

FY23.3

Annual Investors Meeting

May 12, 2023

KYUSHU RAILWAY COMPANY

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Highlights

Financial results and year-end dividend for FY23.3

- Although performance was affected by COVID-19, demand recovered gradually in all segments. As a result, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all increased year on year.
- We are planning a year-end dividend of ¥93 per share (annual dividend: ¥93 per share).

Performance forecasts and dividend forecasts for FY24.3

- Despite expected declines in the sale of properties and higher energy costs, we anticipate higher revenues and income owing such factors as gradual demand recovery in each segment and the New Nagasaki Station Building development.
- We forecast an annual dividend of ¥93 per share (year-end dividend only).

Progress of the medium-term business plan

- Based on the key strategies of the medium-term business plan, we will pursue our goal of “Completing Business Structural Reforms” through the implementation of projects such as the Future Railway Project. We will also work towards “Creating a Model for Building Cities that Promote Well-Being” by promoting city-building in the western Kyushu and other areas, including the development of the New Nagasaki Station Building, which includes the Nagasaki Marriott Hotel. Furthermore, we will strive for “Developing Businesses in New Areas in Which We Can Contribute” by establishing an intermediate holding company for our construction segment to strengthen our BtoB and BtoG businesses.

I Financial Results for FY23.3

Consolidated Financial Highlights for FY23.3

	Results FY22.3	Results FY23.3	YoY	(¥bil)
Operating revenue	329.5	383.2	53.7	116.3%
Operating income	3.9	34.3	30.3	870.2%
Ordinary income	9.2	35.7	26.4	386.5%
Extraordinary gains and losses	(2.6)	4.5	7.2	-
Net income attributable to owners of the parent	13.2	31.1	17.9	235.2%
EBITDA*	30.7	63.8	33.1	207.6%

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

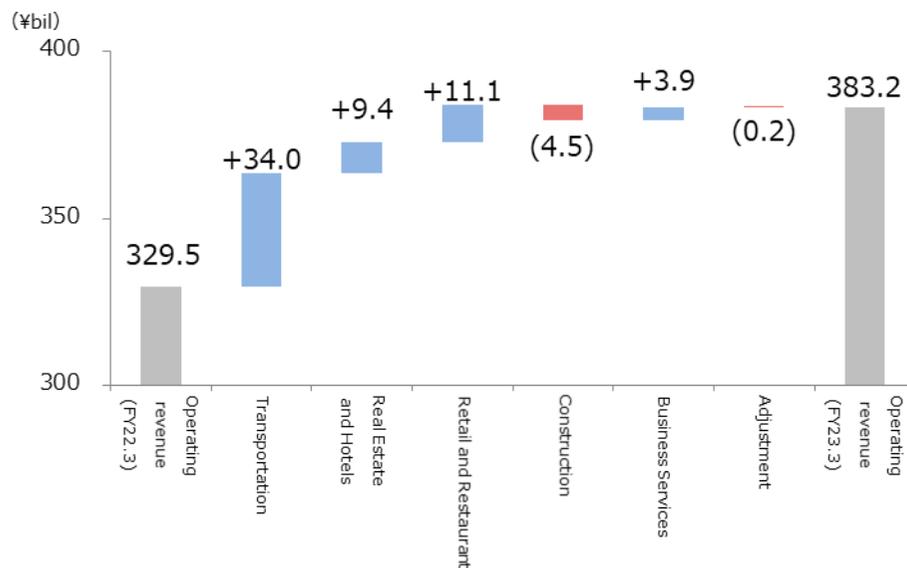
Operating revenue

Revenues increased, owing to such factors as gradual demand increases in each business.

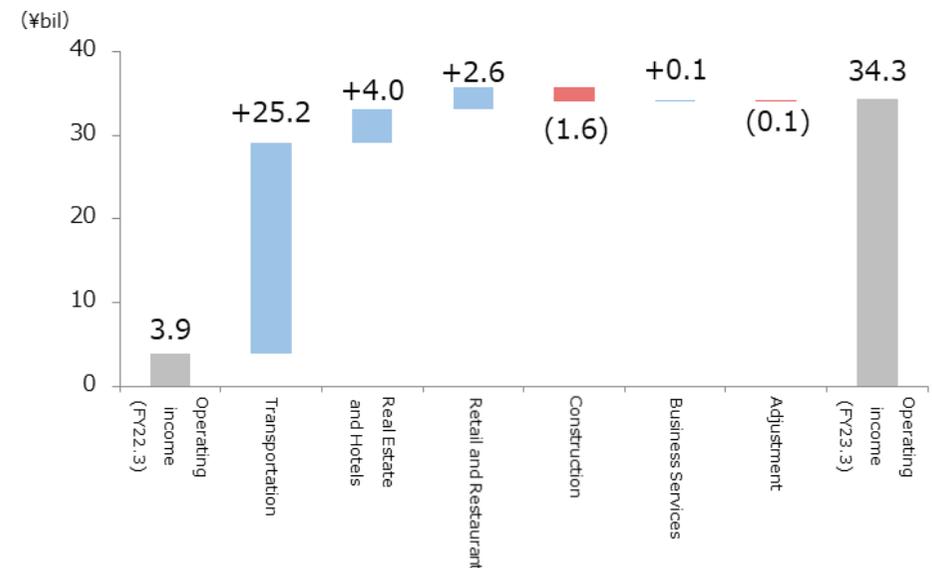
Operating income

Despite higher energy costs in the railway business, income rose due to higher operating revenue and the reduction of fixed costs in the railway business, as well as other factors.

Change in operating revenue by segment

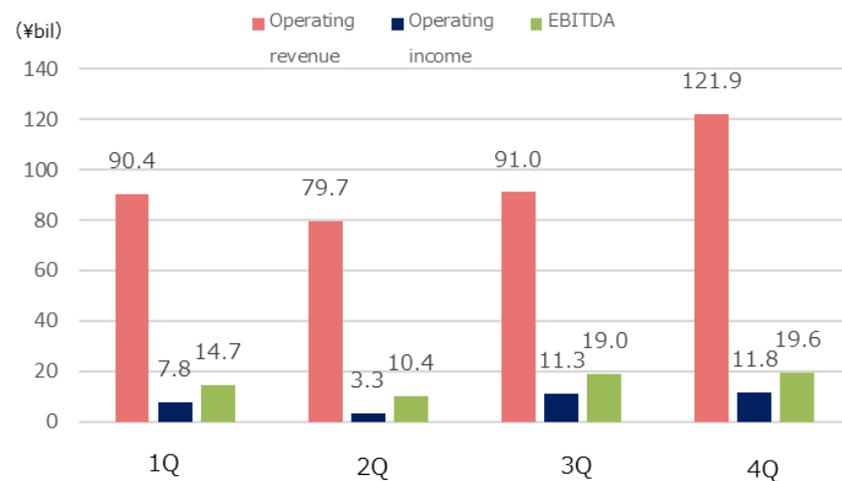


Change in operating income by segment



Quarterly trend of FY23.3

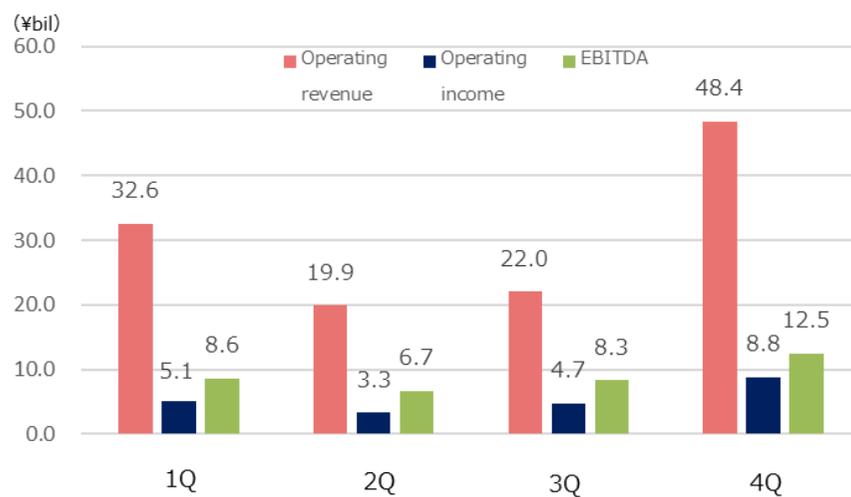
Consolidated



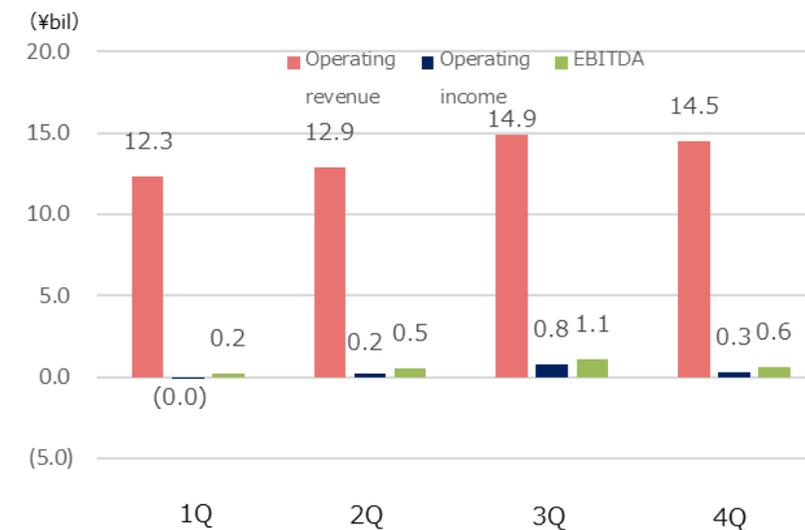
Railway Business (non-consolidated)



Real Estate and Hotels Segment



Retail and Restaurant segment



FY23.3 Segment settlement (Shown According to New Segments)

(¥bil)

	Results FY22.3	Results FY23.3	YoY		Major factors
Operating revenue	329.5	383.2	53.7	116.3%	
Transportation	104.2	138.3	34.0	132.6%	
Railway Business (non-consolidated)	102.9	136.5	33.5	132.6%	Increase due to moderate recovery in demand
Real Estate and Hotels	113.7	123.1	9.4	108.3%	
Real Estate Lease	58.5	62.6	4.0	107.0%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	46.1	43.5	(2.5)	94.4%	Decrease in the sale of properties
Hotel Business	8.9	16.9	7.9	188.1%	Increase due to moderate recovery in demand
Retail and Restaurant	43.6	54.7	11.1	125.5%	Increase due to moderate recovery in demand
Construction	92.9	88.3	(4.5)	95.1%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	69.5	73.4	3.9	105.7%	
Operating income	3.9	34.3	30.3	870.2%	
Transportation	(22.7)	2.5	25.2	-	
Railway Business (non-consolidated)	(22.0)	3.1	25.1	-	
Real Estate and Hotels	18.0	22.1	4.0	122.7%	
Real Estate Lease	14.7	14.8	0.1	100.9%	
Real Estate Sales	6.2	6.2	0.0	100.4%	
Hotel Business	(2.9)	0.9	3.9	-	
Retail and Restaurant	(1.2)	1.4	2.6	-	
Construction	7.0	5.4	(1.6)	77.1%	
Business Services	3.3	3.4	0.1	104.5%	
EBITDA	30.7	63.8	33.1	207.6%	
Transportation	(14.1)	13.1	27.3	-	
Railway Business (non-consolidated)	(13.7)	13.5	27.2	-	
Real Estate and Hotels	31.9	36.2	4.3	113.5%	
Real Estate Lease	26.5	26.7	0.2	100.8%	
Real Estate Sales	6.2	6.2	0.0	100.4%	
Hotel Business	(0.7)	3.2	4.0	-	
Retail and Restaurant	0.0	2.7	2.6	-	
Construction	8.0	6.5	(1.5)	80.7%	
Business Services	5.7	6.2	0.5	109.3%	

FY23.3 Non-consolidated settlement

(¥bil)

	Results FY22.3	Results FY23.3	YoY		Major factors
Operating revenue	179.9	211.6	31.6	117.6%	
Railway transportation revenues	89.3	121.4	32.0	135.9%	Increase due to moderate recovery in demand
Shinkansen	27.4	44.0	16.5	160.4%	
Conventional Lines	61.9	77.4	15.4	125.0%	
Other revenue	90.6	90.1	(0.4)	99.5%	
Operating expense	181.3	188.7	7.4	104.1%	
Personnel expense	40.8	40.3	(0.4)	98.9%	
Non-personnel expense	113.2	118.9	5.6	105.0%	
Energy cost	8.6	10.7	2.1	124.2%	Unit price increase due to soaring resource prices
Maintenance cost	30.0	30.4	0.4	101.4%	
Other	74.5	77.6	3.1	104.2%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	11.5	0.2	101.8%	
Depreciation cost	15.9	17.9	2.0	113.0%	
Operating income	(1.3)	22.8	24.1	-	
Non-operating income and expense	3.5	4.3	0.7	121.2%	Increase in dividend income
Ordinary income	2.2	27.1	24.8	-	
Extraordinary gain and losses	(2.0)	3.8	5.8	-	Increase due to a gain on the sales of Huis Ten Bosch shares
Net income	8.9	25.4	16.4	283.9%	

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

(¥bil)

		Results FY22.3	Results FY23.3	YoY	
Railway business	Operating revenue	102.9	136.5	33.5	132.6%
	Operating income	(22.0)	3.1	25.1	-
Related businesses	Operating revenue	77.0	75.0	(1.9)	97.5%
	Operating income	20.7	19.6	(1.0)	94.9%

II Performance Forecasts and Dividend Forecasts for FY24.3

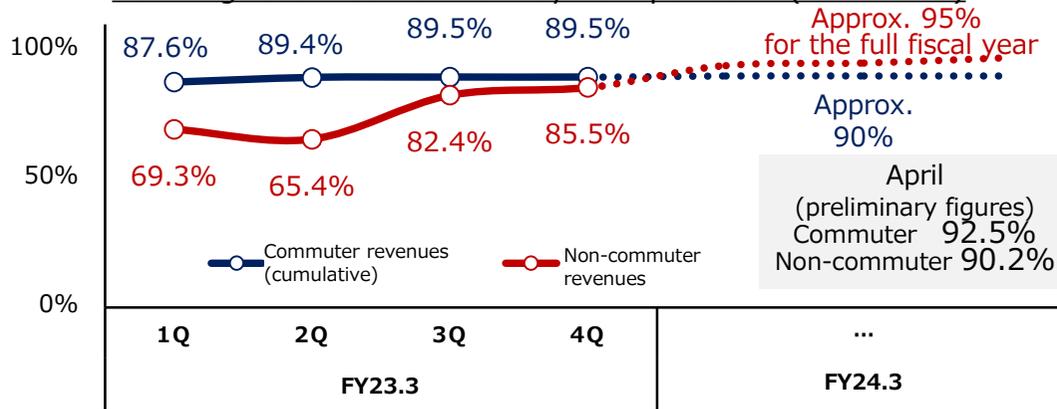
Performance Forecasts for FY24.3: Key Business Assumptions

We expect revenue to maintain its recovery trend from 2H FY23.3. However, we anticipate higher energy costs in the railway business and also expect opening expenses related to the Nagasaki Station area development.

Railway Business

- We expect handling revenues from railway transportation to reach around 94% of FY19.3 levels.
- We expect a ¥14.0 billion effect of fixed cost reduction due to BPR to continue.
- We expect energy costs to rise ¥1.6 billion (up 15%) from FY23.3.

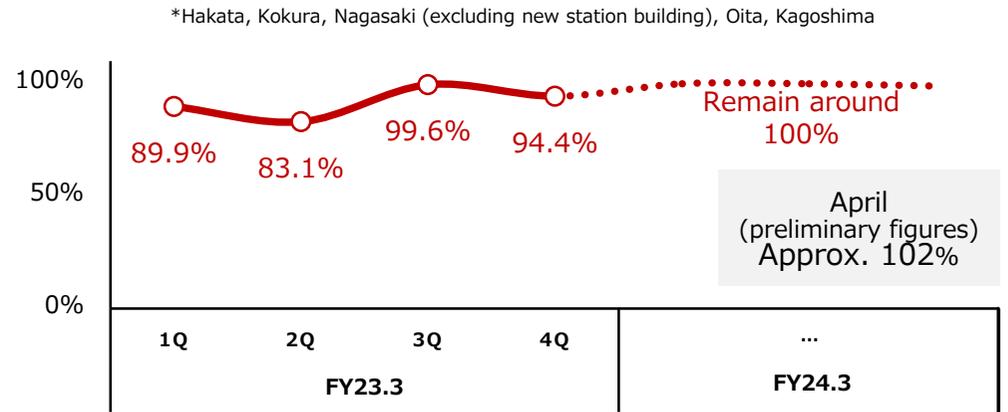
Handling revenues from railway transportation (vs. FY19.3)



Real Estate Leasing Business

- We expect tenant sales from main existing station buildings to be around 100% of FY19.3 levels.
- The New Nagasaki Station Building is slated to open in autumn 2023.

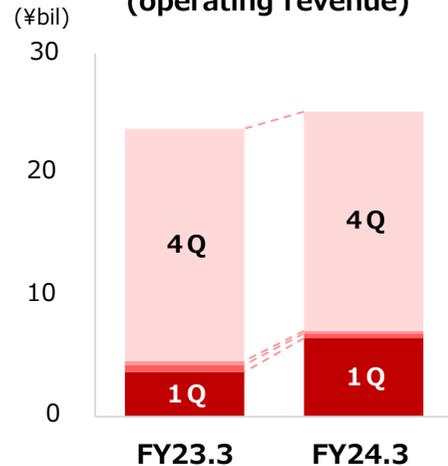
Tenant sales at key existing station buildings* (vs. FY19.3)



Real Estate Sales Business

- We expect operating revenue from condominiums to rise slightly from FY23.3 levels.
- We anticipate combined operating revenue of around ¥10.0 billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).

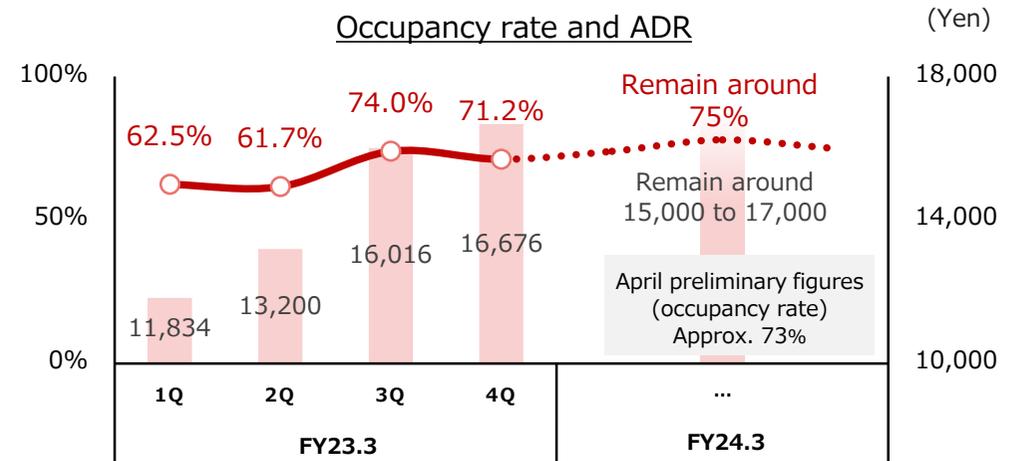
Condominium sales forecast (operating revenue)



Hotel business

- We assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- The Nagasaki Marriott Hotel is scheduled to open in early 2024.

Occupancy rate and ADR



Consolidated Financial Forecast Highlights for FY24.3

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY	
Operating revenue	383.2	417.0	33.7	108.8%
Operating income	34.3	45.7	11.3	133.1%
Ordinary income	35.7	45.9	10.1	128.6%
Net income attributable to owners of the parent	31.1	40.7	9.5	130.6%
EBITDA	63.8	78.3	14.4	122.6%

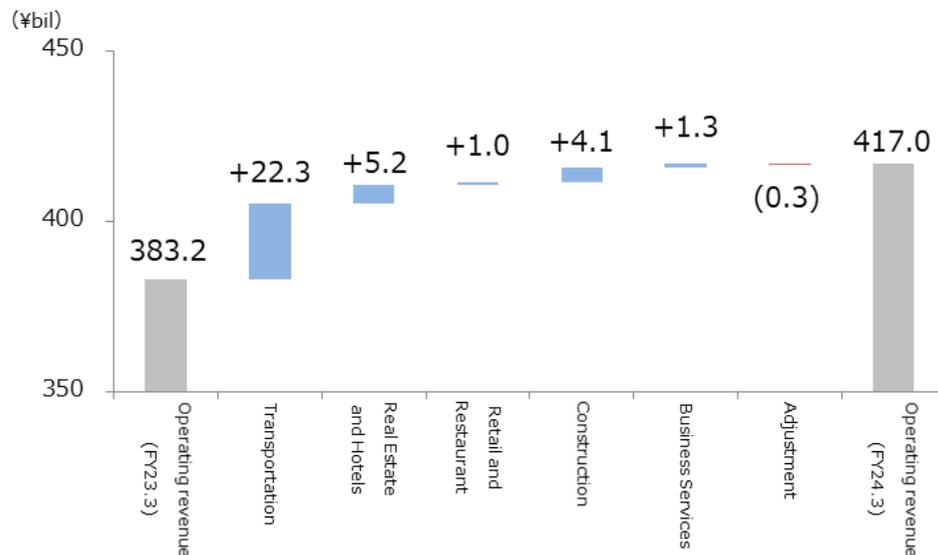
Operating revenue

Even though we expect a decrease in the sale of properties, we anticipate a rise in revenues owing to such factors as the gradual recovery of demand in each segment and the opening of the Nagasaki Station area development.

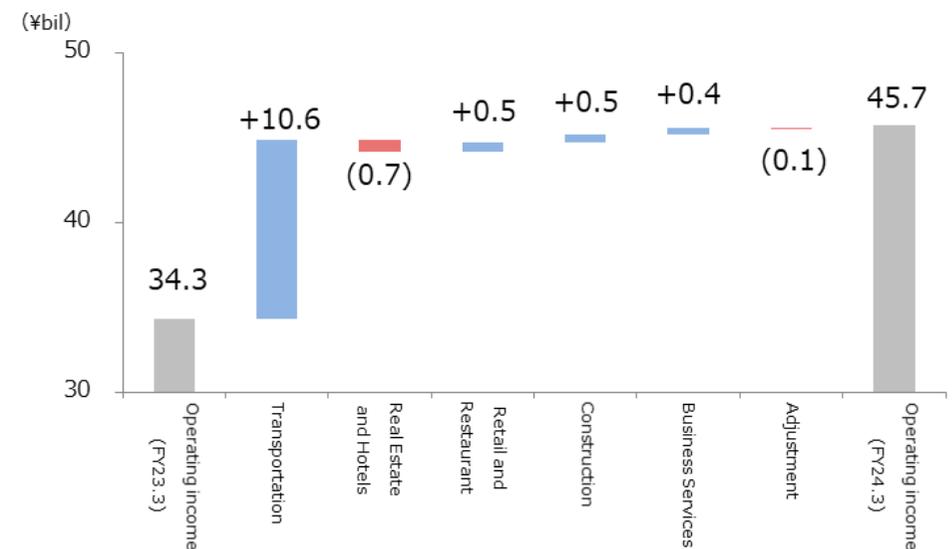
Operating income

We anticipate higher income, owing to increased operating revenues, despite rising energy costs in the railway business, expenses related to the opening of the Nagasaki Station area development, and other expenses.

Change in operating revenue by segment



Change in operating income by segment



Consolidated Financial Forecasts for FY24.3 (by segment)

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	383.2	417.0	33.7	108.8%	
Transportation	138.3	160.7	22.3	116.2%	Increase due to moderate recovery in demand
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%	
Real Estate and Hotels	123.1	128.4	5.2	104.3%	
Real Estate Lease	62.6	68.7	6.0	109.7%	Increase in revenues from leases due to moderate recovery in demand and opening of the New Nagasaki Station Building and other facilities
Real Estate Sales	43.5	38.7	(4.8)	88.8%	Decrease in the sale of properties
Hotel Business	16.9	21.0	4.0	124.2%	Increase due to moderate recovery in demand
Retail and Restaurant	54.7	55.8	1.0	101.9%	
Construction	88.3	92.5	4.1	104.7%	
Business Services	73.4	74.8	1.3	101.8%	
Operating income	34.3	45.7	11.3	133.1%	
Transportation	2.5	13.2	10.6	523.2%	
Railway Business (non-consolidated)	3.1	13.3	10.1	422.7%	
Real Estate and Hotels	22.1	21.4	(0.7)	96.8%	
Real Estate Lease	14.8	15.3	0.4	102.7%	
Real Estate Sales	6.2	5.1	(1.1)	81.6%	
Hotel Business	0.9	1.0	0.0	104.0%	
Retail and Restaurant	1.4	2.0	0.5	141.7%	
Construction	5.4	6.0	0.5	110.2%	
Business Services	3.4	3.9	0.4	111.9%	
EBITDA	63.8	78.3	14.4	122.6%	
Transportation	13.1	25.4	12.2	193.3%	
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%	
Real Estate and Hotels	36.2	37.4	1.1	103.1%	
Real Estate Lease	26.7	28.6	1.8	107.0%	
Real Estate Sales	6.2	5.1	(1.1)	81.3%	
Hotel Business	3.2	3.7	0.4	112.4%	
Retail and Restaurant	2.7	3.3	0.5	121.1%	
Construction	6.5	7.1	0.5	109.1%	
Business Services	6.2	6.3	0.0	100.9%	

Non-consolidated Financial Forecasts for FY24.3

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	211.6	228.6	16.9	108.0%	
Railway transportation revenues	121.4	142.8	21.3	117.6%	Increase due to moderate recovery in demand
Shinkansen	44.0	53.9	9.8	122.4%	
Conventional Lines	77.4	88.9	11.4	114.9%	
Other revenue	90.1	85.8	(4.3)	95.2%	Decrease in the sale of properties
Operating expense	188.7	197.1	8.3	104.4%	
Personnel expense	40.3	41.0	0.6	101.6%	
Non-personnel expense	118.9	122.6	3.6	103.1%	
Energy cost	10.7	12.4	1.6	115.0%	Unit price increase due to soaring resource prices
Maintenance cost	30.4	32.5	2.0	106.7%	Increase due to lifting of emergency restraints
Other	77.6	77.7	0.0	100.0%	
Taxes	11.5	12.5	0.9	108.3%	
Depreciation cost	17.9	21.0	3.0	116.7%	
Operating income	22.8	31.5	8.6	138.1%	
Non-operating income and expense	4.3	5.4	1.0	124.5%	
Ordinary income	27.1	36.9	9.7	135.9%	
Extraordinary gain and losses	3.8	7.0	3.1	184.1%	Increase due to a gain on the transfer of Drug Eleven shares
Net income	25.4	36.8	11.3	144.8%	

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

(¥bil)

		Results FY23.3	Forecasts FY24.3	YoY	
Railway business	Operating revenue	136.5	156.9	20.3	114.9%
	Operating income	3.1	13.3	10.1	422.7%
Related businesses	Operating revenue	75.0	71.7	(3.3)	95.5%
	Operating income	19.6	18.2	(1.4)	92.5%

FY24.3 Dividend Forecasts

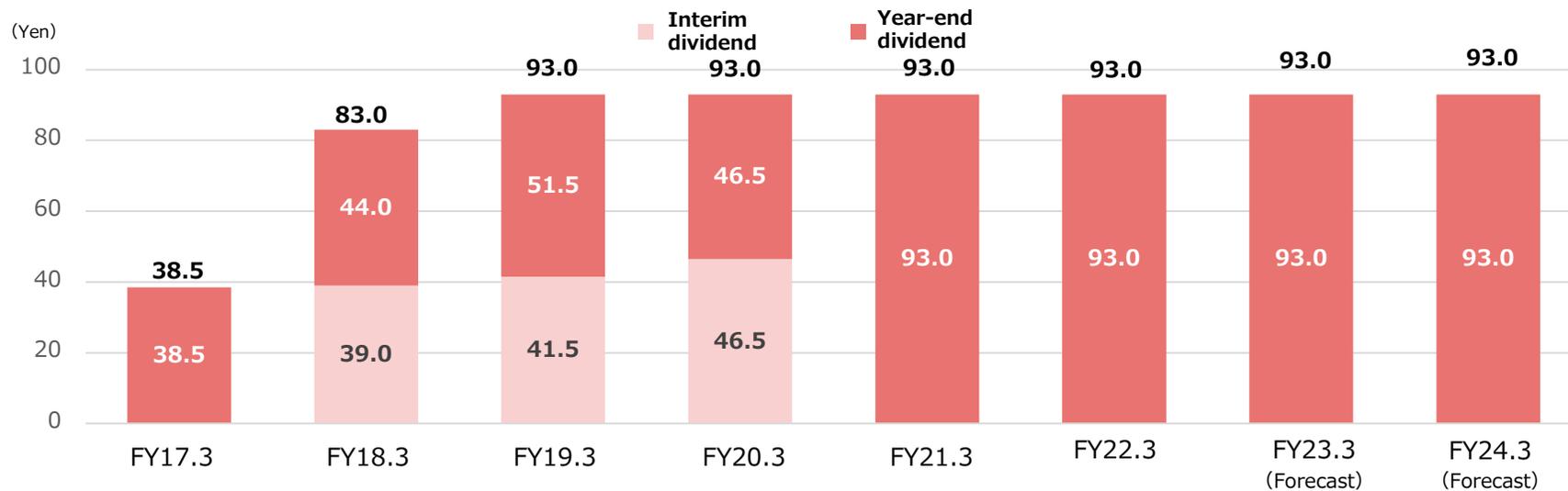
Shareholder return policy

- 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**.

FY24.3 dividend forecasts

- Taking the above-mentioned policy into consideration, **we forecast a FY24.3 dividend of ¥93.0 per share**.
- As in FY23.3, in FY24.3 we plan to award a single dividend at year-end (no interim dividend).

(Reference) Annual dividends per share



Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	110.3%	46.9%	35.9%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	110.3%	46.9%	35.9%

* Implementation of a share repurchase (¥10 billion)

Transportation Segment

- We expect handling revenues from railway transportation to reach around 94% of FY19.3 levels.
- With regard to expenses in the railway business, we expect the effects of a ¥14.0 billion reduction in fixed costs to continue. However, we also anticipate a decrease in emergency restraints and an increase in energy costs.

[Results]

	FY22.3 Results	FY23.3 Results	YoY	(¥bil)
Operating revenue	104.2	138.3	34.0	132.6%
Railway Business (non-consolidated)	102.9	136.5	33.5	132.6%
Railway transportation revenues	89.3	121.4	32.0	135.9%
Operating income	(22.7)	2.5	25.2	-
Railway Business (non-consolidated)	(22.0)	3.1	25.1	-
EBITDA	(14.1)	13.1	27.3	-
Railway Business (non-consolidated)	(13.7)	13.5	27.2	-

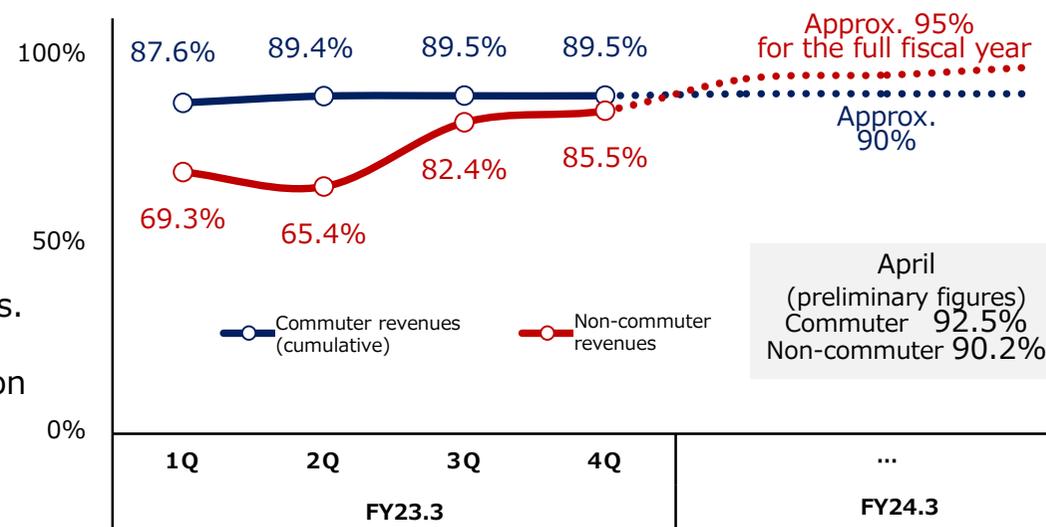
[Forecasts]

	FY23.3 Results	FY24.3 Forecasts	YoY	(¥bil)
Operating revenue	138.3	160.7	22.3	116.2%
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%
Railway transportation revenues	121.4	142.8	21.3	117.6%
Operating income	2.5	13.2	10.6	523.2%
Railway Business (non-consolidated)	3.1	13.3	10.1	422.8%
EBITDA	13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%

Assumptions behind performance forecasts

- In FY24.3, we expect commuter revenues to be around 90% of FY19.3 levels, and non-commuter revenues to be around 95%.
- We expect to continue realizing the effects of a ¥14.0 billion reduction in fixed costs in the railway business, achieved in FY23.3. In addition, we anticipate ¥1.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.
- We believe energy costs in the railway business will be ¥1.6 billion higher (up 15%) than FY23.3 levels, due to soaring electricity prices.

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



Real Estate and Hotels Segment: Real Estate Leasing Business

- We expect the recovery in tenant sales at existing station buildings to continue from 2H FY23.3.
- Several new properties are scheduled to open, including the New Nagasaki Station Building, which is slated to open in autumn 2023.

【Results】

	(¥bil)			
	FY22.3 Results	FY23.3 Results	YoY	
Operating revenue	58.5	62.6	4.0	107.0%
Operating income	14.7	14.8	0.1	100.9%
EBITDA	26.5	26.7	0.2	100.8%

【Forecasts】

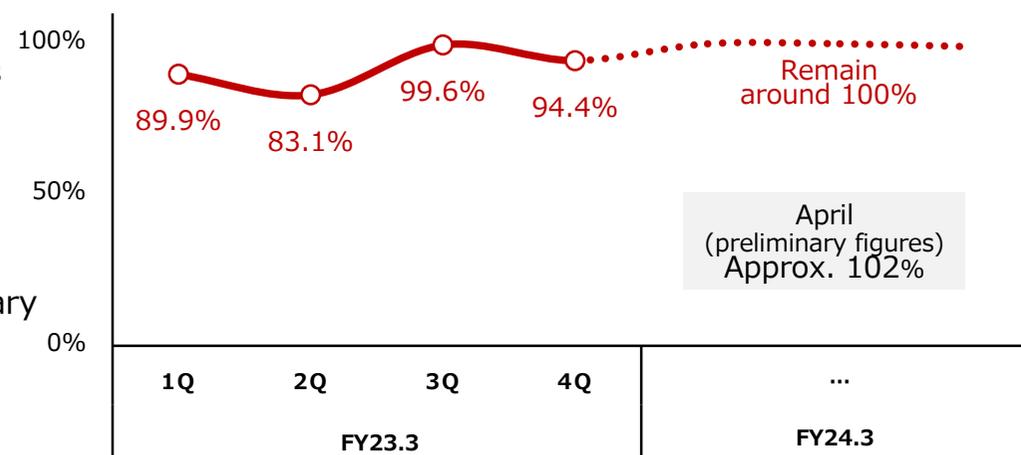
	(¥bil)			
	FY23.3 Results	FY24.3 Forecasts	YoY	
	62.6	68.7	6.0	109.7%
	14.8	15.3	0.4	102.7%
	26.7	28.6	1.8	107.0%

Assumptions behind performance forecasts

- We anticipate that tenant sales at five existing station buildings will reach around 100% of FY19.3 levels.
- At office buildings and rental apartments, we expect a decline in rents due to the sale of properties, although we expect performance to remain solid.
- Openings include the JR Kagoshima Chuo Building in April 2023, the New Nagasaki Station Building (tentative name) in autumn 2023, the project to utilize the former site of Sunoko elementary school in January 2024, and the project for effective use of the site of the Fukuoka Prefecture east government building in March 2024.

Tenant sales at key existing station buildings* (vs. FY19.3)

*Hakata, Kokura, Nagasaki (excluding new station building), Oita, Kagoshima



Real Estate and Hotels Segment: Real Estate Sales Business

- We expect revenue from the sale of condominiums to be up slightly from FY23.3 levels.
- We expect revenue from the sale of properties to decline, reflecting the FY23.3 sale of an office building to a third party.

【Results】

	(¥bil)			
	FY22.3 Results	FY23.3 Results	YoY	
Operating revenue	46.1	43.5	(2.5)	94.4%
Operating income	6.2	6.2	0.0	100.4%
EBITDA	6.2	6.2	0.0	100.4%

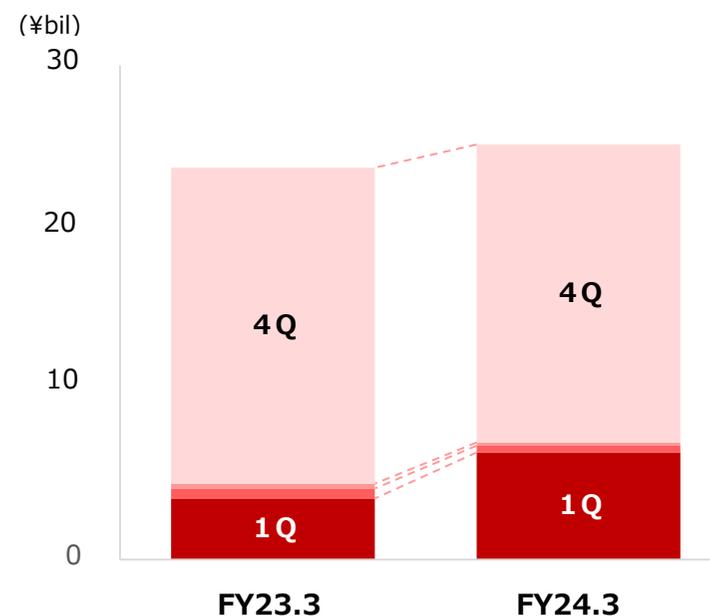
【Forecasts】

	(¥bil)			
	FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	43.5	38.7	(4.8)	88.8%
Operating income	6.2	5.1	(1.1)	81.6%
EBITDA	6.2	5.1	(1.1)	81.3%

Assumptions behind performance forecasts

- We expect operating revenue from condominiums to be up slightly compared with FY23.3 levels.
- We anticipate combined operating revenue of around ¥10.0 billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3)

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel Business

- We expect occupancy rates and ADR to maintain the recovery trend that began in 2H FY23.3.
- URESHINO YADOYA and Nagasaki Marriott Hotel are scheduled to open.

【Results】

	(¥bil)			
	FY22.3 Results	FY23.3 Results	YoY	
Operating revenue	8.9	16.9	7.9	188.1%
Operating income	(2.9)	0.9	3.9	-
EBITDA	(0.7)	3.2	4.0	-

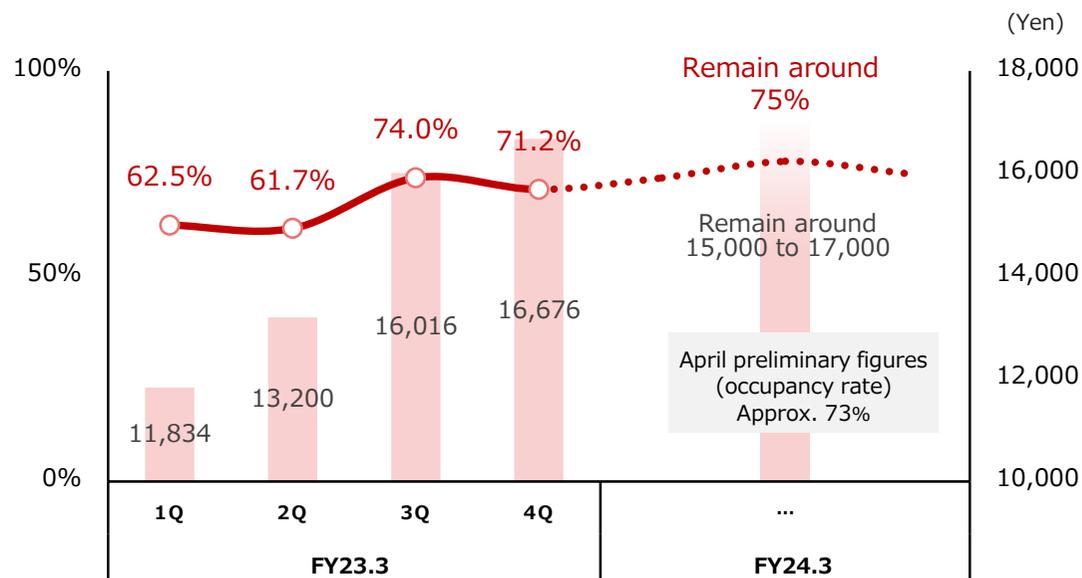
【Forecasts】

	(¥bil)			
	FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	16.9	21.0	4.0	124.2%
Operating income	0.9	1.0	0.0	104.0%
EBITDA	3.2	3.7	0.4	112.4%

Assumptions behind performance forecasts

- Across all hotels in Japan, we assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- URESHINO YADOYA (36 rooms) is scheduled to open in autumn 2023, followed by Nagasaki Marriott Hotel (200 rooms) in early 2024.
- Blossom Fukuoka (90 rooms) is closed until May 2023 due to building maintenance.
- On May 1, 2023, the sublease on the JR Kyushu Hotel Kokura (187 rooms, operated as a COVID-19 convalescent facility in FY23.3) was transferred from our subsidiary to a third party, and the subsidiary withdrew from hotel operations.
- JR Hotel Yakushima (46 rooms) is scheduled to transfer to a third party on June 1, 2023.

Occupancy rate and ADR



III Progress 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.

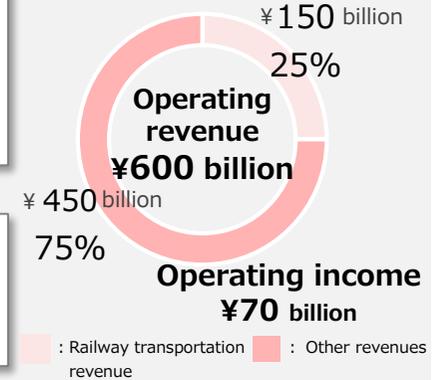
Policy ①

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*]

(¥bil)

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

[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), ■ Maintenance and upgrade investment, ■ Safety investment

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.

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

Positioning of FY24.3

Operating environment and policies in FY24.3

- Although we expect personal consumption to be affected by higher energy, raw materials, and other costs, as well as a sharp rise in commodities prices, we anticipate a gradual recovery in demand, mainly for transportation and hotels, as COVID-19 is recategorized as "Class 5."
- To achieve a rapid return to a growth trajectory, we will move steadily forward with city-building along the tracks to take advantage of the opening of the Nishi-Kyushu Shinkansen and other opportunities, and invest proactively to realize our medium-term business plan and the 2030 Long-Term Vision.

Key measures of each key strategy in FY24.3

Key strategy ①

Completing business structural reforms

Railway

Steadily implement the Future Railway Project and innovate in maintenance operations across railroad engineering disciplines.

Key strategy ②

Creating a model for building cities that promote well-being

Nishi-Kyusyu

Maximize the effects of the opening of the Nishi-Kyushu Shinkansen by opening the New Nagasaki Station Building, URESHINO YADOYA, the Nagasaki Marriott Hotel, and other facilities.

Fukuoka

Promote integrated development in the Fukuoka area, including the project for effective use of site of Fukuoka Prefecture east government building.

Key strategy ②

Developing businesses in new areas in which we can contribute

Reinforce BtoB/BtoG

Establish an intermediate holding company in the construction segment

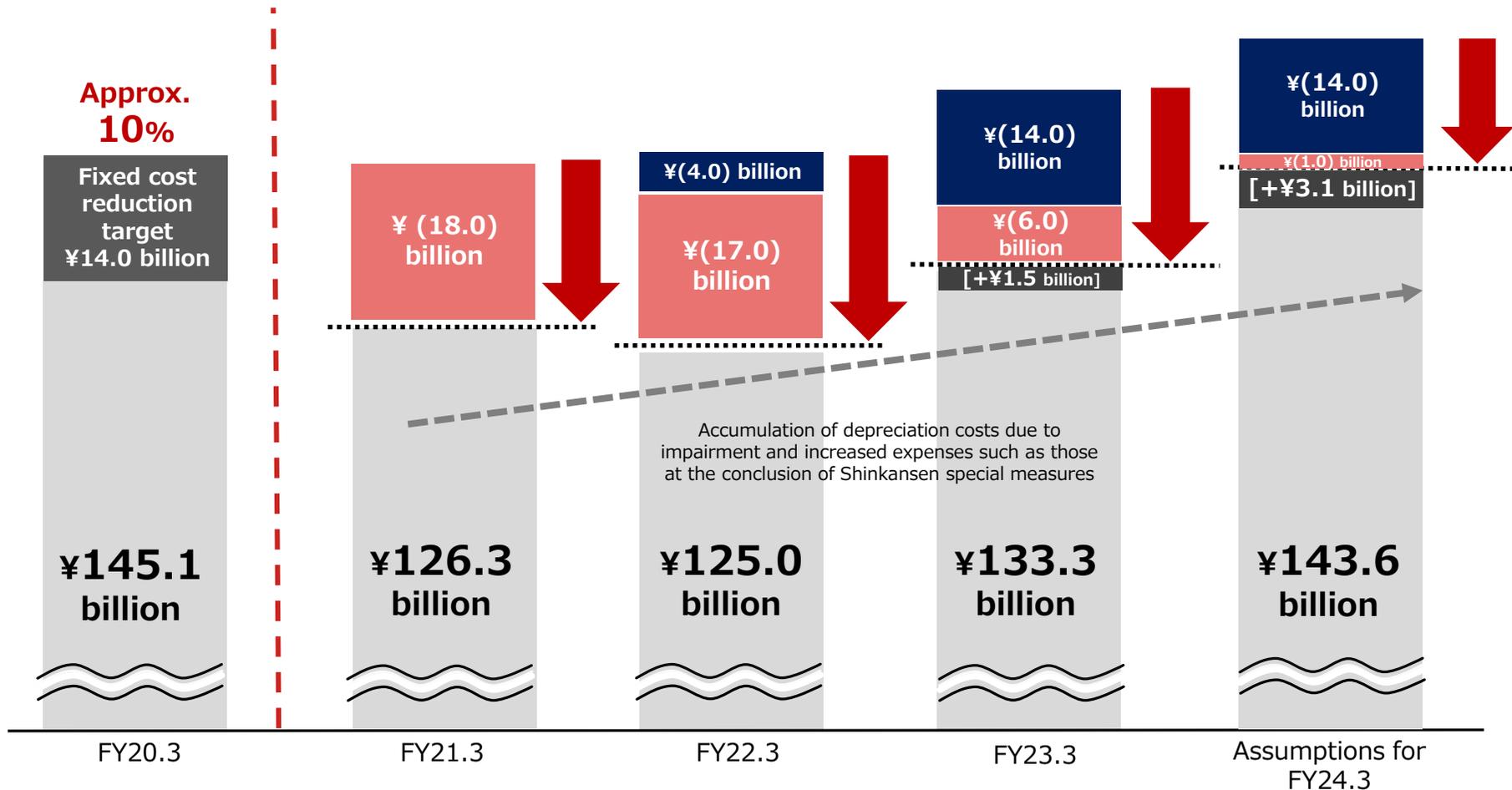
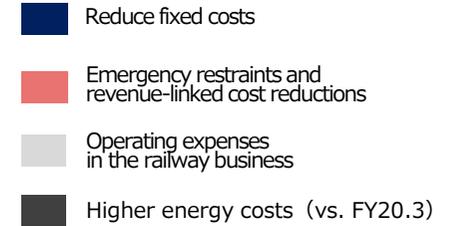
Key strategy ① Completing Business Structural Reforms: Railway Business Through BPR*

* Business Process Re-engineering

The ¥14.0 billion reduction in fixed costs in the railway business, due to BPR, which were initiated in response to COVID-19, were completed in FY23.3 and have helped to return the railway business to profitability.

Completion of BPR

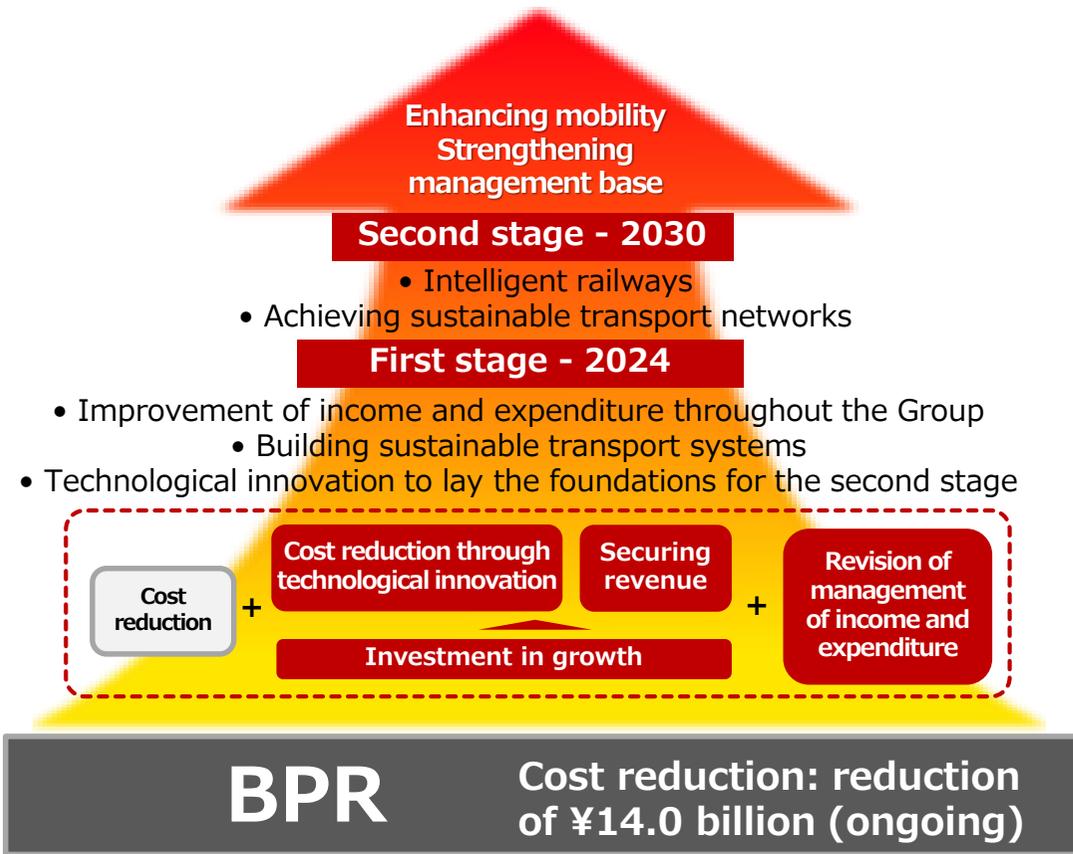
- Amid the accumulation of depreciation costs and increased expenses such as those at the conclusion of Shinkansen special measures, JR Kyushu completed BPR in FY23.3. We expect to continue realizing a reduction in fixed costs of ¥14.0 billion per year.
- In the current fiscal year, we anticipate emergency restraints of ¥1.0 billion.



Key strategy ① Completing Business Structural Reforms: Railway Business Through The Future Railway Project

Taking a railway business streamlined through BPR as our starting point, we will work to advance mobility and strengthen our management base through the “Future Railway Project” to create the “railway of the future” that will drive city-building in Kyushu.

Create the “railway of the future” to drive city-building in Kyushu.

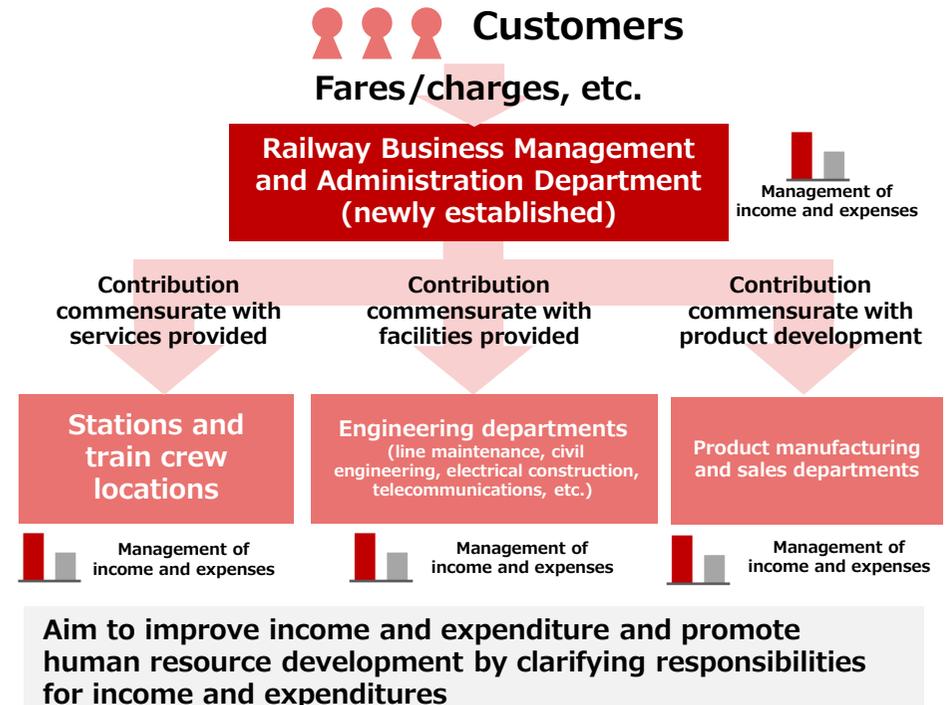


FY24.3 initiatives

- We will continue moving forward with cross-organizational studies via nine cross-functional teams.
- In FY24.3, we will move to CBM and review ticket prices (such as Green Car (first class) fees). We expect such efforts to have around a ¥1.0 billion improvement effect on income and expenses.

Example of initiatives: Future management of income and expenses

In April 2023, begin full-fledged operation of management accounting using “amoeba management” that is customized for the railway business.



Key strategy ② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

Aiming to maximize the opening effect of the Nishi-Kyushu Shinkansen by promoting development in the western Kyushu area, using the opening of the Nishi-Kyushu Shinkansen as a catalyst

Effects of opening the Nishi-Kyushu Shinkansen and development plans for the western Kyushu area

Number of people using the Nishi-Kyushu Shinkansen
(September 23, 2022 to April 22, 2023)

Approx. 6,600/day
101% of FY19.3 levels

Notes: Results on the section between Takeo Onsen and Nagasaki
The comparison with FY19.3 levels is on the same day, for the Kamome limited express on the section between Isahaya and Nagasaki.

Nishi-Kyushu Shinkansen Revenues
(September 23, 2022 to March 31, 2023)

¥2.5 billion

Number of people using TWO STARS
(September 23, 2022 to March 31, 2023)

162/day Boarding efficiency of 93%

Note: Operates mainly on Fridays, Saturdays, Sundays, Mondays, and Holidays, and the number of personnel per train is fixed at 87.

Occupancy index (difference vs. 2019)
(March 2023)

Nagasaki 82.9(+20.5)
Ureshino 93.8(+20.1)
[Reference] Nationwide 74.6(+18.7)

Note: The index is calculated by Kyushu Economic Research Center based on room availability data collected and compiled by lodging reservation sites. Numbers range from 0 to 100, with higher numbers indicating better operations.



April 2023 **Autumn 2023** **Early 2024**

A Renovation under the elevated tracks at Saga Station

B URESHINO YADOYA (Japanese-style inn with hot spring)

C New Nagasaki Station Building (tentative name) **C Nagasaki Marriott Hotel**

Floor space: Approx. 102,000m² (of which, approx. 41,000m² for retail use, approx. 9,000m² for offices, and approx. 20,000m² for hotel/200 rooms)
[Reference] Existing station building: 58,500m²



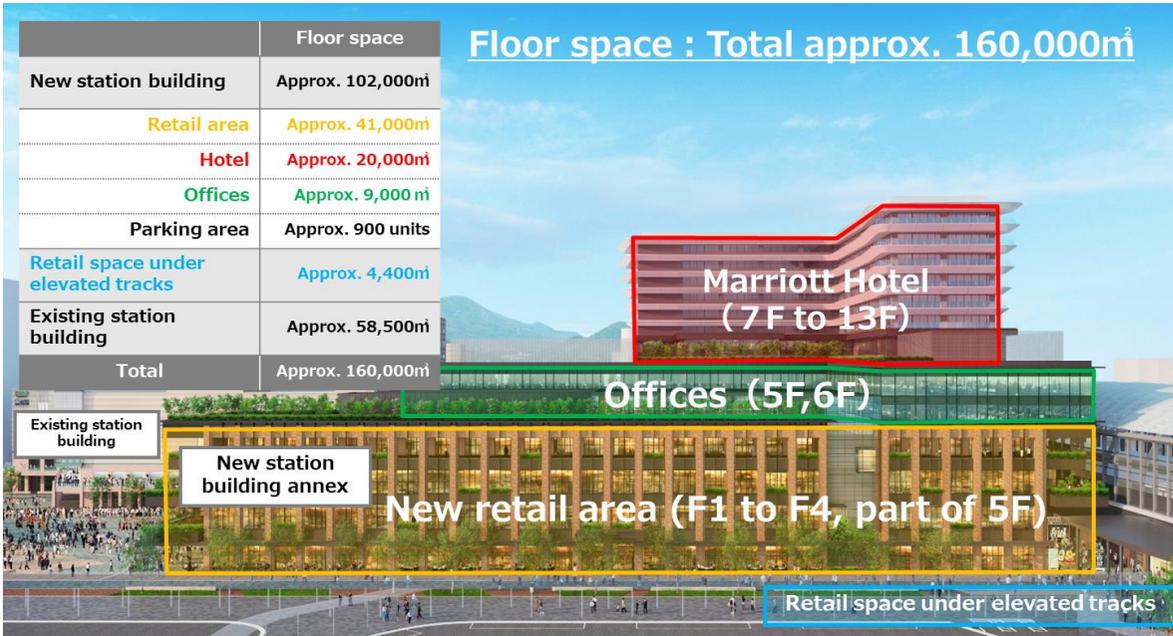
Area affected: Approx. 2,800m²

Guest rooms: 36

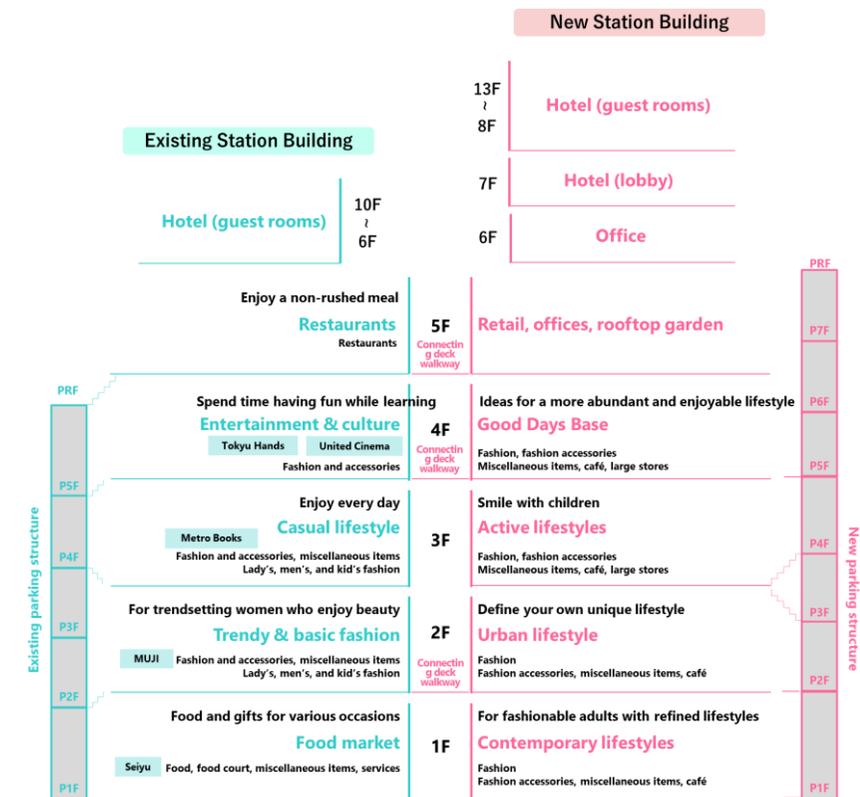
Key strategy② Creating a model for building cities that promote well-being: Nagasaki Station area development

New Nagasaki Station Building (tentative name) (scheduled opening: autumn 2023)

- Prior to the full opening, Nagasaki Kaido Kamome Market (a retail space under the elevated tracks) opened in March 2022.
- We are leasing out the retail space. Our aim is to create a retail facility that can be enjoyed by anyone and everyone, from urban dwellers, families and tourists to business people, office workers and students.



BLOCK PLAN



Nagasaki Marriott Hotel (scheduled opening: early 2024)



- Capture future inbound demand through global membership organization
- Acquire operational know-how of a global chain, improving profitability and service level

- Floor space: Approx. 20,000m²
- Guest rooms: 200 (planned)

Key strategy ② Creating a model for building cities that promote well-being: City-Building in the Fukuoka Area

In the Fukuoka area, we are promoting city-building, positioning as an opportunity the enhancement of the Hakata Station terminal functions resulting from the extension of the Nanakuma Line. We will acquire and develop logistics facilities to support the city, and enter the experience-based outdoor complex business to provide a variety of consumer and experiential content.

New Acquisition of logistics facility at Hakozaki Wharf



Acquired in March 2023
Floor space of 25,657m²
Under lease to a tenant

Project to utilize the former site of Sunoko elementary school

Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company
Multi-faceted development incorporating private retirement home, commercial facilities, etc.
Scheduled to open in January 2024
Floor space approx. 27,000m²

Handling of outsourced property management for "VIORO," a commercial facility

Started in November 2022
Leased area approx. 5,800m²

Aburayama Shimin no Mori and other renewal projects



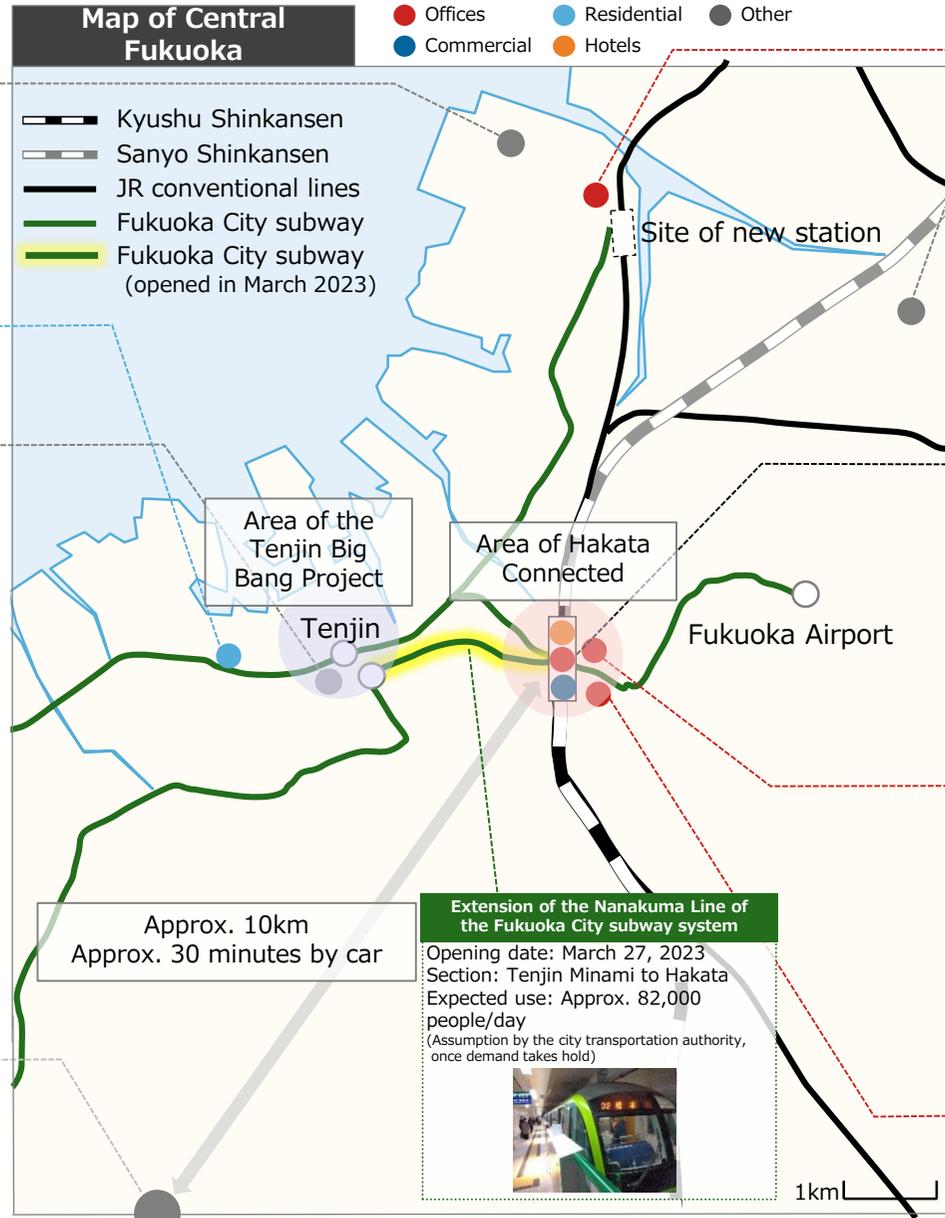
Joint development by nine companies, with JR Kyushu as the representative company

Lot area approx. 140ha

○Phase 1 opening(4/27)
Store, camp field, BBQ, restaurant, cafe, shared farm

○Phase 2 opening (summer and autumn2023)
Forest adventure, shared office, botanical café

○Phase 3 opening (spring 2024)
Glamping



Acquisition of the i-PRO Building

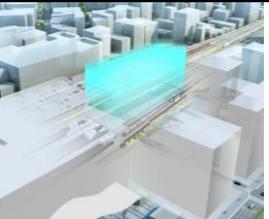
Acquired in September 2022
Floor space approx. 12,200m²

New Acquisition of Fukuoka Kita Logistics Center



Acquired in March 2023
Floor space of 11,683m²
Land: Leased
Building: Acquired and leased to tenant

Project utilizing the space above the tracks at Hakata Station



1F Retail
2F Conventional lines
3F to 8F Offices
9F to 12F Hotel
Scheduled to open end-2028
Floor space of approx. 50,000m²

Note: The above specifications are subject to approval under the Hakata Connected Bonus.

Project for effective use of site of Fukuoka Prefecture east government building



Joint development by three companies, with JR Kyushu as the representative company

Scheduled to open March 2024
Floor space approx. 22,000m²

Acquisition of JR Hakata Station East NS Building

Acquired in January 2023
Floor space approx. 10,000m²

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.

1 Expansion of the "my route" area

- Start of MaaS service in Kumamoto Prefecture using "my route" (a multi-modal mobility service) (January 2023)

2 Move to QR codes on digital tickets

- Some of the digital tickets sold through "my route" use QR codes, which can be passed over a QR code reader at a station's ticket gates.
- Trial operation starting in the Miyazaki area, to be expanded to the Nagasaki area (January 2023)



Ticket screen

3 Passengers select the stations where they will board and alight the train to calculate the fare and obtain a digital ticket

- In Nagasaki Prefecture, we have begun piloting a service allowing passengers to purchase digital tickets by selecting their desired boarding and alighting stations on their smartphones and then to board and alight using QR code recognition on the ticket screen. (March 2023)

Target area:

Between 32 stations on the Nagasaki Main Line, Sasebo Line, and Omura Line



Ticket screen



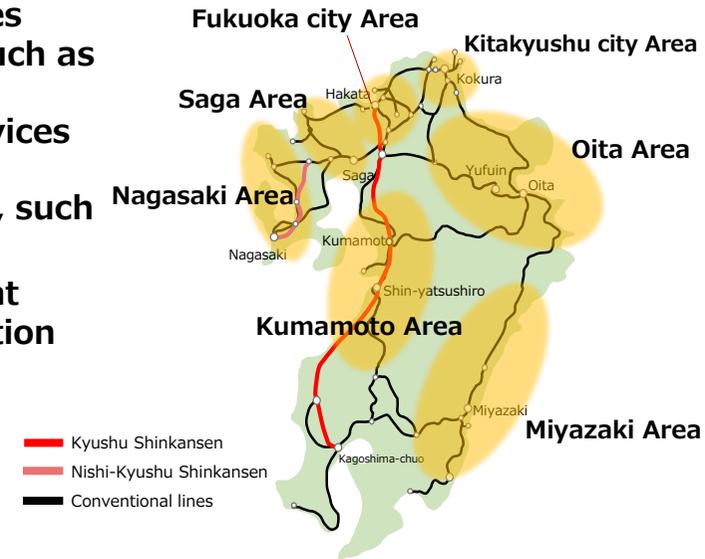
QR code reader

Reader

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.

Image of the status of MaaS initiatives



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.

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

To accelerate growth by promoting stronger business collaboration within the Construction segment and leading the resolution of diverse regional infrastructure challenges, we will establish an intermediate holding company aiming to become a comprehensive construction group.

Establishment of an intermediate holding company in the Construction segment

Name	JR Kyushu Construction Group Holdings Inc.
Expected establishment	July 3, 2023
Objective for establishment	We aim to accelerate the growth of the Construction segment as a whole by establishing an organization to support revenue expansion, that strengthens external sales, conducts M&A, develops a system for coordinating personnel and information between companies, and strengthens back-office functions (common infrastructure) .

Specific initiatives

1. Support sales expansion

- Joint proposal planning (PFIs, lump-sum contracting, etc.)
- Inter-company collaboration on human resources and know-how

2. Development of common infrastructure

- Joint purchasing, system integration, shared indirect operations, promotion of construction DX
- Drafting of segment-specific HR strategies, support for recruiting

3. Promotion of M&A and alliances

- Expansion of territory through M&A, establishment of PMI system
- Promotion of alliances to expand and strengthen business

Target image for the Construction segment

We will demonstrate our comprehensive capabilities with consistent functions from upstream planning and design to construction and maintenance as indicated below.

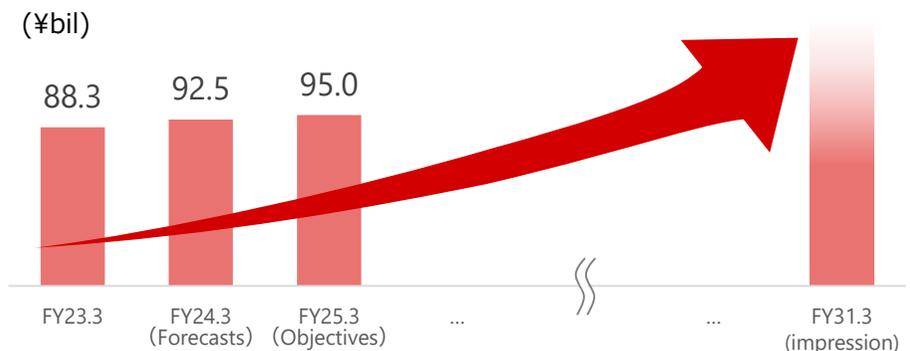
- ✓ Contribute to local communities and solve social issues in a wide range of fields and domain
- ✓ Make long-term, deep connections with clients and properties to meet their needs
- ✓ Leverage and work across a wide range of business domains to create new products and domains



[Strengths of the JR Kyushu Group]
Local governments, railways, city-building

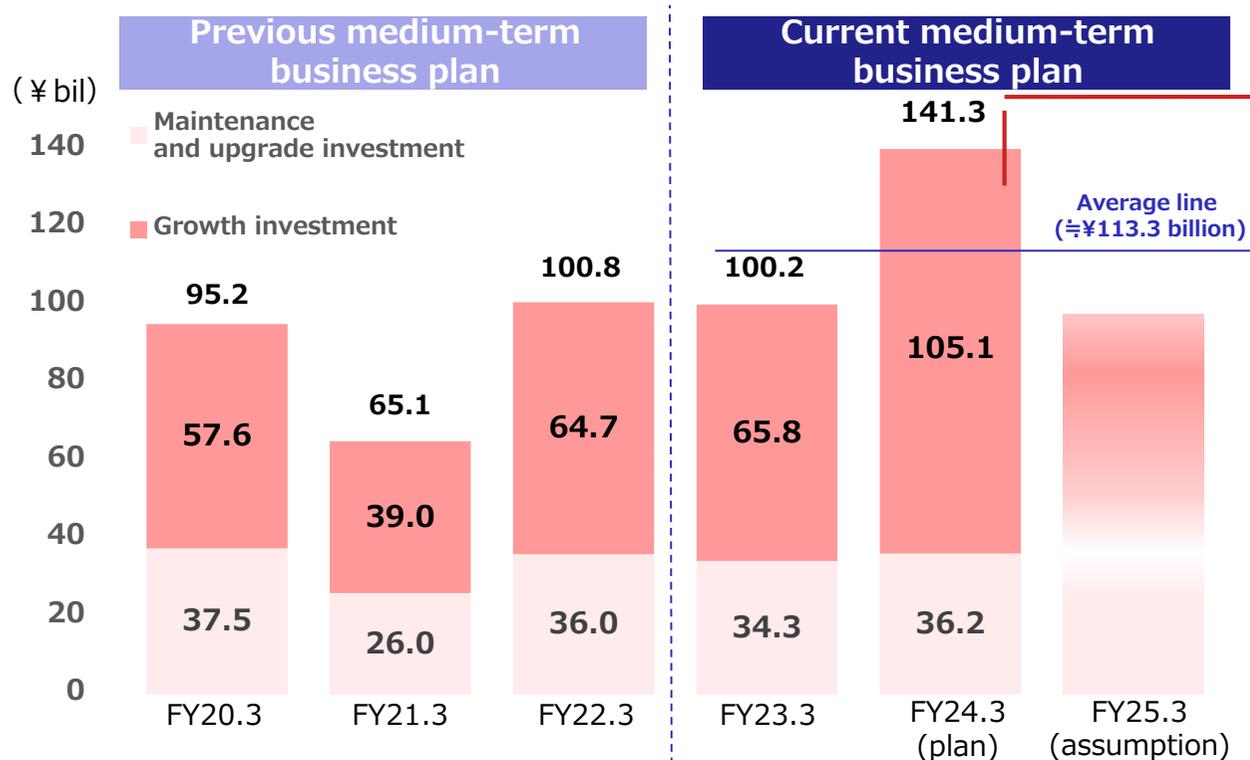
[Sources of growth]
Technical capabilities and know-how, a strong human resource base, and total service based on inter-company collaboration

Projected growth in segment operating revenue



Capital Investment Plan

- We are making steady progress according to the capital investment plan indicated in the medium-term business plan.
- In FY24.3, we are planning growth investments in large-scale projects, such as the New Nagasaki Station Building development, as well as in growth investment projects that have not yet been confirmed.
- In addition to recovery of EBITDA and utilization of our borrowing capacity, we have obtained cash through such means as the sale of properties to a private REIT and other parties (planning around ¥10.0 billion in FY24.3).



● Main capital investment projects in FY24.3

Growth investment

- ✓ Development of the New Nagasaki Station Building
- ✓ Project for effective use of the site of the Fukuoka Prefecture east government building
- ✓ Project to utilize the former site of Sunoko elementary school
- ✓ URESHINO YADOYA (development of the Ureshino Japanese-style inn)

Maintenance and upgrade investment

- ✓ New production of rolling stock for the Nishi-Kyushu Shinkansen
- ✓ Renovation of rolling stock for conventional lines
- ✓ Rerouting of lines and other efforts to utilize the space above the tracks at Hakata Station

● State of progress on unconfirmed growth investment projects

- ✓ Planning growth investment of ¥225.0 billion in the three years from FY23.3 to FY25.3
- ✓ Of the ¥90.0 billion designated as “unconfirmed” in the medium-term business plan, around 50% will be allocated to the acquisition of office and logistics facilities.



i-PRO Building

Acquired in September 2022
Floor space approx. 12,200m²



JR Hakata Station East NS Building

Acquired in January 2023
Floor space approx. 10,000m²

EBITDA	75.0	4.6	30.7	63.8	78.3	94.0
Annual dividend	14.6	14.6	14.6	14.6	14.6	Undecided

Financial soundness indicators

D/EBITDA	1.9times	54.1times	10.5times	5.5times	—	Approx 5 times
Equity ratio	49.9%	43.8%	40.8%	40.7%	—	Approx 40%

Status of Revision to the Business Portfolio

We are continuously monitoring the business and working to flexibly reconfigure the business portfolio.

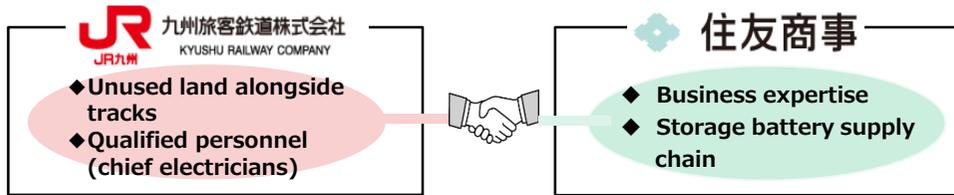
	Main initiatives to date		Initiatives under the current medium-term business plan	
	Expanding business areas	Business revision/ withdrawal	Expanding business areas	Business revision/ withdrawal
Transportation Railway services, bus services, hydrofoil ferry services, etc.		<ul style="list-style-type: none"> ● Revised the system for operating hydrofoil ferries 		
Real Estate and Hotels Real estate leasing, real estate sales, parking lot operation, senior care services, hotel operation, residential construction and sales, golf course operation, etc.	<ul style="list-style-type: none"> ● Entered the asset management business 	<ul style="list-style-type: none"> ● Revised business in the areas of residential construction and sales (detached houses) 	New <ul style="list-style-type: none"> ● Enter the comprehensive outdoor recreation experience business ● Begin outsourced property management business, handling other companies' retail areas 	New <ul style="list-style-type: none"> ● Withdrawal from and sale of some hotels
Retail and Restaurant Retailing, restaurants, agriculture	<ul style="list-style-type: none"> ● Acquired a processed marine products company ● Acquired a suburban barbecue restaurant 	<ul style="list-style-type: none"> ● Transferred a majority of shares in the drugstore business ● Withdrew from overseas businesses 		New <ul style="list-style-type: none"> ● Transfer all shares in the drugstore business ● Transfer all shares in the bakery business
Construction Construction, rolling stock mechanical equipment engineering, electrical work, etc.	<ul style="list-style-type: none"> ● Acquired companies that perform electrical work 		<ul style="list-style-type: none"> ● Acquire a hardware manufacturing company 	
Business Services Advertising, construction machinery sales and rental, cleaning, station service, linen supply business, etc.	<ul style="list-style-type: none"> ● Acquired companies in the construction machinery rental business ● Acquired a company in the system business 	<ul style="list-style-type: none"> ● Sold the leasing business 	<ul style="list-style-type: none"> ● Acquire a system company ● Acquire a heavy cargo transportation company 	
Group, other	<ul style="list-style-type: none"> ● Established specialized regional funds to promote business portfolio revision 	<ul style="list-style-type: none"> ● Sold the hospital business 	New <ul style="list-style-type: none"> ● Enter the grid-based storage battery business 	

ESG Initiatives

Proactive environmental approach (new value creation)

Enter the grid-based storage battery business

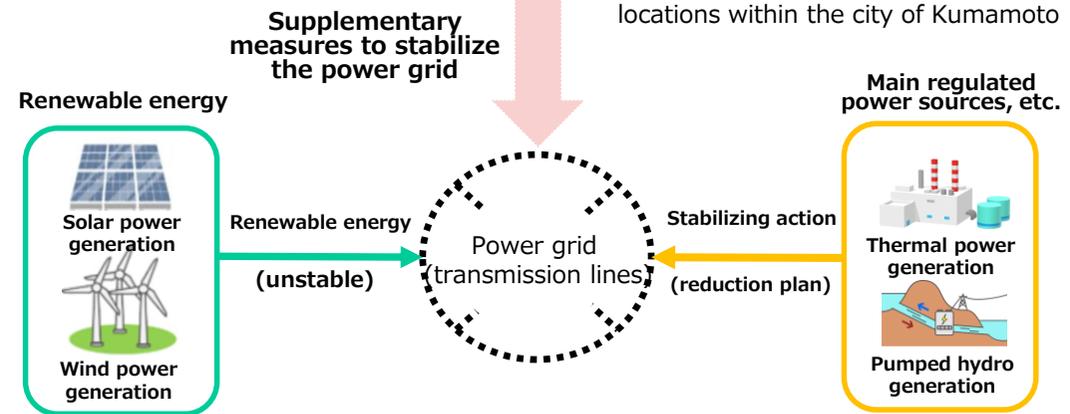
- A joint business that leverages the strengths of JR Kyushu and Sumitomo Corporation (establish new company → apply equity method)



Note: Plans are to erect several locations within the city of Kumamoto

Name	Battery Station Kyushu LLC
Established	April 12, 2023
Expected start of operations	FY2024
Investors	Kyushu Railway Company BS Holdings Co., Ltd.* Sumitomo Corporation Kyushu Co., Ltd.

* Wholly owned subsidiary of Sumitomo Corporation that owns and manages energy storage assets



Environmental changes surrounding the electricity market

- The country as a whole is facing a shortage of regulated power sources to stabilize the power grid (transmission lines), which will become an issue as renewable energy becomes more widely available. Especially in Kyushu, there are restrictions on the line of linkage with Honshu, and there is a tendency toward greater shortages.
- With the acceleration of the shift to renewable energy, the amount of thermal power generation, which is the main source of regulated power, is expected to decrease, and the need for regulated power will further increase.
- Laws are in place to promote the use of storage batteries as a new regulated power source, etc. (Electricity Business Act)

ESG Initiatives

HR Strategy

Two basic policies

- Create a company where employees are motivated and can work with vigor and enthusiasm
- Cultivate employees to have interpersonal and practical skills

<Four pillars of our HR strategy>

Provide and support opportunities for challenge and growth for motivated and capable employees

Create new value through the activities of employees with diverse values and abilities

Competitive evaluation and rewards based on effort and results

Create an environment that allows employees to choose flexible work styles that suit their life plans and promote health management

Our assumptions when considering HR strategy

Diversity

Sense of unity

Challenge

Stability and security

New human resources

Existing employees

Young people

Senior employee

We aim to build a system that provides compatibility among these elements.

Immediate issues

- Hiring
- A decrease in the number of graduating students wishing to work for the Company
 - Have not begun full-fledged recruiting of experienced workers

- Allocation
- Rapid increase in the number of young retirees
 - Have not created a system to foster diverse working styles

- Unattractive wages and other benefits
- Unattractive wages and other benefits
 - Lack of flexibility in evaluation and other benefits that are in line with the characteristics of our diversified business

- Training
- No business- or class-specific training program in place
 - Lack of links between self-development and personnel system

Key initiatives under the new HR strategy

- Eliminate classification of university graduates into career-track and professional positions

- Introduce earlier promotions and highly specialized positions
- Introduce system that provides for a limited working area

- Review evaluation methods
- Promote multi-skilling
- Raise base salaries, and provide more flexibility in raises and bonuses
- Review various allowances, etc.

- Review rank-based training, etc.

State of Progress on Non-Financial KPIs

	Materiality	Objectives/Indicators		Progress (FY23.3)	
E	Realization of a de-carbonized society	<ul style="list-style-type: none"> CO₂ emissions 	<ul style="list-style-type: none"> JR Kyushu non-consolidated emissions in FY31.3 	50% reduction compared to FY14.3	Reduced by 46.0% (FY22.3 result)
		<ul style="list-style-type: none"> Disclosure of environment-related information 	<ul style="list-style-type: none"> Groupwide Scope 1 and 2 emissions Groupwide Scope 3 emissions 	Tracking emissions Starting to calculate	Expect to disclose in August 2023 Disclosed for JR Kyushu on a nonconsolidated basis; expect to disclose for the Group by FY25.3
		<ul style="list-style-type: none"> Green building 	<ul style="list-style-type: none"> Acquisition of green building certification 	One or more cases	1 case (JR Kagoshima Chuo Building) ※Acquisition on April 2023
S	Safety and service, the foundation for all of our businesses	<ul style="list-style-type: none"> Safety 	<ul style="list-style-type: none"> Accidents in the railway business that result in fatalities among customers Occupational accidents that result in fatalities among employees, etc. 	0 cases 0 cases	1 case (1 customer injured) 0 cases
		<ul style="list-style-type: none"> Service 	<ul style="list-style-type: none"> Score of service ranking 	90 or more points	Stations 86.4 points Crew 81.3 points
		<ul style="list-style-type: none"> Resident population in regions around development areas Creating employment through new development projects 	<ul style="list-style-type: none"> Monitoring indicators Monitoring indicators 	— —	— —
S	Development of human resources, the source of value creation	<ul style="list-style-type: none"> Employee engagement 	<ul style="list-style-type: none"> Results of employee attitude survey Exchanges of opinions between executives and employees 	Continued YoY improvement 40 times per year or more	Up 0.02 points 57 times (1,031 people)
		<ul style="list-style-type: none"> Diversity (promoting women's participation and advancement in the workplace) 	<ul style="list-style-type: none"> Ratio of female employees among new employees Ratio of female managers (End of FY31.3) 	30% or more 10% or more	20.7% 6.4%
		<ul style="list-style-type: none"> Comfortable environments that are easy and satisfying to work in Health management Re-skilling support 	<ul style="list-style-type: none"> Ratio of male employees who take childcare leave Ratio of special health guidance given to relevant employees Development of employees skilled in digital technologies Participation in external distance learning 	50% or more 80% or more 500 people or more 500 people or more per year	96.5% 76.4% (FY22.3 result) 313 people 1,292 people
G	Sound corporate management	<ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities 	<ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (IR Day events) offering opportunity to talk with outside directors Offering opportunities for exchange, such as presentations, tours, etc. Discussions with customers Building sustainable relationships with local communities 	— 1 or more events per year 5 or more times per year 10 or more times per year	— 1 time 5 times 17 times —

APPENDIX

Consolidated Balance Sheet and Cash Flow Statement

(¥bil)

	Results FY22.3	Results FY23.3	YoY	Major factors
Total Assets	951.9	996.6	44.7	
Cash and time deposits	39.7	37.2	(2.4)	
Securities	39.0	15.0	(24.0)	
Property, plant and equipment	575.3	632.2	56.8	Increase due to acquisition of real estate and new production of rolling stock for the Shinkansen
Railway business assets	109.2	138.6	29.4	
Interest-bearing debt	323.1	351.6	28.4	Increase in corporate bonds and long-term loans
Net assets	389.0	406.8	17.8	
Capital and paid-in capital	241.8	241.8	(0.0)	
Retained earnings	147.9	164.4	16.5	

ROE	3.4%	7.8%
D/EBITDA	10.50	5.50
Equity ratio	40.8%	40.7%

(¥bil)

	Results FY22.3	Results FY23.3	YoY	Major factors
Cash flows from operating activities	56.4	62.0	5.6	Increase in income before income taxes
Depreciation expense	29.0	31.8	2.8	
Cash flows from investing activities	(95.7)	(97.5)	(1.8)	Increase in purchases of fixed assets
Capital expenditures	(101.4)	(104.7)	(3.3)	
Free cash flow	(39.2)	(35.4)	3.7	
Cash flows from financing activities	52.5	8.9	(43.5)	
Cash and cash equivalents	78.7	52.2	(26.4)	

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	Results FY22.3	Results FY23.3	YoY		Major Factors
Total	89.3	121.4	32.0	135.9%	
Commuter pass	27.9	29.0	1.1	104.2%	
Non-commuter pass	61.4	92.3	30.8	150.3%	
Cargo	0.0	0.0	0.0	152.2%	
Shinkansen	27.4	44.0	16.5	160.4%	
Commuter pass	2.4	2.7	0.2	110.4%	Increase due to gradual recovery in demand
Non-commuter pass	24.9	41.3	16.3	165.3%	
Conventional Lines	61.9	77.4	15.4	125.0%	
Commuter pass	25.4	26.3	0.9	103.6%	Increase due to gradual recovery in demand
Non-commuter pass	36.4	51.0	14.5	139.9%	

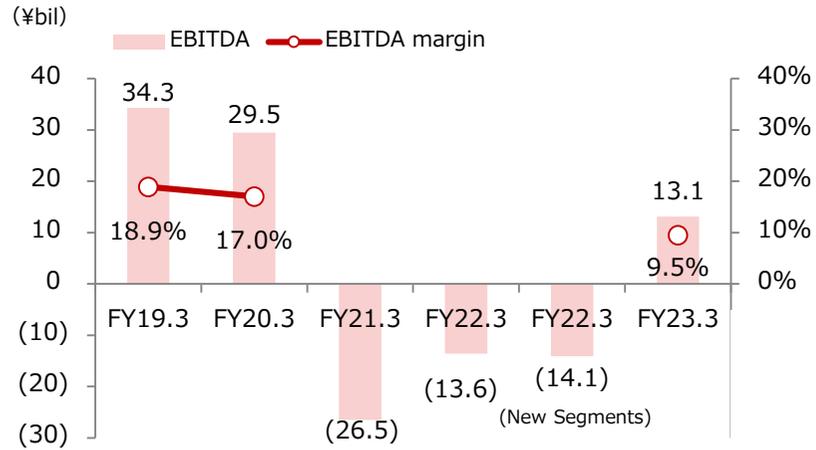
Passenger-Kilometers

(Millions of passenger-kilometer)

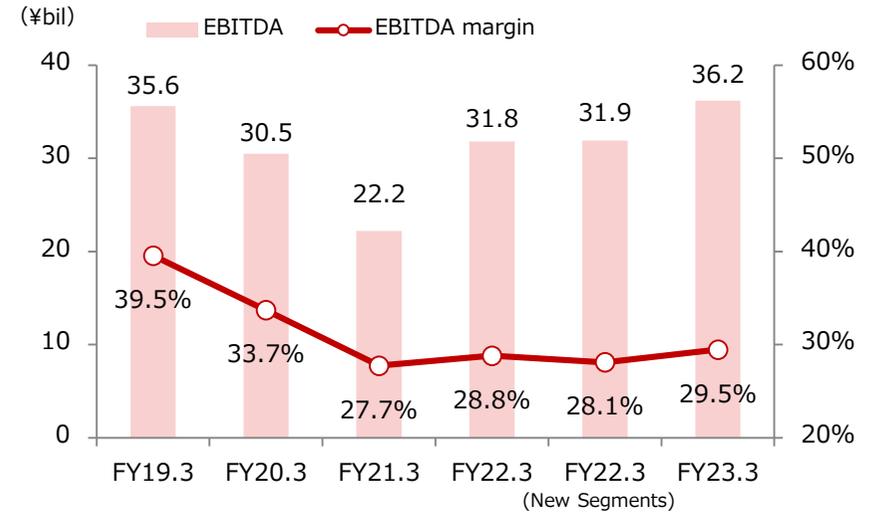
	Results FY22.3	Results FY23.3	YoY	
Total	6,132	7,423	1,291	121.1%
Commuter pass	3,620	3,756	135	103.7%
Non-commuter pass	2,511	3,667	1,155	146.0%
Shinkansen	1,002	1,552	549	154.8%
Commuter pass	178	199	21	112.1%
Non-commuter pass	824	1,352	528	164.1%
Conventional Lines	5,130	5,871	741	114.5%
Commuter pass	3,442	3,556	113	103.3%
Non-commuter pass	1,687	2,315	627	137.2%

EBITDA by Segment

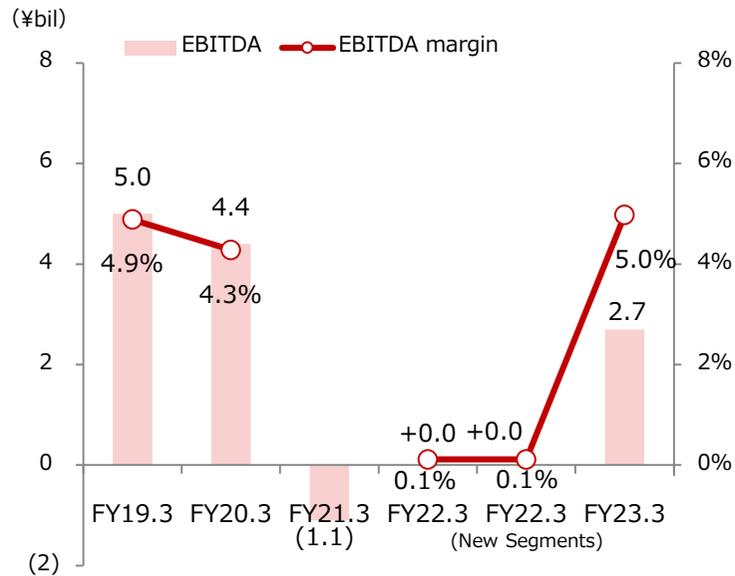
Transportation



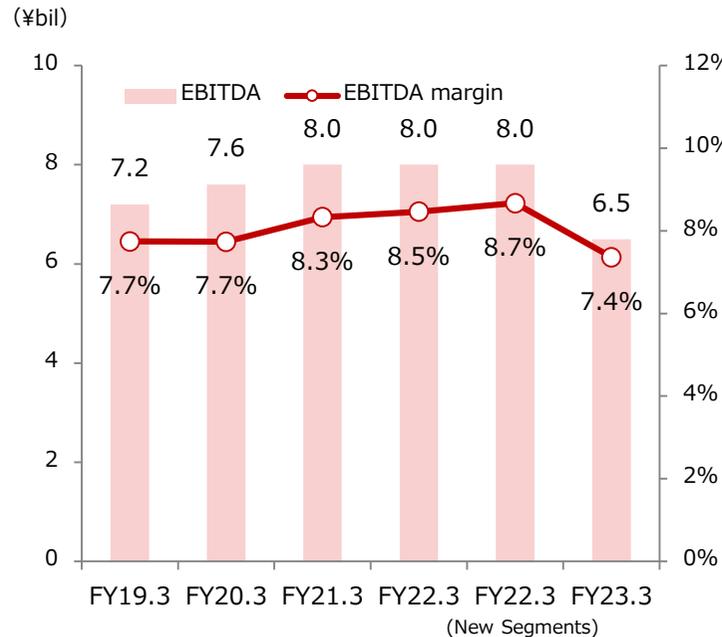
Real Estate and Hotels



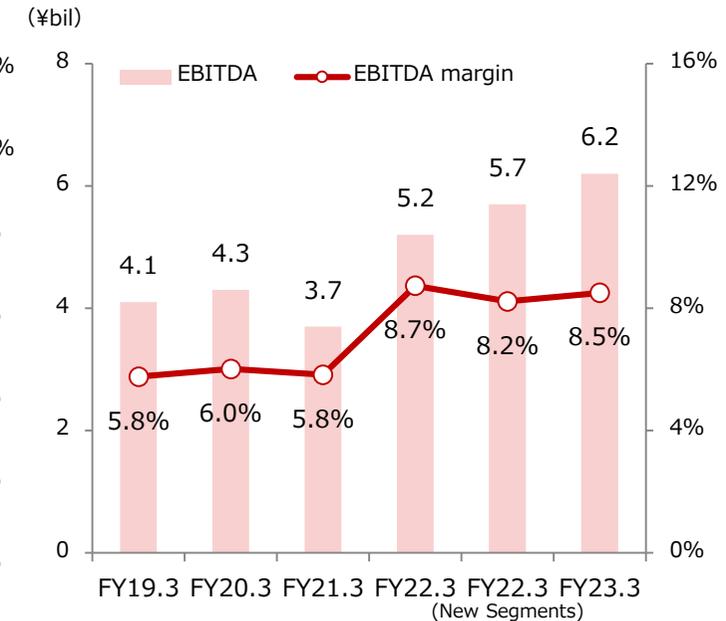
Retail and Restaurant



Construction



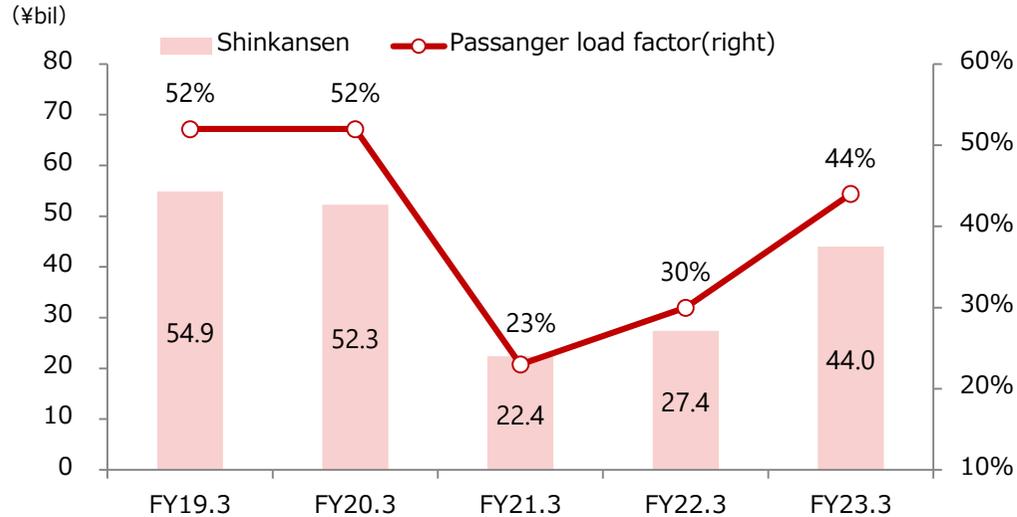
Business Services



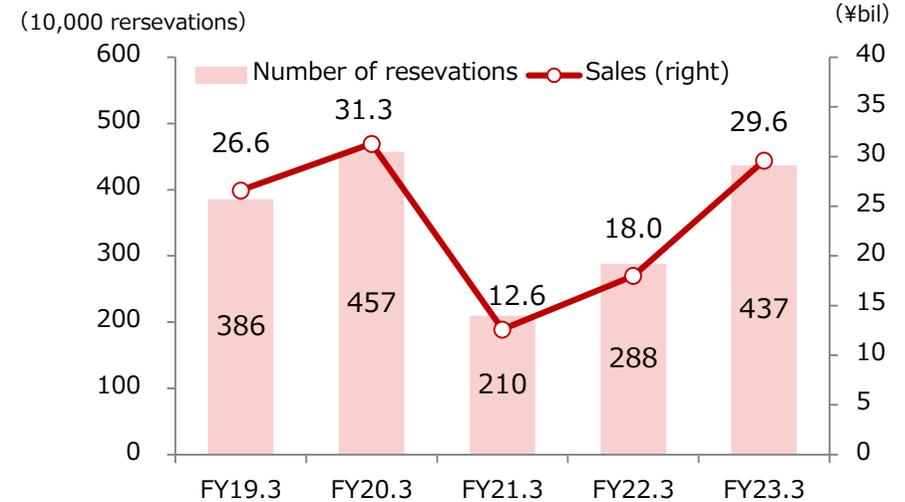
* Figures by segment are prior to eliminating intersegment transactions.

Trends in the Railway Business

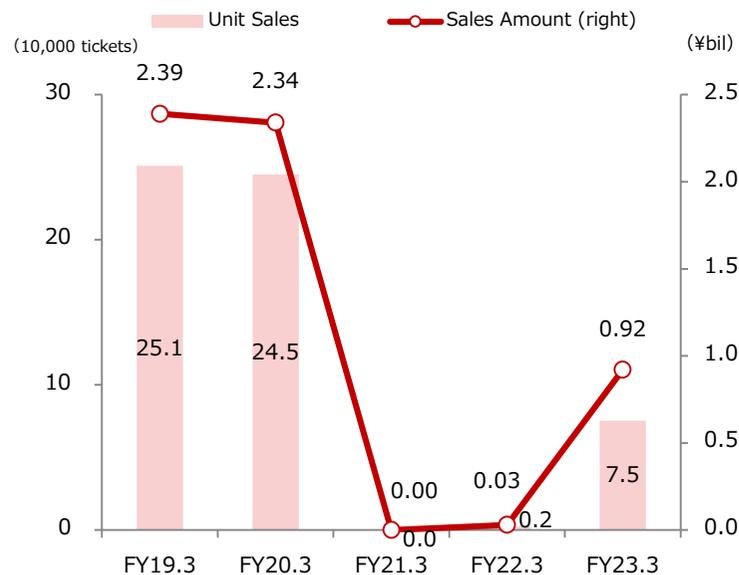
Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



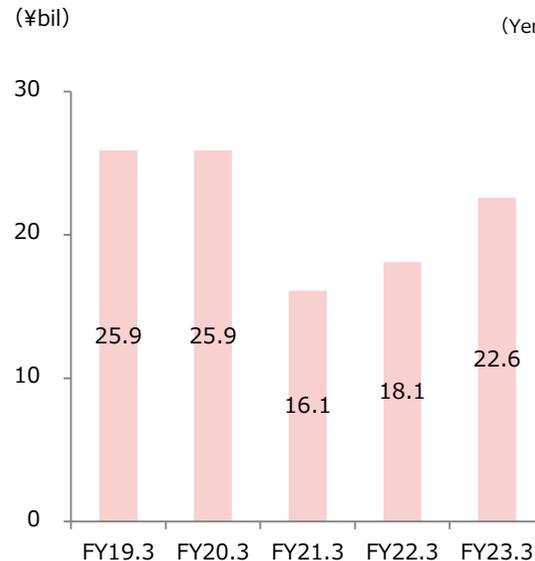
Internet train reservation services: Number of reservations, sales



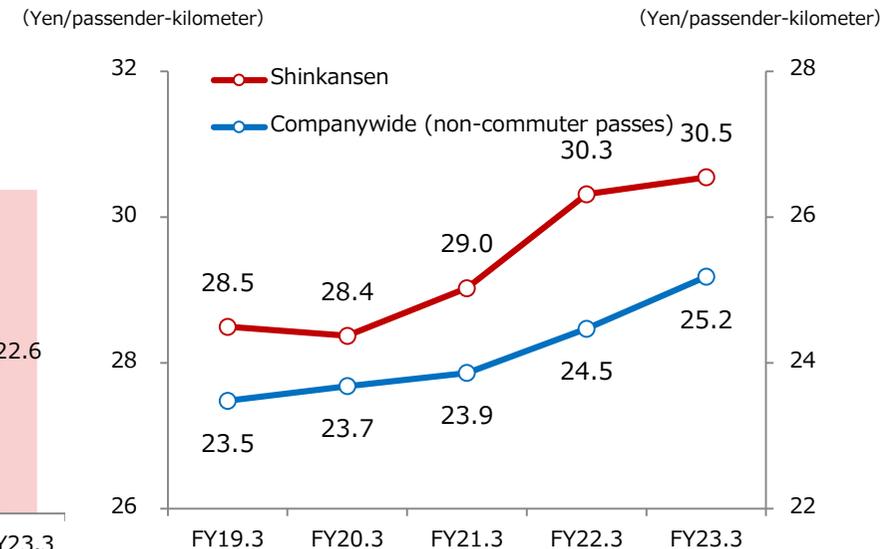
Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



Railway transportation revenues (short distance)

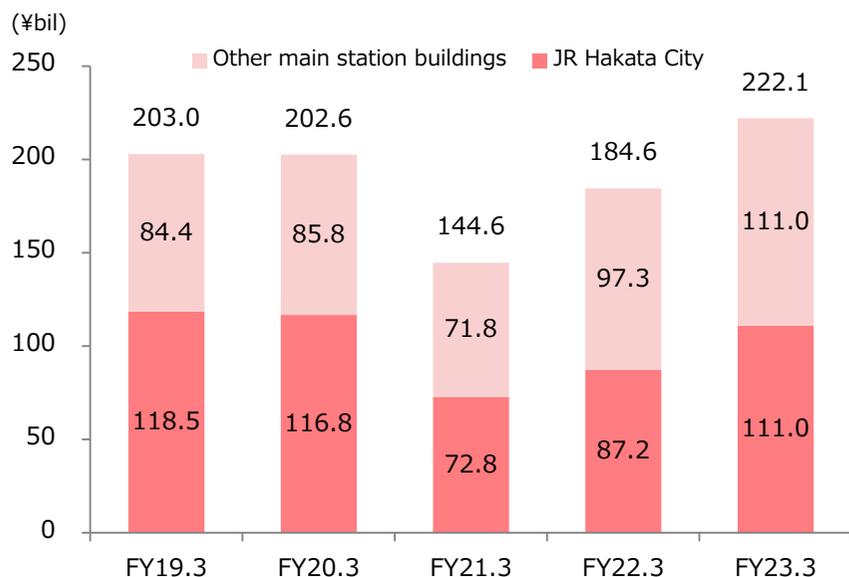


Yield (Companywide (non-commuter passes), Shinkansen)



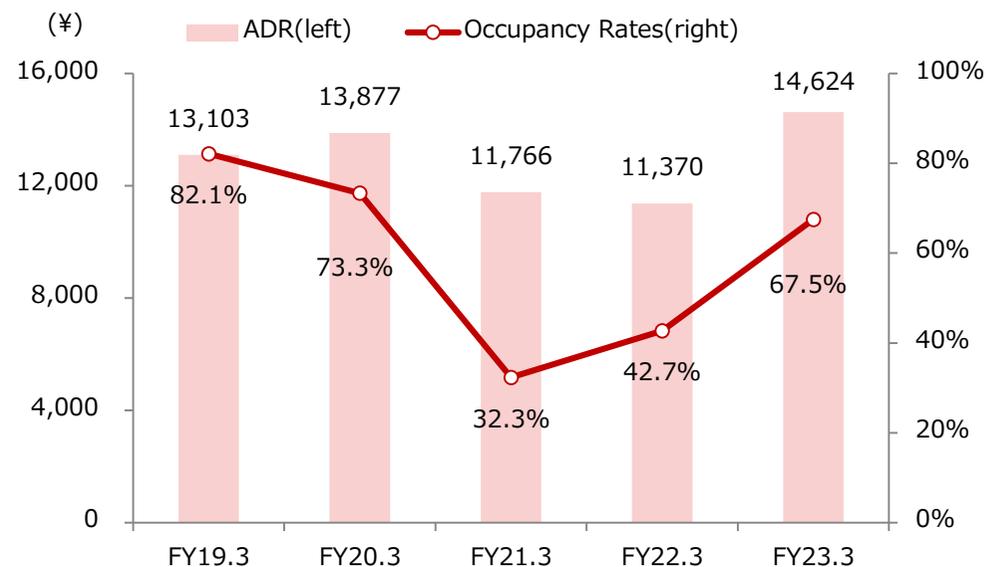
Trends in the Real Estate and Hotel Businesses

Station building tenant sales

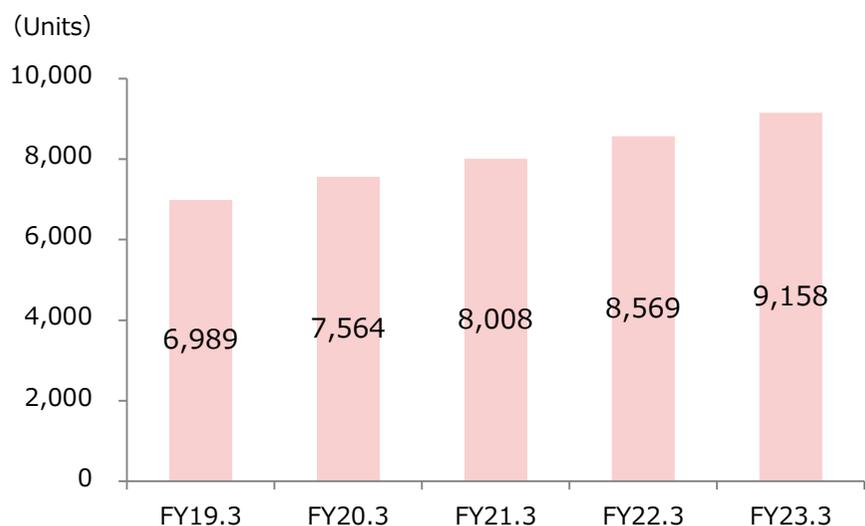


* Other main station buildings include the Miyazaki and Kumamoto Station Buildings from FY21.3.

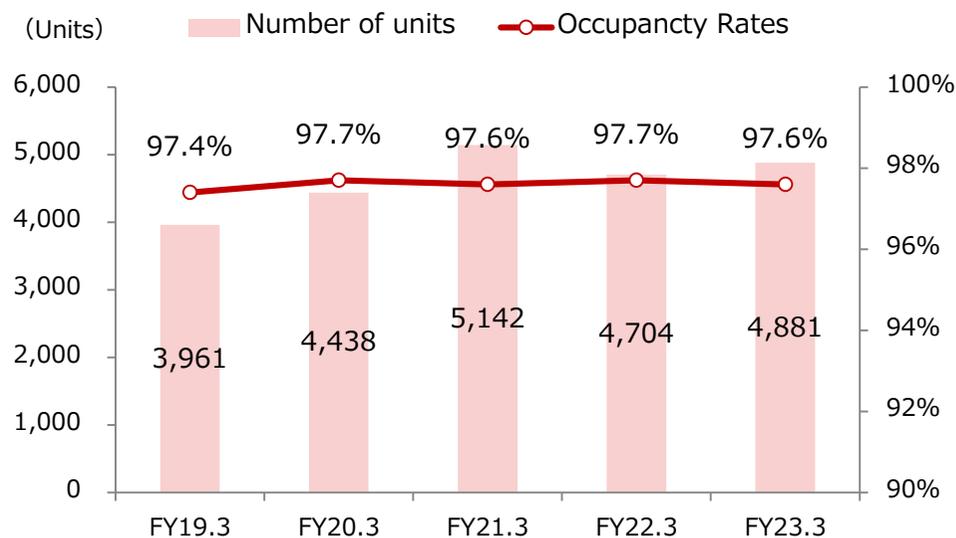
Hotel occupancy rates and average unit prices



Unit sales of condominiums (cumulative)



Rental apartment numbers (cumulative) and occupancy rate



* Numbers of rooms are as of the end of each fiscal year (excluding the sale of properties to a private REIT)
 * 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

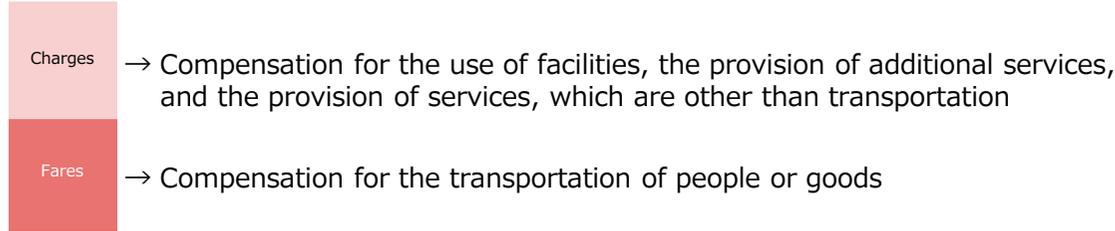
Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
Nagasaki Station area development	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks Autumn 2023: Opening of new station building Early 2024: Hotel opening * revised from autumn 2023	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none"> 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	Autumn 2021: Start of construction April 2023: Phase 1 development opening From FY2025: Phase II development opening	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (phase 1 development)	<ul style="list-style-type: none"> 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 Sakurajyuji 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 JR Kyushu 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㎡	<ul style="list-style-type: none"> 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 Autumn 2023: Opening	Lot area: Approx. 9,600㎡ Floor space: Approx. 5,300㎡ Guest rooms: 36	<ul style="list-style-type: none"> 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 JR Kyushu as the representative company</small>	Minami-ku, Fukuoka City	July 2022: Start of construction In April 27,2023: Opening From summer 2023: Steadily rollout of restaurants, activities, lodging facilities, etc.	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

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

Outline of Fares/Charges

Breakdown of fares/charges

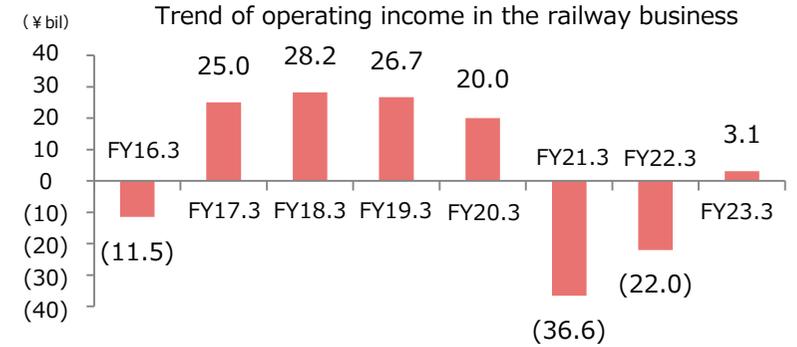


Procedures for establishing and adjusting fares/charges

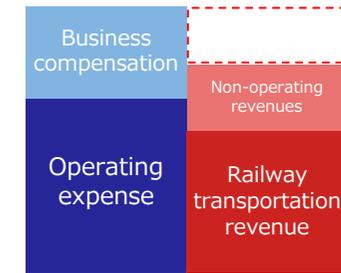
- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism(MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting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



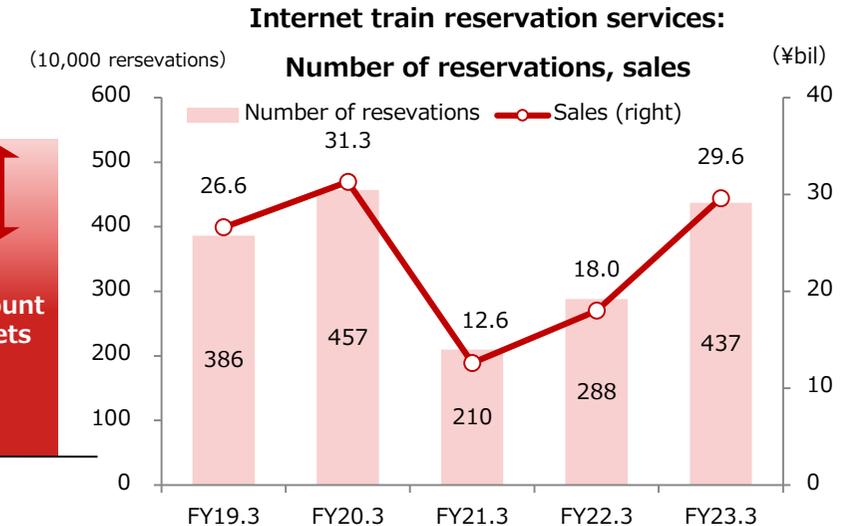
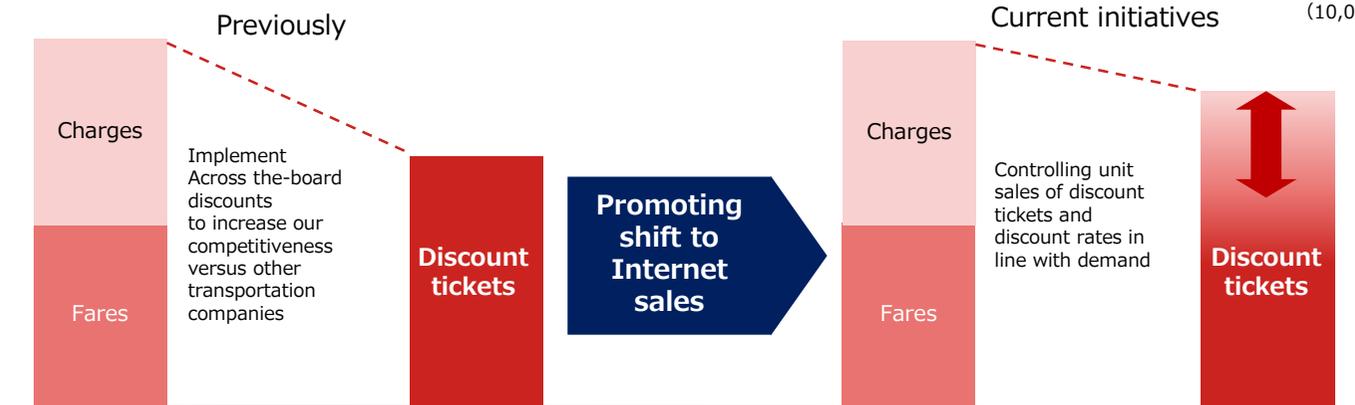
If examination standards are met (illustration)



Expense > Revenue

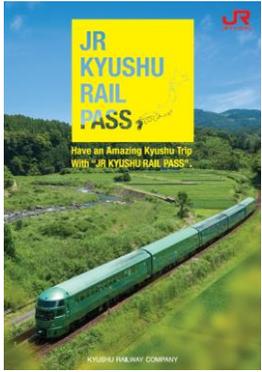
(Reference) MLIT web site

Advancing measures to increase sales using Internet sales



Inbound measures in the railway business

Product lineup



- JR-KYUSHU RAIL PASS, our main product for inbound travelers, offers access to a diverse lineup of products depending on the length of stay and area.

Period of use	All-Kyushu version	Northern Kyushu version	Southern Kyushu version
3 days	¥ 17,000	¥ 10,000	¥ 8,000
5 days	¥ 18,500	¥ 14,000	—
7 days	¥ 20,000	—	—

- Products linked to other transportation systems



JAPAN RAIL PASS

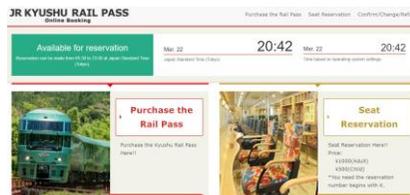
- Demand-oriented products



Two days on regular trains near Fukuoka

Sales promotion

- Exhibit at travel expos in Asian countries
- Develop promotions in cooperation with local governments
- Prepare website specifically for overseas viewers
- Use online sales as the main channel for direct overseas sales due to the rise of online travel agents
- Continuous information dissemination by target area via the Company's social media sites



Facebook followers: approx. 190,000 (as of March 31, 2023)/Weibo/Instagram, etc.

JR-KYUSHU RAIL PASS demand trends

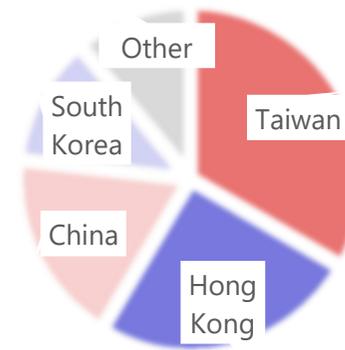
- Strong demand recovery following the easing of protection measures in October 2022
- Potential for recovery remains in some countries and regions
- In FY24.3, we expect the number of passes sold to be approximately 70% of FY19.3 levels

	FY19.3	FY23.3	
	Results	Results	Vs. FY19.3
Number sold	251,000	75,000	30.0% ^{※2}
Sales	¥2.39 bil	¥0.92 bil	38.6%
(Reference) Price*1	¥ 10,000	¥ 14,000	140%

*1 Amounts are for Northern Kyushu (five days); the amount in FY19.3 is prior to tax hike

*2 Sales in 2H FY23.3 (October to March) at 53.1% of FY19.3 levels

Sales by region (FY19.3)



Number of international flights in Kyushu

	Number of flights	Vs. FY19.3
Taiwan	29	42.6%
Hong Kong	17	35.4%
China	0	0%
South Korea	209	70.8%

※ As of March 1, 2023

The railway business has high marginal profits. To benefit from this situation, we will work to attract strong inbound demand, especially from Asia. To do so, we will continuously improve our marketing mix for each country and region, taking the demand trends into account, with a focus on Kyushu.

Railway Business Expenses

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.

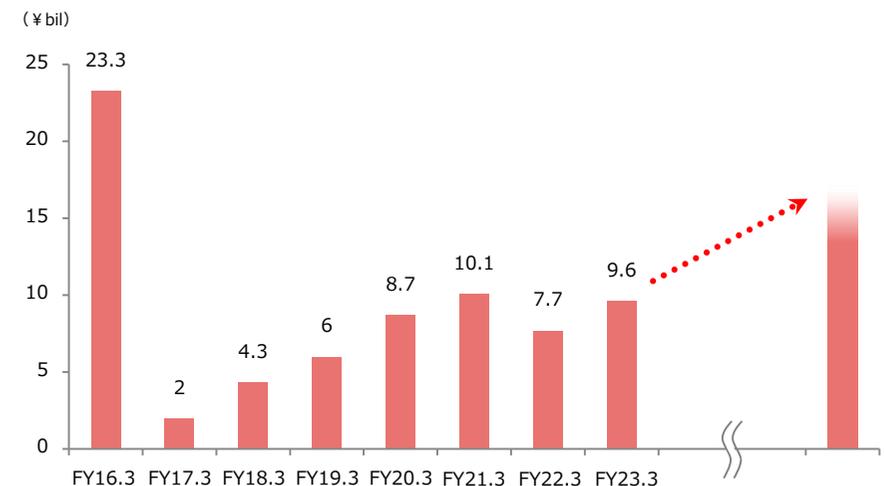
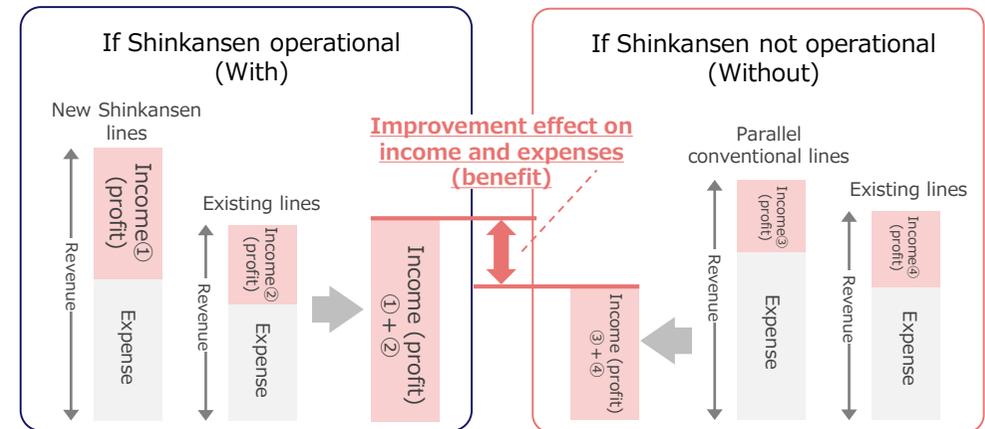
(Reference) Amount approved for construction of the Nishi-Kyushu Shinkansen: Approx. ¥619.7 billion

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

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.



The BRT on the Hitahikosan Line

- On August 28, 2023, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of stations is expected to triple from pre-disaster levels, to 36 stations, mainly in areas closely connected to daily life (originally, 12 train stations)

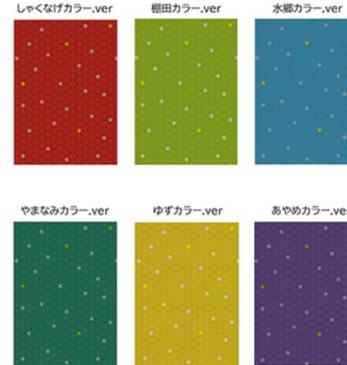
BRT station design



Interior design



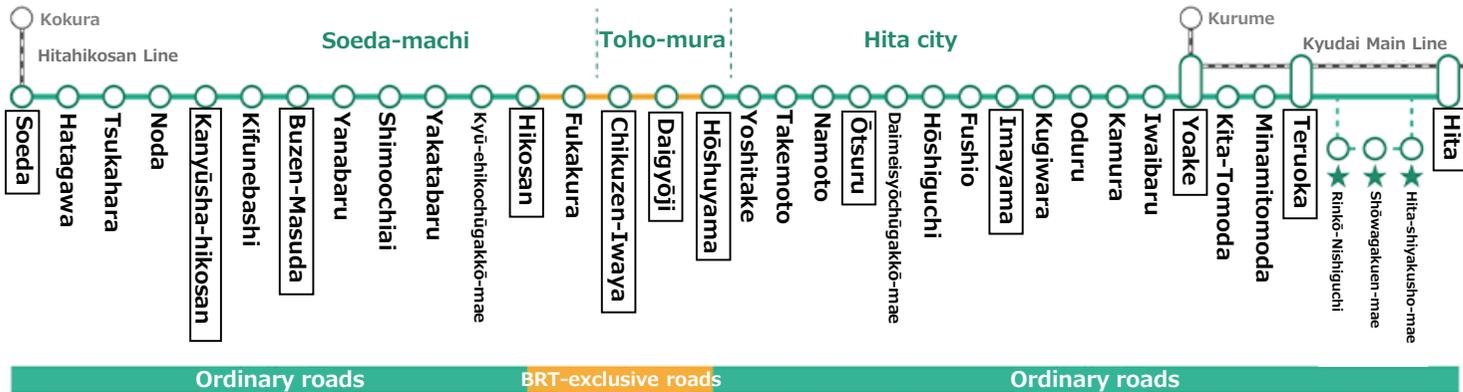
The interior features seat moquettes in the same six colors as the exterior and wood-grain flooring.



*Designs are artists' mock-ups and are subject to change.

Commencement of test runs using electric buses

The four electric buses to be introduced began test runs on public roads on March 28, 2023, to confirm vehicle performance and equipment.



Note: Boxes indicate the names of railway stations operating prior to the heavy rains in northern Kyushu in July 2017. BRT stations shown with dotted lines "—★—" will provide partial morning and evening service. Plans are subject to change.

Construction updates are now available on [YouTube](#).



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).

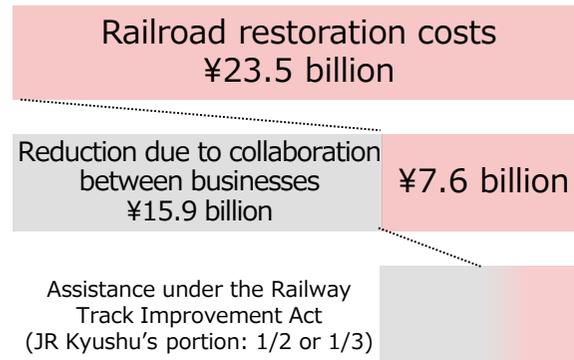


Halted line segments	Hisatsu Line: Yatsushiro to Yoshimatsu
Distance	86.8 km
Main damage	Washed-out bridges, sediment and embankment inflows, etc.
Restoration period	Undetermined

JR Hisatsu Line Review Conference

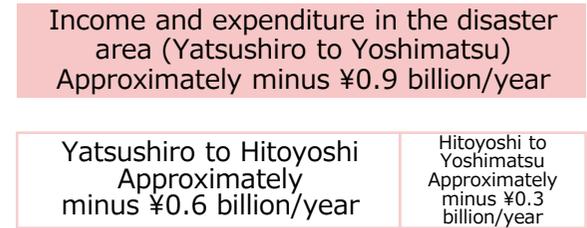
- Purpose of the conference:
To consider how to restore the Hisatsu Line, which was damaged by heavy rains, including the possibility of linking the line restoration with rivers, roads, and other public works, and what the Hisatsu Line should look like after restoration
- Attendees:
Personnel from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT); Kumamoto Prefecture; the Kyushu District Transport Bureau; the Kyushu Regional Development Bureau; and JR Kyushu
- Discussion points (based on the 3rd JR Hisatsu Line Review Conference agenda)

(1) Restoration costs



Note: The restoration amounts indicated here are calculated under specific conditions; amounts may vary depending on circumstances.

(2) Post-restoration sustainability



Note: Income and expenditure are as of FY20.3, before the disaster

In addition to restoration costs, each stage of the project should be considered from a broad perspective, starting with an overall regional picture of the future to the specifics of transportation (positioning of the railroad) and sustainability of the railroad.

Reference: Partial Overview of Revisions to the Act on Revitalization and Rehabilitation of Local Public Transportation Systems

Creation and expansion of mechanisms for restructuring local railroads

Background and necessity

- Due to long-term decline in the number of users resulting from such factors as a shrinking population, and the immediate impact of the COVID-19 pandemic, the situation surrounding regional transportation has been deteriorating year by year.
- Notably, some local railways are unable to demonstrate their full potential as a means of mass transportation.
- In light of these circumstances, it is necessary to redesign the regional public transportation network, known as "Re-Design," through collaboration and cooperation among local stakeholders in all transportation modes, in order to improve convenience, sustainability, and productivity.

Overview

- The "**Redesigning Council**" will be established, which is supposed to be organized by the Minister of Land, Infrastructure, Transport and Tourism based on requests from local governments or railway businesses and after hearing the opinions of related local governments.
- At council meetings, discussions are held on measures to improve convenience and sustainability by (1) maintaining and upgrading railway transportation or (2) transitioning to bus or other modes of transportation, and a **reconstruction policy** is formulated. The government is proactively involved in promoting these discussions.
- The "**Railway Business Revitalization Project**", which is implemented based on a reconstruction policy, will be expanded to achieve advanced railway transportation in accordance with the characteristics of each line.



*JR Kyushu made this slide on the basis of materials from the Ministry of Land, Infrastructure, Transport and Tourism

Examples of Recent Revisions to the Business Portfolio

Details

Overview and background

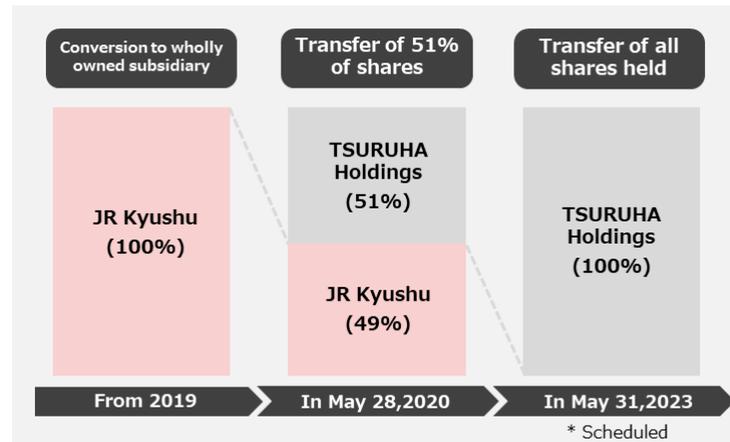
Impact on performance

Retail and Restaurant

Transfer of shares in the drugstore business

(Drug Eleven)

- We acquired the business in 2007 and made it a wholly owned subsidiary in 2019. However, as gaps in the profit structure were expected to widen in comparison with major drugstore chains, 51% of the shares were transferred to TSURUHA Holdings in May 2020 (causing the subsidiary to become an equity-method affiliate).
- Our two companies worked to expand the scale of business and improve profitability by applying business expertise and other management resources. Even so, the operating environment remained difficult.
- **To further expand the business and enhance its corporate value, we reached the decision that it would be best for the business to operate as a wholly owned subsidiary of TSURUHA Holdings. We are scheduled to transfer all our remaining shares in the company on May 31, 2023.**



- In FY24.3, we plan to exclude the company as an equity-method affiliate and generate a gain on the transfer of shares of approximately ¥7.0 billion.
- Recent performance of Drug Eleven (FY22.5)
 - Net sales
Approx. ¥44.0 billion
 - Operating income
Approx. ¥0.4 billion

Retail and Restaurant

Transfer of shares in the bakery business

(Train d'Or)

- Following a corporate split (incorporation-type company split), we moved the Train d'Or business to new subsidiary, and then transferred all the shares of that subsidiary to Takaki Bakery on May 1, 2023.
- Following the split, Train d'Or is scheduled for liquidation at the end of July 2023.
- **The company faces a challenging business environment due to changes in the industry's commercial landscape and the transformation of consumer lifestyles and behaviors resulting from the COVID-19 pandemic. To address these challenges, the company recognizes the need to leverage Takaki Bakery's expertise in bakery operations and the economies of scale it provides to grow its business.**

- The impact on consolidated operating performance for FY23.3 and FY24.3 is expected to be minimal.

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/