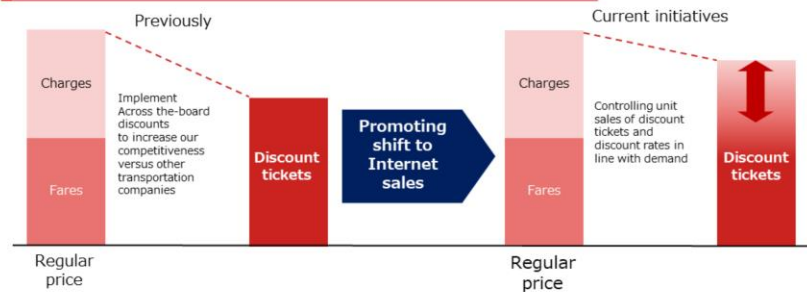
If examination standards are met (illustration)



Expense > Revenue

(Reference) MLIT web site

Advancing measures to increase sales using Internet sales



Internet train reservation services: Number of reservations, sales



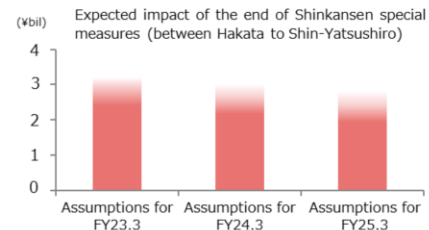
Railway Business Expenses

Special tax measures

- In FY22.3, the impact of Shinkansen special measures (between Hakata to Shin-Yatsushiro) was approximately ¥3.4 billion.
- Special tax measures for the Kyushu Shinkansen (between Hakata and Shin-Yatsushiro) ended at the close of FY22.3.

Name	Details of the special measures				Settlement item
	Item	Tax base			
		~ FY17.3	~ FY22.3	FY23.3	
Shinkansen special measures	Property tax*1	1/6	1/3	Ended	Non-personnel expenses

*1 Tax on Shinkansen-related assets borrowed from the Japan Railway Construction, Transport and Technology Agency



Depreciation costs

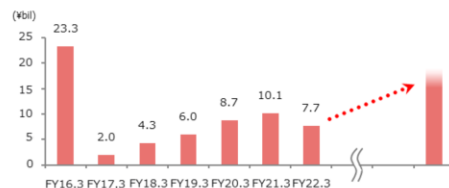
Change in depreciation method

- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets
- Amount of influence: Expected reduction in depreciation of ¥3.4 billion in FY22.3

Items	Affected assets	Details
Change in depreciation method	All assets	Declining-balance method → Straight-line method
Change in depreciation period	Rolling stock	Legal useful life (13 years) → Economic useful life (20 years)

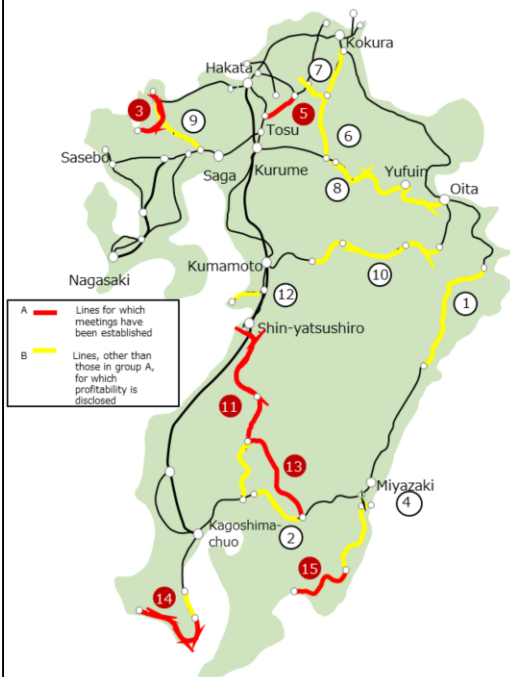
Gradual increase in depreciation costs

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business after impairment losses
- Gradual increase of ¥1.0–2.0 billion per year in depreciation costs going forward due to continuation of current trends



Profitability by train line in FY22.3 (train lines averaging fewer than 2,000 passengers per day)

- Disclosing profitability for train lines averaging fewer than 2,000 passengers per day
- Of these, in regard to those lines on which the average number of passengers has declined by 70% or more in comparison with the point at which the JR companies were established, in collaboration with local governments in the areas around our train lines, we have established meetings to consider issues related to the utilization of train lines, and are discussing utilization measures to make the lines sustainable.

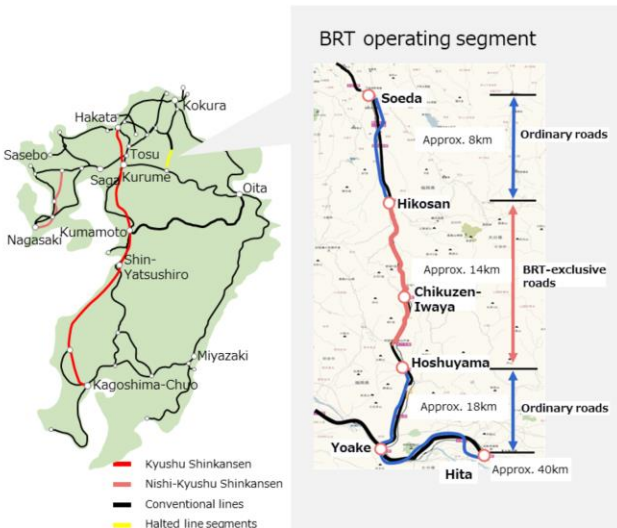


No.	Name of line	Segment	Operating kilometers (Km)	Operating profit (loss) in FY22.3 (¥ million)	Average number of passengers (passengers/day)		
					FY88.3	FY22.3*	% decline
①	Nippo Main Line	Saiki - Nobeoka	58.4	-659	3,428	431	-87%
②		Miyakonojō - Kokubu	42.2	-415	2,029	830	-59%
③	Chikuhi Line	Karatsu - Imari	33.1	-146	728	184	-75%
④	Miyazaki Airport Line	Tayoshi - Miyazaki Airport	1.4	-29	—	890	—
⑤	Chikuho Main Line	Keisen - Haruda	20.8	-82	2,981	322	-89%
⑥	Hitahikosan Line	Jōno - Tagawa-Gotōji	30.0	-346	3,287	1,827 (2,595)	-44%
		Tagawa-Gotōji - Yoake	38.7	—	1,103	— (299)	—
⑦	Gotoji Line	Shin-Tizuka - Tagawa-Gotōji	13.3	-137	1,728	1,048	-39%
⑧	Kyudai Main Line	Hita - Yufuin	51.5	—	2,564	— (1,756)	—
		Yufuin - Oita	42.4	-538	3,890	1,590 (2,162)	-59%
⑨	Karatsu Line	Kubota - Karatsu	40.3	-378	3,649	1,771	-51%
		Karatsu - Nishi-Karatsu	2.2	-177	1,315	766	-42%
⑩	Hohi Main Line	Higo-Ozu - Miyaji	30.8	-218	2,711	644	-76%
		Miyaji - Bungo-Taketa	34.6	-301	1,028	129	-87%
	Hisatsu Line	Bungo-Taketa - Miemachi	23.9	-141	2,384	786	-67%
		Yatsushiro - Hitoyoshi	51.8	—	2,171	— (414)	—
		Hitoyoshi - Yoshimatsu	35.0	—	569	— (106)	—
⑪		Yoshimatsu - Hayato	37.4	-262	1,109	518 (605)	-53%
⑫	Misumi Line	Uto - Misumi	25.6	-281	2,415	776	-68%
⑬	Kitto Line	Miyakonojō - Yoshimatsu	61.6	-341	1,518	397	-74%
⑭	Ibusuki Makurazaki Line	Kiire - Ibusuki	19.1	-185	3,687	1,674	-55%
		Ibusuki - Makurazaki	42.1	-494	942	240	-74%
⑮	Nichinan Line	Tayoshi - Aburatsu	44.0	—	2,129	— (934)	—
		Aburatsu - Shibushi	42.9	—	669	— (171)	—

* Figures in parentheses show the average number of passengers in the fiscal year before the disaster occurred. 41

The BRT on the Hitahikosan Line

- In summer of 2023, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- Through cooperation with local governments and related organizations, we plan to establish 37 BRT stations (12 train stations, plus 25 new BRT stations), mainly in areas closely connected to daily life, such as schools and hospitals.



Concept "Friendly to people, communities, and the future"



The logo is intended to evoke an image of creating new attractiveness and brilliance in the community.



Conceptual design of a BRT station

The basic design was conceived in cooperation between members of the Company, mainly young employees who are engaged in construction work, and the local community.

Environmental considerations

Introduction of electric buses



BRT vehicles will include environmentally friendly electric buses.

Note: Some medium-sized diesel buses will be used to meet school commuting demand.

Resource recycling initiatives



Rails from the track were cut and driven into the ground as earth retaining piles for the dedicated road, and the ballast was mixed with gravel and reused as a base for the pavement.

Damage to the Hisatsu Line due to Heavy Rains in July 2020

We participated in the JR Hisatsu Line Review Conference held by the Ministry of Land, Infrastructure, Transport and Tourism and Kumamoto Prefecture concerning policy for restoring the Hisatsu Line. The policy on restoration is being discussed carefully from various perspectives, including sustainability (factors such as recovery and maintenance costs, and forecasts for the usage of the line once service is restored).



JR Hisatsu Line Review Conference

- Purpose of the conference:
To consider how to restore the Hisatsu Line, which was damaged by heavy rains, including the possibility of linking the line restoration with rivers, roads, and other public works, and what the Hisatsu Line should look like after restoration
- Attendees:
Personnel from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT); Kumamoto Prefecture; the Kyushu District Transport Bureau; the Kyushu Regional Development Bureau; and JR Kyushu
- Summary of the conference Note: Subsequent meeting dates remain to be determined.

First review conference (March 22, 2022)	• JR Kyushu reported on the status of key damage and provided a general estimate indicating that railway restoration costs would amount to around ¥23.5 billion *1.
Second review conference (May 20, 2022)	• MLIT indicated that the majority of the cost of reconstruction of the two bridges would be borne by the river administrator (national government) in coordination with disaster restoration work on national roads and other areas, and that restoration costs would be ¥7.6 billion *1 if the bridges were restored to railway use. MLIT also introduced a disaster recovery subsidy system as a possible way to further reduce ¥7.6 billion*1 burden on the operator (JR Kyushu). • JR Kyushu presented data*2 on usage of the Hisatsu Line prior to the disaster in order to consider sustainability.

*1 Restoration amounts listed are calculated under certain conditions and may vary depending on circumstances.

*2 Operating loss on the Yatsushiro–Yoshimatsu segment: Around ¥0.9 billion (as of FY20.3, prior to the disaster)

Forward-Looking Statements

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

These statements are judgments made by the Company based on information, projections, and assumptions available at the time of the materials' creation. Accordingly, please be advised that actual operating results could greatly differ from the contents of the materials due to the influence of COVID-19; changes in people's values and lifestyles; the economic situation inside and outside Japan and the economic situation in Kyushu; real estate market conditions; the progress of respective projects; changes in laws and regulations; and a wide range of other risk factors.

IR materials can be viewed on our corporate website:
https://www.jrkyushu.co.jp/company/ir_eng/library/earnings/