



**JR KYUSHU IR DAY**



# Medium-Term Business Vision

December 11, 2020

Kyushu Railway Company

Toshihiko Aoyagi

President and CEO





# **I . 2030 LONG-TERM VISION AND MEDIUM-TERM BUSINESS PLAN 2019-2021**



KYUSHU RAILWAY COMPANY

# Our 2030 Long-Term Vision That Remains Unchanged Amid COVID-19

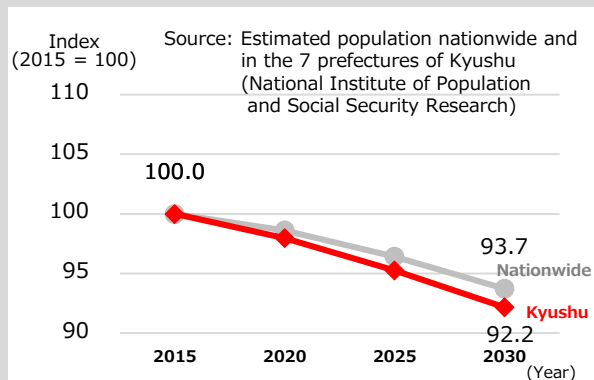


## 2030 Long-Term Vision

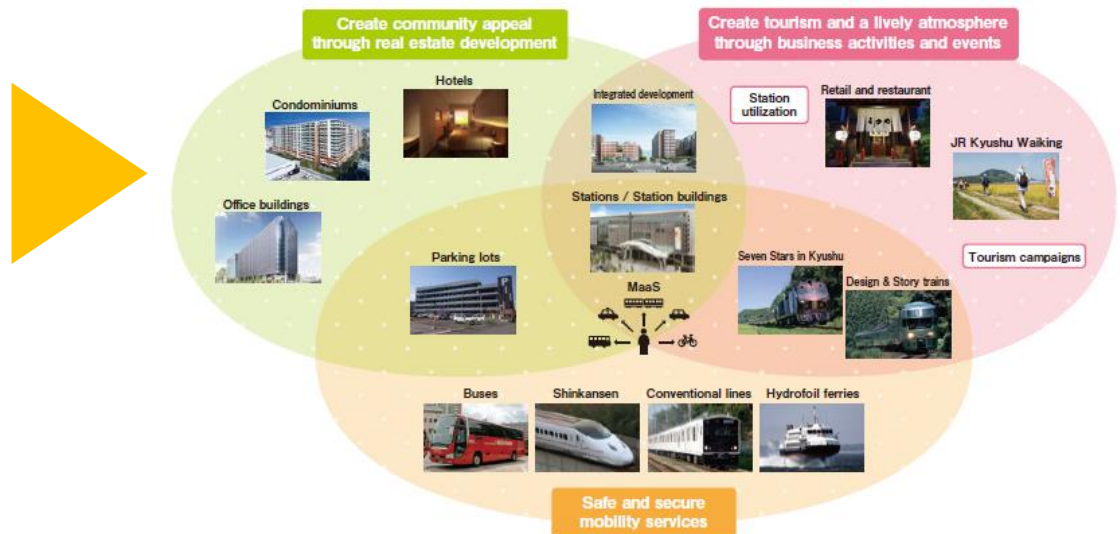
**We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.**

- As a corporate group providing mobility services in Kyushu, taking steps to respond to population decline, natural disasters, and other threats. To that end, taking on the challenge of establishing sustainable mobility services based on a foundation of safety and security by utilizing new technologies and implementing cooperation with other companies.
- Contribute to a Kyushu where people want to live, work, and visit through city-building initiatives centered on mobility services (expanding the resident and nonresident populations and creating employment)

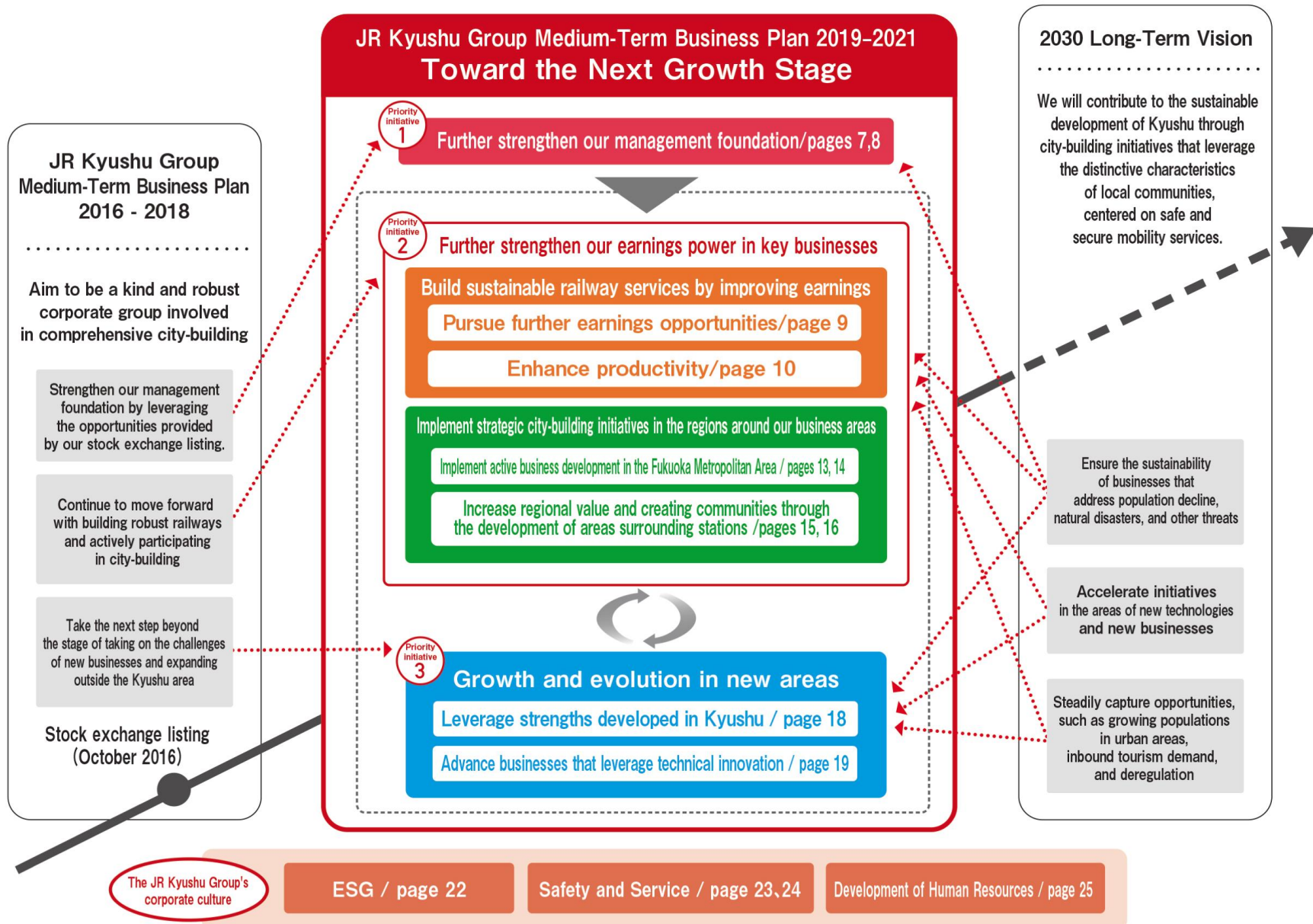
Declining population in Kyushu, where the pace of the decline exceeds that in the nationwide population



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



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

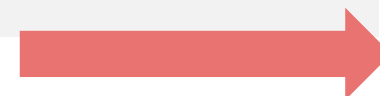


# Withdrawal of Numerical Management Targets and Reference Indicators (Announced on November 4, 2020)



- Due to the influence of COVID-19, the operating environments for the Group's businesses are changing significantly. The Company determined that the achievement of the targets in the Medium-Term Business Plan, for which the final year is the fiscal year ending March 31, 2022, will be difficult. Accordingly, the Company decided to withdraw the numerical management targets and reference indicators.
- The three priority initiatives are "Further strengthen our management foundation," "Further strengthen our earnings power in key businesses," and "Growth and evolution in new areas." With consideration for circumstances, the Company will continue to advance measures based on these initiatives, including the implementation of revisions.

Current Medium-Term Business Plan (FY2020/3-FY2022/3)			
	March 2019 Formulation of Medium-Term Business Plan	November 2020 Withdrawal of numerical management targets and reference indicators	May 2021 (Planned) Announcement of FY2022/3 performance forecasts (Planned)
Three priority initiatives	<ul style="list-style-type: none"> <li>• Further strengthen our management foundation</li> <li>• Further strengthen our earnings power in key businesses</li> <li>• Growth and evolution in new areas</li> </ul>	Proceed while revising as necessary	
Numerical management targets and reference indicators	Numerical management targets: Operating revenue, ¥480.0 billion; Operating income, ¥57.0 billion; Revenues from railway transportation, ¥154.0 billion	Withdrawn	
	Reference indicators: Capital investment, ¥340.0 billion; Operating cash flow, ¥220.0 billion; ROE, 8% or more		



Consideration of establishment of next medium-term business plan  
Identify issues based on anticipated year-end balance sheet

# Management Approach for the Post-COVID-19 Era



## Ongoing issues

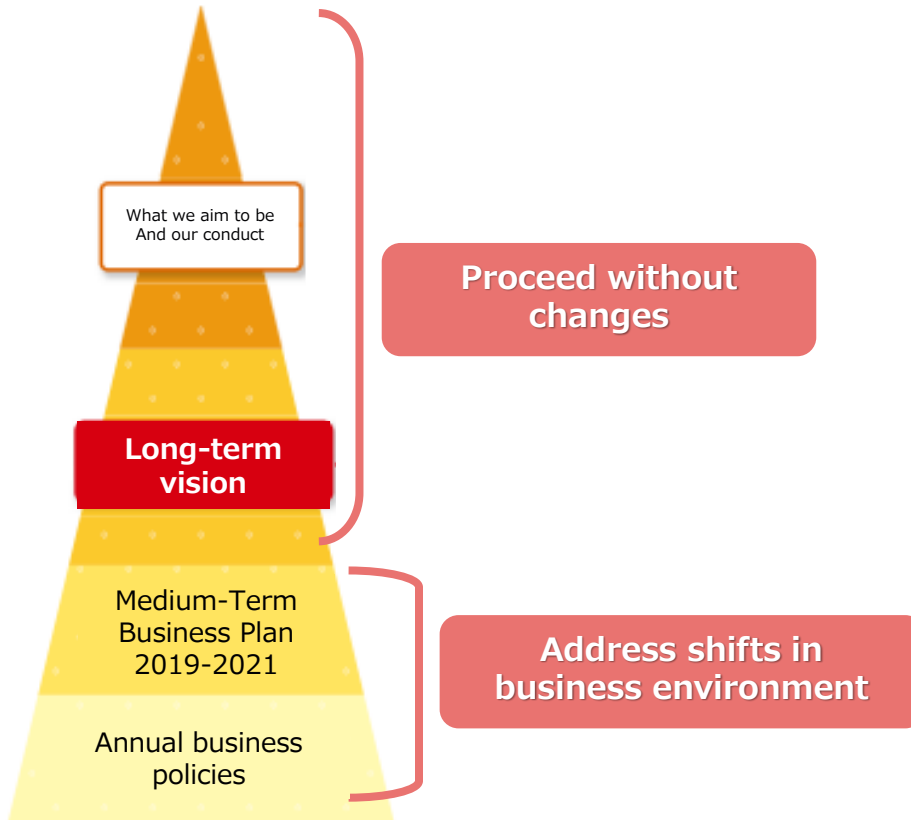
- Population decline in Kyushu outpacing that of the entire nation
- Response to intensifying natural disasters



## Impact of COVID-19

- Following of guidelines to prevent infection and greater awareness of hygiene
- Avoidance of unnecessary outings and less need to move about due to prevalence of remote work and other factors
- Disappearance of inbound tourism demand and invigoration of micro-tourism

《Management Plan Framework》



## Impact on Business Strategies

- ✓ Noticeable changes to customer needs
- ✓ Revise operations according to temporary and permanent shifts in business landscape stemming from COVID-19

## Impact on Financial Strategies

- ✓ Substantial increase in interest-bearing debt over the short term
- ✓ Steadily proceed with strategic city-building and community development initiatives by incorporating cyclical investment model into real estate development

# Future Strategy



Basic policy (priority initiatives)	Major initiatives to date	Future Strategy	
Further strengthen our management foundation	Revising segments and portfolios	Accelerate	Rearranging businesses and reorganizing the Group
	Growth field focus, M&A investment	Accelerate	Growth field focus, M&A investment
		New	Controlling hiring, mobilizing personnel, strategic human resource development
Further strengthen our earnings power in key businesses			
Build sustainable railway services by improving earnings	Advancing measures to increase revenues (increasing Shinkansen, inbound, and short distance earning power, etc.)	Accelerate	Transition to Internet reservations, ticketless service Baggage transport using the Kyushu Shinkansen, etc.
	Advancing measures to increase efficiency (station system reevaluation, Assist Mars, SSS, consignment, etc.)	Accelerate	Various measures to increase productivity SSS, Assist Mars, expanded one-person train operation, etc.
		New	Revision to flexible schedules aligned with the demand
Implement strategic city-building initiatives in the regions around our business areas	Increasing the value of city-building initiatives with stations as bases stations	Continue	City-building in regional bases Continued development at Miyazaki, Kumamoto, Hakata, etc.
		New	Lowering the break-even point in the hotel business
		New	Considering private REIT formation
Growth and evolution in new areas	Expanding business areas that leverage the strengths we have cultivated	Revise/control	Reevaluating new development (hotels, overseas, etc.)
	Taking on the challenge of new mobility services	Continue	Advancing initiatives centered on MaaS
	Advancing JR Kyupo and implementing Companywide digital transformation	Accelerate	Accelerating digital transformation by developing/securing human resources





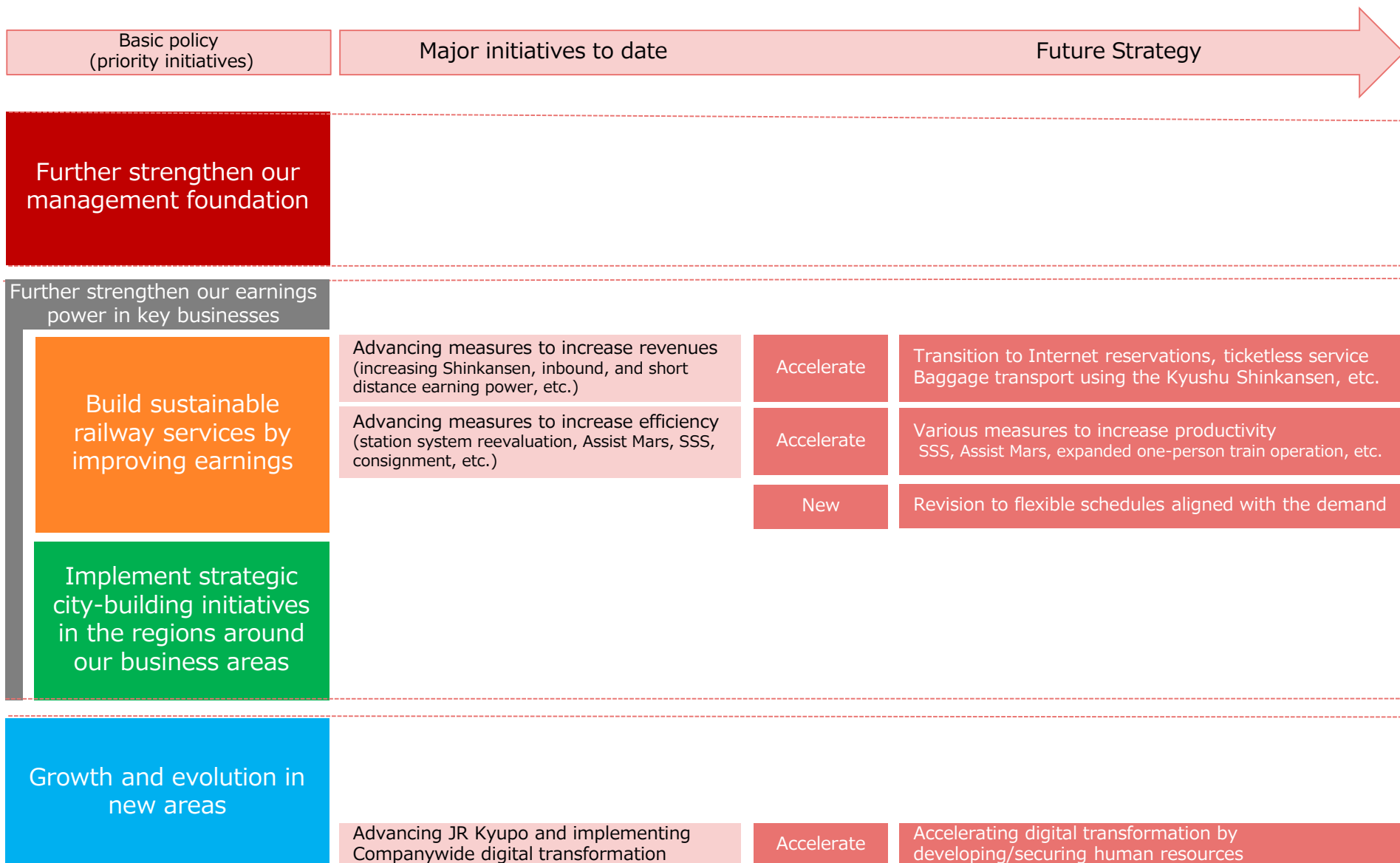
## **II. REFORMING STRATEGIES AMID COVID-19**



KYUSHU RAILWAY COMPANY



# Reforming Strategies in the Railway Business



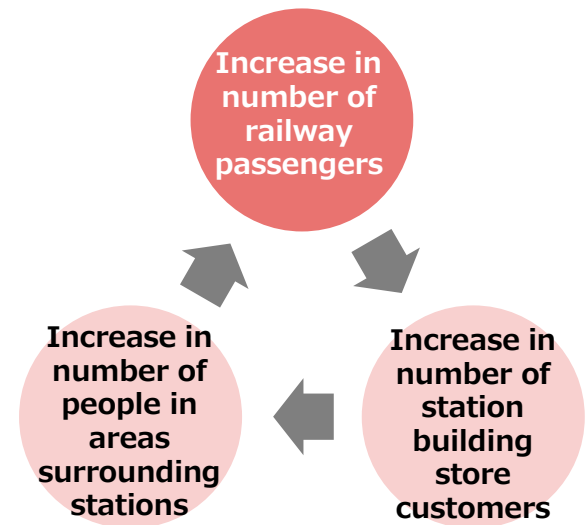
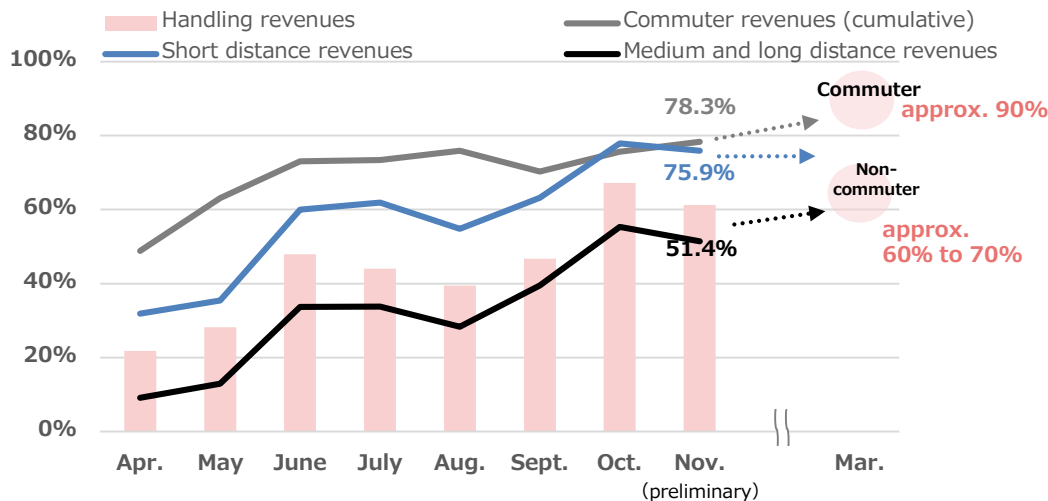
# Overview of the Railway Business



## Railway transportation revenues

- Commuter revenues and short distance revenues are expected to recover relatively quickly and likewise with surrounding businesses
- Medium and long distance revenues subsided while railway transportation revenues remains stagnant overall

Trends and FY2021/3 forecasts of handling and other revenues



## Initiatives for customers' safety and peace of mind

- Advancement of initiatives for cleaning the interior of facilities and following guidelines to prevent infection so that customers can use our railway services with peace of mind
- Establishment of joint initiatives with national and local governments, including the suspension of operations of all conventional-line limited-express trains during the Golden Week holiday period to prevent the spread of infections resulting from inter-prefectural travels



Screen of ticket sales machine



Opening windows

# Promotion of Revenue-Enhancement Measures ①



## Target new customer base through collaborative efforts involving popular trends

- Fostered new demand through collaborations with Disney, Pixar, the popular TV animation Demon Slayer: Kimetsu no Yaiba, and Japanese idol group HKT48
- Extended sales of the unlimited-travel Minnano Kyushu Tickets to December due to popular demand



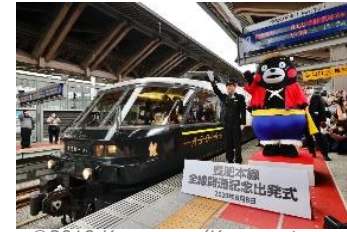
## Collaboration with local governments and local community residents for the launch of a new tourist train and the promotion of recovery of regional routes

- Began operation of the new tourist train named 36+3, which travels around Kyushu over the course of five days, in October. Collaborated with local governments and local community residents to propose new ways of enjoying travel incorporating the appeal of Kyushu
- Started the "Switch On! Hoho Main Line Full Opening Project" on the Hoho Main Line, which resumed full operation for the first time in four years, in August

New tourist train named 36+3



Departure ceremony for the full opening of the Hoho Main Line



©2010 Kumamon (Kumamoto Prefectural Government)

## Discussions underway for the implementation of baggage transport using the Kyushu Shinkansen

- Plan to undergo verification testing with Sagawa Express Co., Ltd. Pursue new earnings opportunities by making effective use of available space inside the Shinkansen

### ■ Hakata → Kagoshima-Chuo (downbound)

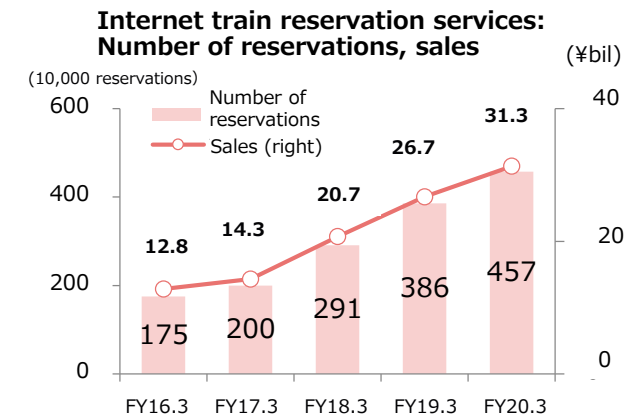
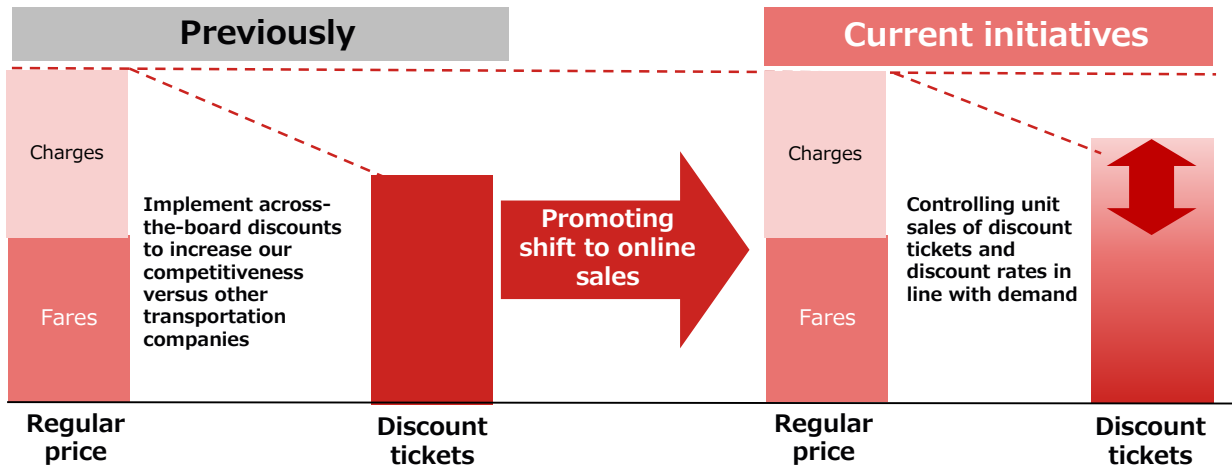


# Promotion of Revenue-Enhancement Measures ②



## Maximizing earnings opportunities through online sales

- Implemented across-the-board discounts on paper train tickets in the past to maintain competitiveness with other transportation companies
- Setting of prices in tune with demand and maximization of earnings opportunities in recent years through a focus on online sales
- Discontinued sales of a certain set of tickets in 2018. Plan to expand share of online sales going forward



## Use of EX-IC Service

- Plan to expand EX service area for the Kyushu Shinkansen through an agreement with Central Japan Railway Company and West Japan Railway Company (EX reservation service to be launched in spring 2022)



# Advancement of Efficiency Measures ①



## Establishment of flexible schedules reflecting changes in demand

- Discontinue operation of certain conventional-line limited-express trains until further notice while adapting readily at times of higher demand through expanding train service and other measures

(Recently enacted measures)

- September 18

Discontinued operation of certain conventional-line limited-express trains from November until further notice due to insufficient customer demand

- November 5

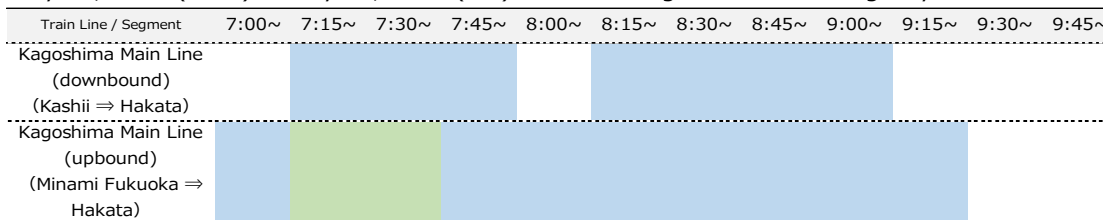
Resumed operation of certain limited-express trains, which were scheduled to be suspended, during November 21-23 (extended holiday) due to high number of reservations

- Usage during morning rush hour is trending upward, while usage during daytime and night-time hours remains sluggish.

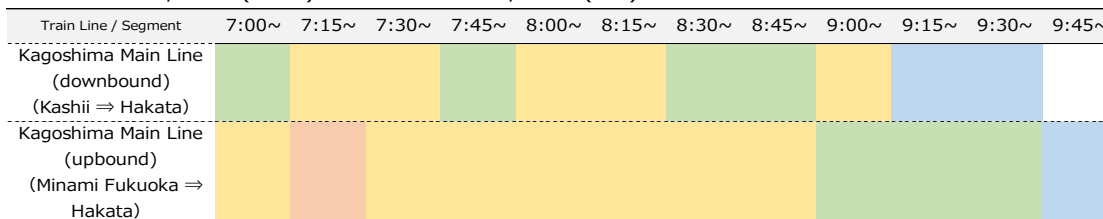
Considering the possibility of revisions to trains and time periods with excess transportation capacity as part of schedule changes to be implemented in the following year

(Reference) Congestion Status of Trains Arriving at Hakata Station (7 a.m. to 10 a.m.)

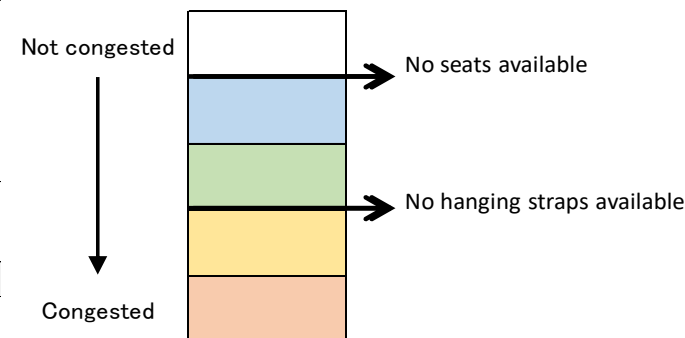
May 18, 2020 (Mon.) to May 22, 2020 (Fri.) \* After lifting of state of emergency



November 16, 2020 (Mon.) to November 20, 2020 (Fri.)



【Congestion Levels】



# Advancement of Efficiency Measures ②



## Service

- Introducing Assist Mars  
(ticket sales machines equipped with intercoms)
- Introducing Smart Support Stations  
The operators at our support centers monitor for safety and assist customers through the use of surveillance cameras at intercoms installed at train stations.

Assist Mars



Smart Support Station



Remote monitoring, guidance

Train Stations with Smart Support Station

Train Line	Number of Stations	Segment	Implementation Date
Kashii Line	14	Saitozaki-Umi	March 2015
Chikuho Main Line	11	Wakamatsu-Shinnyu	March 2017
Oita Region	3	Maki, Kozaki, Takio	March 2018
	2	Shikido, Oita-Daigaku-Mae	December 2018
Ibusuki makurazaki Line	11	Korimoto-Kiire	May 2020

## Operations

- Expanding trains operated by one person  
Expanding these trains while securing safety through platform monitoring measures, etc.
- Advancing self-driving  
(FY2021/3: Planning to start test operations, with train drivers on board trains that are used to carry passengers)



## Maintenance

- Implementing maintenance inspections through the use of drones and robots
- Track monitoring using passenger trains  
A camera system featuring elemental technology was instituted for the first time in Japan on our passenger train. This system will contribute to improving the efficiency of certain inspection work on our railway facilities as well as to enhancing the quality of our facilities and the safety of our personnel.





# Advancement of Efficiency Measures ③



## Reducing costs by leveraging digital transformation and business process re-engineering strategies

- Identify areas within our railway business operations and back office work where costs can be reduced and review the significance of business processes from the ground up through the efforts of the newly formed organization
- Utilizing digital technology, optimize existing businesses, such as marketing and office work, and reform operations through the creation of future businesses

### Optimization through enhancement of existing businesses

### Reform through the creation of future businesses

#### Customers (Maximizing earnings)

In digital areas, strengthening customer contact points and promoting marketing

#### Operations (Increasing efficiency / reducing costs)

Using digital/ICT technologies that contribute to efficient operational administration

**Office work**  
(Enhancing productivity, diversifying working styles)  
Using digital technologies to reform working styles

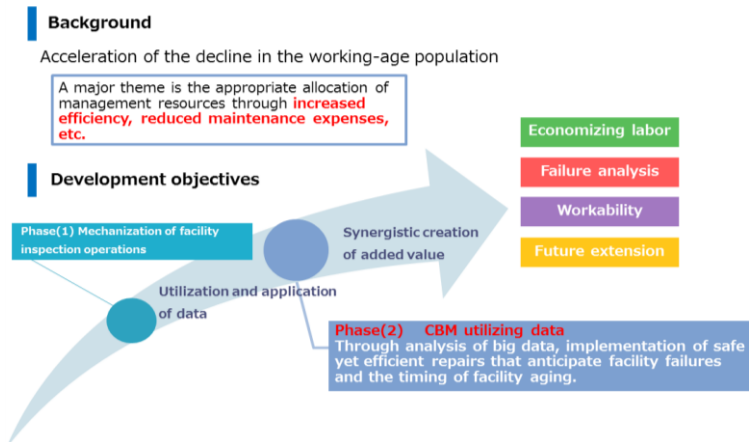
#### Future business/operations

Taking on the challenges of creating new businesses and services and of reforming operations

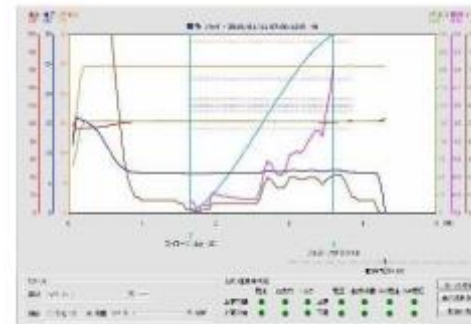
## Collaboration with other transportation companies and venture companies

- Joint development of CBM for railway signal facilities with Nippon Signal Co., Ltd. and Kyosan Electric Mfg. Co., Ltd. (June 2019)
- Joint development of solutions with A.L.I. Technologies for railway facility inspections using drones (July 2019)

### 【Maintenance vision for railway signal facilities】

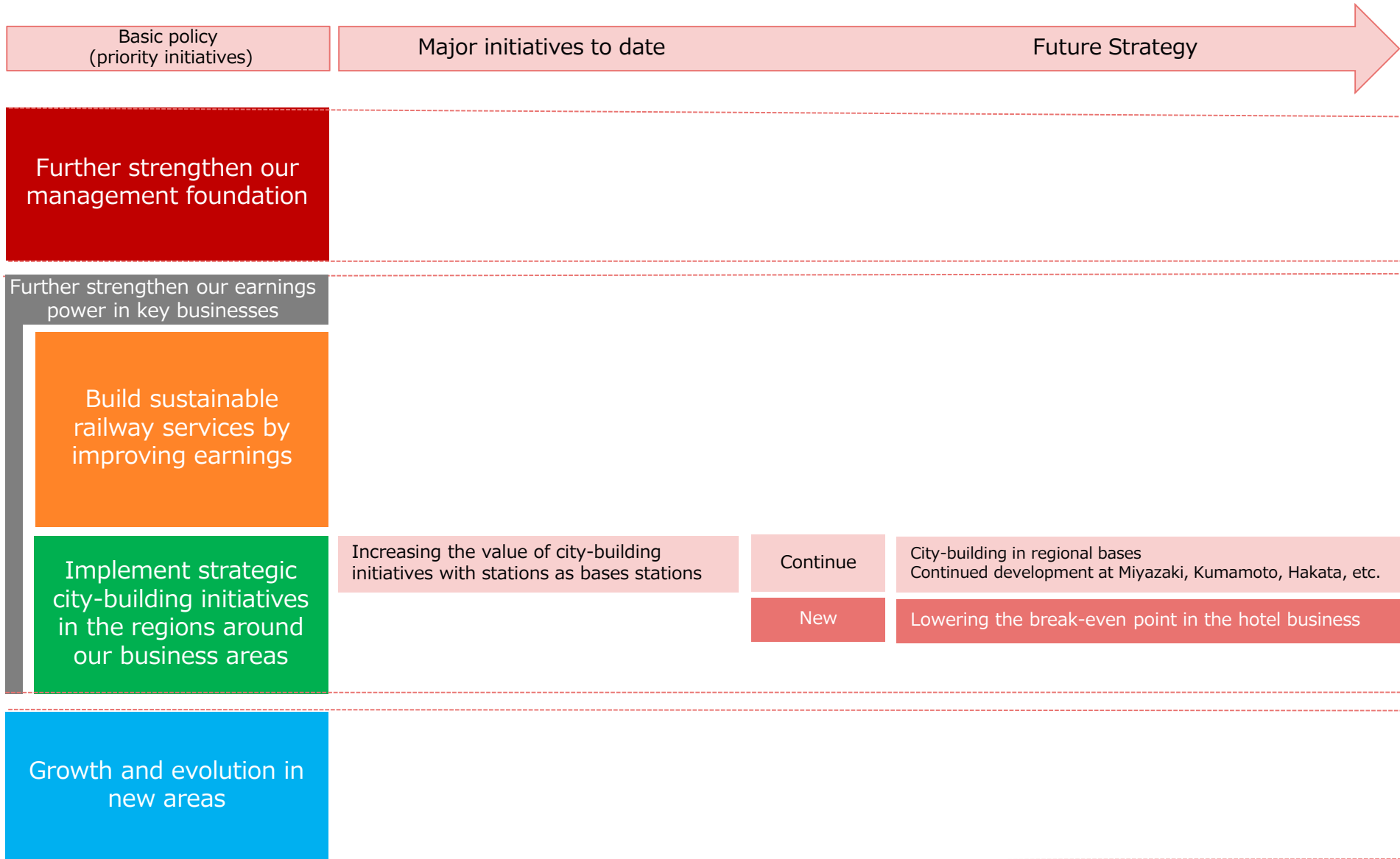


### Operating Data of Electrical Switch (Steady state monitoring system)





# Reforming Strategies in the Real Estate and Hotel Businesses



# City-Building in Regional Bases ①



## Miyazaki Station west entrance development

- Opening of “Amu Plaza Miyazaki” on November 20, 2020  
(Implementing advance opening of “Himuka Kirameki Ichiba,” a commercial facility located under elevated railway tracks, on October)
- There were some contract cancellations in the commercial area due to the influence of the COVID-19 infection, but all stores have already been determined.
- In the office area, we continue to implement measures to attract tenant.

Opening day at “Amu Plaza Miyazaki”



Opening day at “Himuka Kirameki Ichiba”



## JR Miyako Twin Building

\*Joint development with Miyazaki Kotsu

### Umi-kan (commercial facility floor space: 9,800 m<sup>2</sup>)

- 1st to 6th floors: Commercial facilities  
(5th & 6th floors: Cinema complex)
- 7th to 10th floors: Offices

### Yama-kan (commercial facility floor space: 6,300 m<sup>2</sup>)

- 1st to 6th floors: Commercial facilities

## Himuka Kirameki Market

[Under elevated railway tracks]

- Souvenirs / food and beverages / sundries / services  
(commercial facility floor space: 2,700 m<sup>2</sup>)



# City-Building in Regional Bases ②



## Kumamoto Station area development

- Opening of “Amu Plaza Kumamoto” scheduled for April 23, 2021
- Tenant leasing in commercial areas is progressing steadily, with approximately 50% of tenants opening stores for the first time in Kumamoto Prefecture. Leases for the two office buildings performed favorably as well.
- Approximately 4,500 jobs and nearly 1,000 accommodations are expected to be created as a result of this initiative



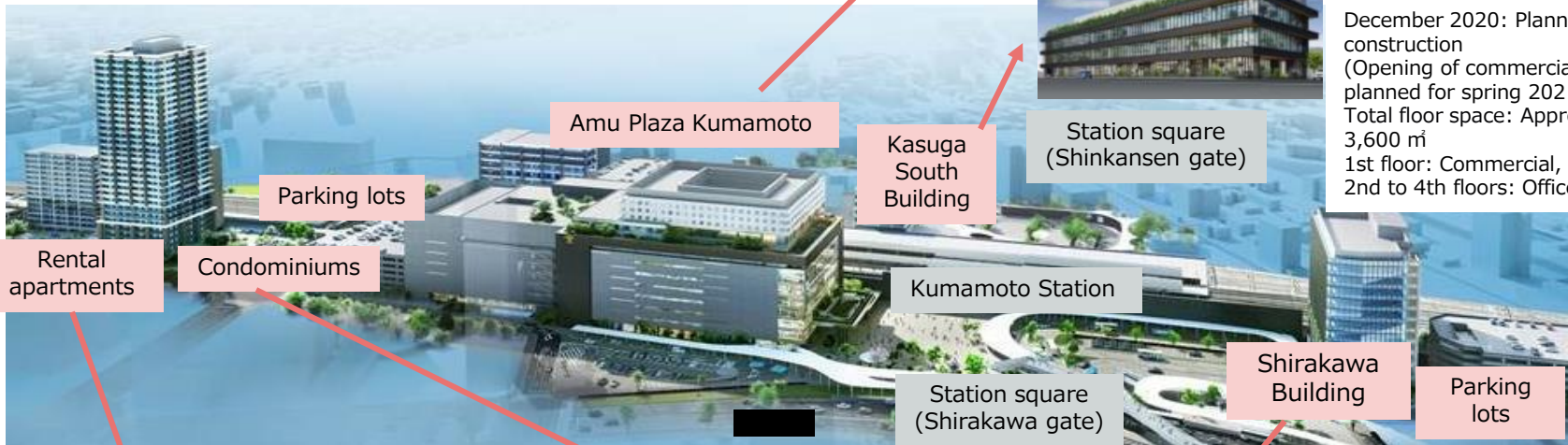
### JR Kumamoto Station Building

JR Kumamoto Station Building  
April 23, 2021: Planned opening  
Total floor space: Approximately 109,000m<sup>2</sup>  
Number of hotel rooms: 203 rooms (planned)  
1st to 8th floors: Amu Plaza Kumamoto (commercial, weddings)  
9th to 12th floors: THE BLOSSOM KUMAMOTO (hotel)



### JR Kumamoto Kasuga South Building

December 2020: Planned start of construction  
(Opening of commercial facilities planned for spring 2021)  
Total floor space: Approximately 3,600 m<sup>2</sup>  
1st floor: Commercial, services  
2nd to 4th floors: Offices



### RJR Precia Kumamoto Ekimae

January 2021: Start of construction (planned)  
Total number of units: 144 units

### MJR Kumamoto The Tower

February 2023: Start of construction (planned)  
Total number of units: 230 units

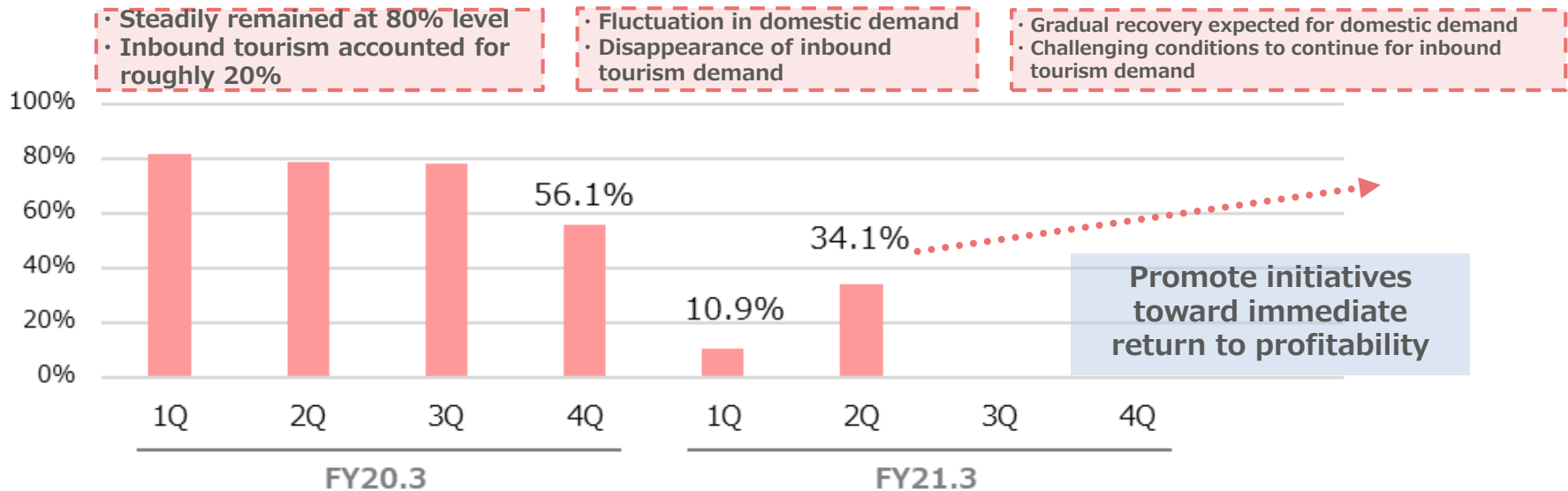
### JR Kumamoto Shirakawa Building

December 2020: Planned start of construction  
(Opening of commercial facilities planned for spring 2021)  
Total floor space: Approximately 17,000 m<sup>2</sup>  
1st to 3rd floors: Amu Plaza Kumamoto (BicCamera)  
4th to 12th floors: Offices

# Lowering the Break-Even Point in the Hotel Business



## Change in occupancy rate (by quarter)

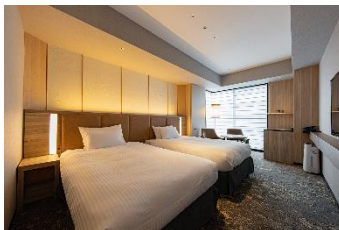


## Review of operational system

- Review of operational system, including the joint procurement of hotel supplies, internalization of consigned services, and reevaluation of workforce requirements

## Establishment of products catered to changing lifestyles

- Diversify our product lineup to address needs unlike those of the past such as subscription-style accommodations, monthly plans for hotels, and serviced offices



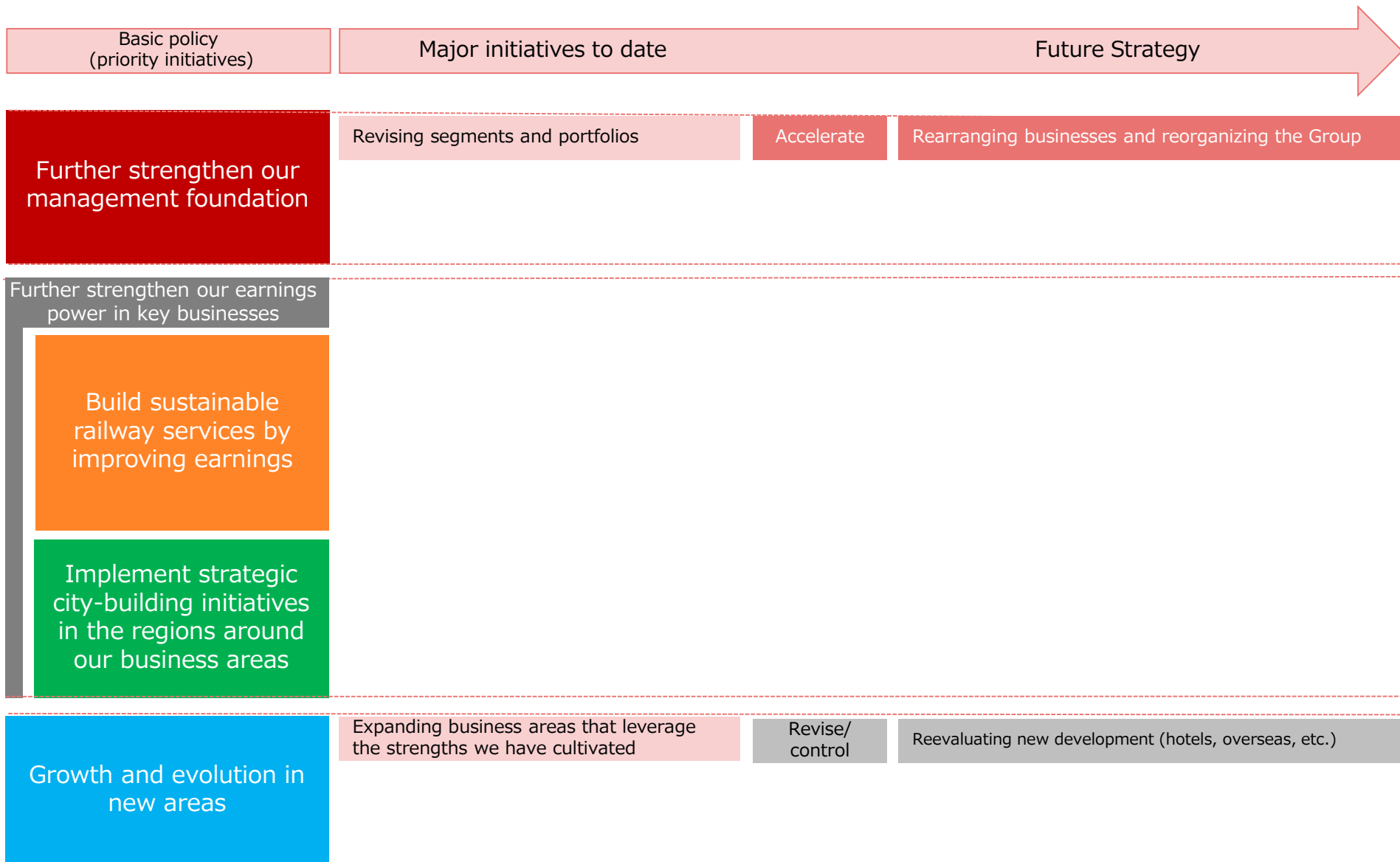
Launch of monthly plan  
(THE BLOSSOM HAKATA Premier)



Converting hotel rooms to  
business offices  
(THE BLOSSOM HIBIYA)



# Reforming Business Portfolio Strategies



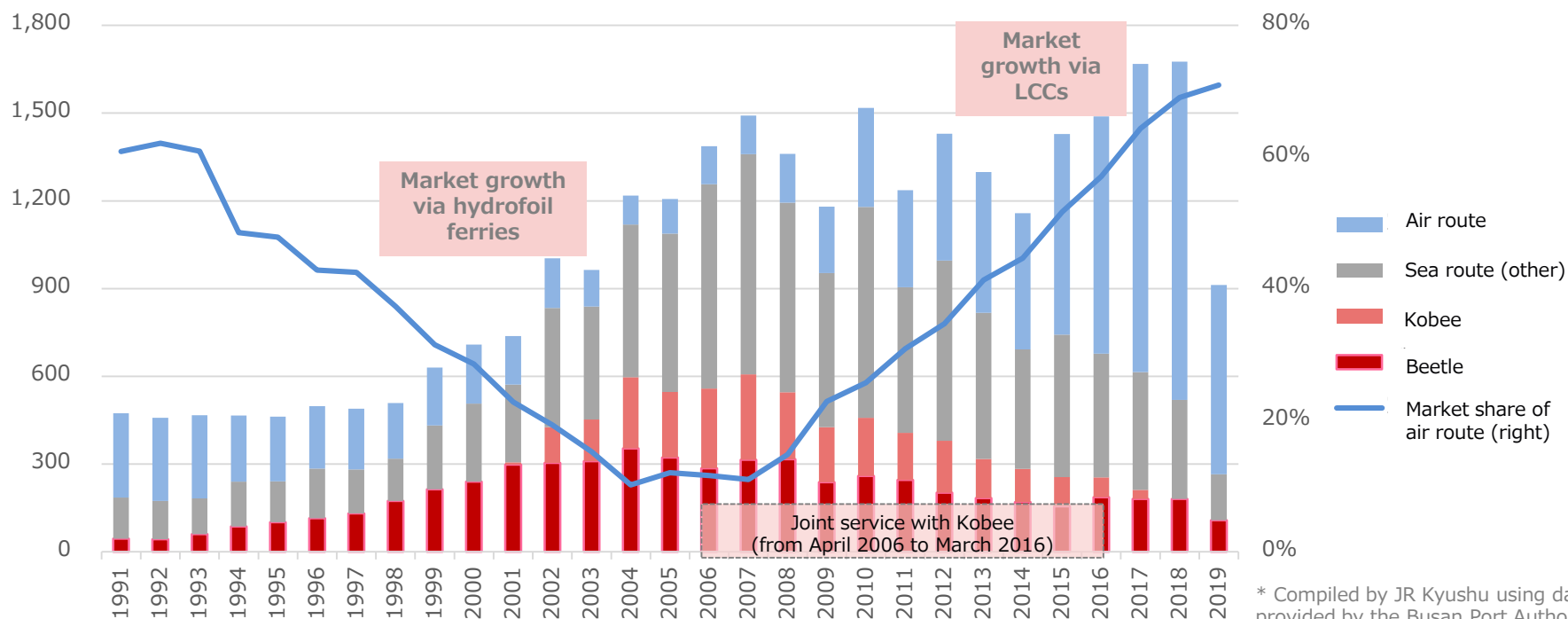
# Hydrofoil Ferry Business ①



- Established in 1991, our hydrofoil ferry business transports passengers between Japan and South Korea, mainly between Fukuoka and Busan.
- Through emphasis on hydrofoil ferries in the early 2000s and on low-cost carriers (LCCs) in recent years, our share of the overall market has continued to grow.

## Number of users and market share

(Thousand people)



\* Compiled by JR Kyushu using data provided by the Busan Port Authority and Korea Airports Corporation

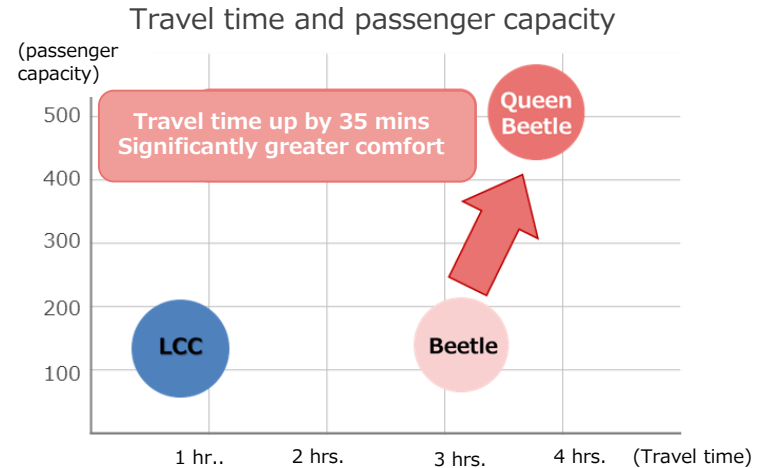
Index (Users)	2004	2018
Japan-South Korea route	100	172
Air route	100	1,167
Beetle	100	51



## Differentiating from LCCs through introduction of the Queen Beetle

### Devoted to providing pleasant travels

- ✓ The Queen Beetle offers a relaxing lounge, a duty-free store, and an observation deck, in addition to business class seating. As passengers are not required to use a seatbelt, it allows for a renewed and enjoyable travel experience.
- ✓ An assortment of seating options is available, including booths and tables. Featuring an abundant space to store large baggage and bicycles as well as a kids room, it caters to a wide range of tourists.
- ✓ Offering significantly greater capacity, it can now accommodate large groups such as for school trips, which was not possible in the past.



Cabin



Kids room



Observation deck

## One Queen Beetle to be operated for the time being

- Preparations underway for the introduction of a leisurely cruise that starts and finishes at Hakata Port until the Japan-South Korea route resumes.
- Currently examining all possibilities for the jetfoil-type Beetle (three units), including their sale

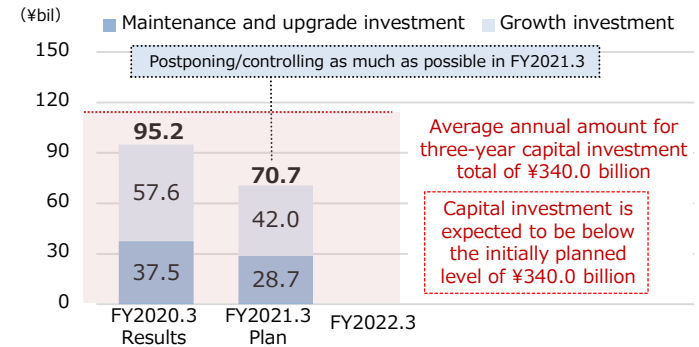


# Postponement and Control of New Developments and Approach to Overseas Business



## Control of capital investments

- In FY2021.3, due to postponement/control to the extent possible, we are planning for a level lower than in FY2020.3.
- In FY2022.3, we anticipate large-scale investment in the opening of the Kumamoto Station Building and in the partial opening of the Nagasaki route of the Kyushu Shinkansen, but we expect a level lower than the initial plan's three-year total of ¥340.0 billion.



## Real Estate Business in Bangkok (Thailand)

Continues to face severe business conditions as a result of COVID-19. Center our attention on existing properties for the time being and await market recovery

- Serviced apartments  
Around 50% occupancy compared with the previous year, thanks to the presence of some long-term residents
- Hotels  
Continues to face challenging conditions owing to a downturn to its high number of inbound customers.  
Designated as an Alternative State Quarantine hotel by the Thai government in November, through which the occupancy rate is expected to rise



Shama Lakeview Asoke Bangkok  
(Serviced apartments)

Aloft Bangkok Sukhumvit 11  
(Hotels)



## Restaurant Business in Shanghai (China)

- Since the opening of our first store in 2012, we have operated as many as five stores in the Shanghai region.
- Despite a return to profitability in 2017, we decided to withdraw the business due to the lack of progress on the horizon concerning the deteriorating relations between Japan and China and the declining number of Japanese residents in the country.

# Review of Business Portfolio (Business Transfer, Capital Alliance, Etc.)



Transportation  
segment

Construction  
segment

Real estate and  
hotels segment

Retail and  
restaurant  
segment

Other segment

Other  
businesses

\*Share transfer  
(51%)

Drugstores

Leasing  
business

Hospital  
business

## Sale of business stemming from change in business (market) conditions

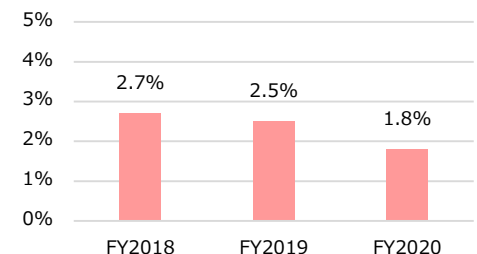
- Transfer of leasing business (October 2019)  
Methods of fundraising have diversified against a background of lower market interest rates, and lease accounting standards have changed. Due to these and other factors, we determined that it would be difficult to achieve significant growth.
- Transfer of hospital business (April 2020)  
The location has an excess of hospital beds, and the management environment is expected to remain challenging. We determined that the best course of action was to entrust management to an external medical institution with a strong track record.

## Capital alliance toward the realization of sustainable growth

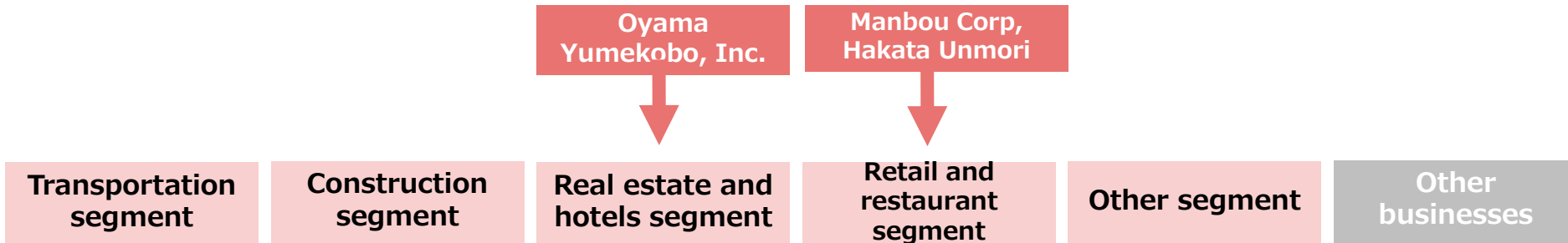
- Transfer of a portion of shares of JR Kyushu Drug Eleven Co., Ltd. (May 2020)
  - Continues to face fierce operating conditions stemming from changes in the industry
  - Transferred 51% of shares in TSURUHA Holdings Inc. based on the potential for greater business efficiency resulting from an improved operating margin and lower procurement costs through economies of scale  
(changed to equity-method affiliate)



Operating margin



# Review of Business Portfolio (Acquisition, Capital Alliance, Etc.)



**Acquisition of businesses that contribute to synergies with existing businesses, the promotion of tourism in Kyushu, and the uncovering of railway demand**

## ■ Invigorating the Kyushu region through the privatization of joint public-private venture

- Made Oyama Yumekobo, Inc. (Hita City, Oita Prefecture), a hot springs resort operator and umeshu (ume liqueur) manufacturer, a Group subsidiary in January 2016.  
Underwent major reforms to hot springs resort and established a high-end ryokan, which became widely known through its recognition by Michelin and roughly doubled in sales and ADR relative to before the acquisition.



## ■ Enhancing profitability through the efforts of well-known local enterprises

- Made Manbou Corp. (Karatsu City, Saga Prefecture), which manufactures and sells squid siu mai dumplings and operates a restaurant, a Group subsidiary in December 2019. This acquisition will contribute to the revival of tourism and ignite railway demand through a greater number of tourists to the region and to the expansion of our sales network and business activities.
- Acquired the operations of Hakata Unmori from Tsuchiya Ltd. (Fukuoka City, Fukuoka Prefecture), a confectionery retailer operated by Group subsidiary JR Kyushu Retail, Inc., in July 2020. We will look to expand its earnings by drawing on the Group's extensive sales network.



# Review of Business Portfolio (New Initiatives)



## Potential establishment of a region-based investment fund

### Company-related Issues

**Identify growth areas on the basis of the current COVID-19 business environment**

Boost profitability through investments in existing and peripheral businesses

Engage in new businesses with little or no relevance to existing businesses

### Region-related Issues

Rising number of small and medium-sized enterprises (SMEs) facing severe business conditions as a result of COVID-19, lack of successors, labor shortage, natural disasters, etc.

- Support the medium- to long-term growth of SMEs and business partners rooted in local communities
- Expand the Group's scope of investment and look into potential business acquisitions
- Accelerate efforts to reenergize Kyushu by proactively engaging in investment funds

**Contribute to the sustainable development of the Kyushu Region by advancing "city-building and community development" initiatives that leverage regional characteristics, centered on sustainable mobility services**

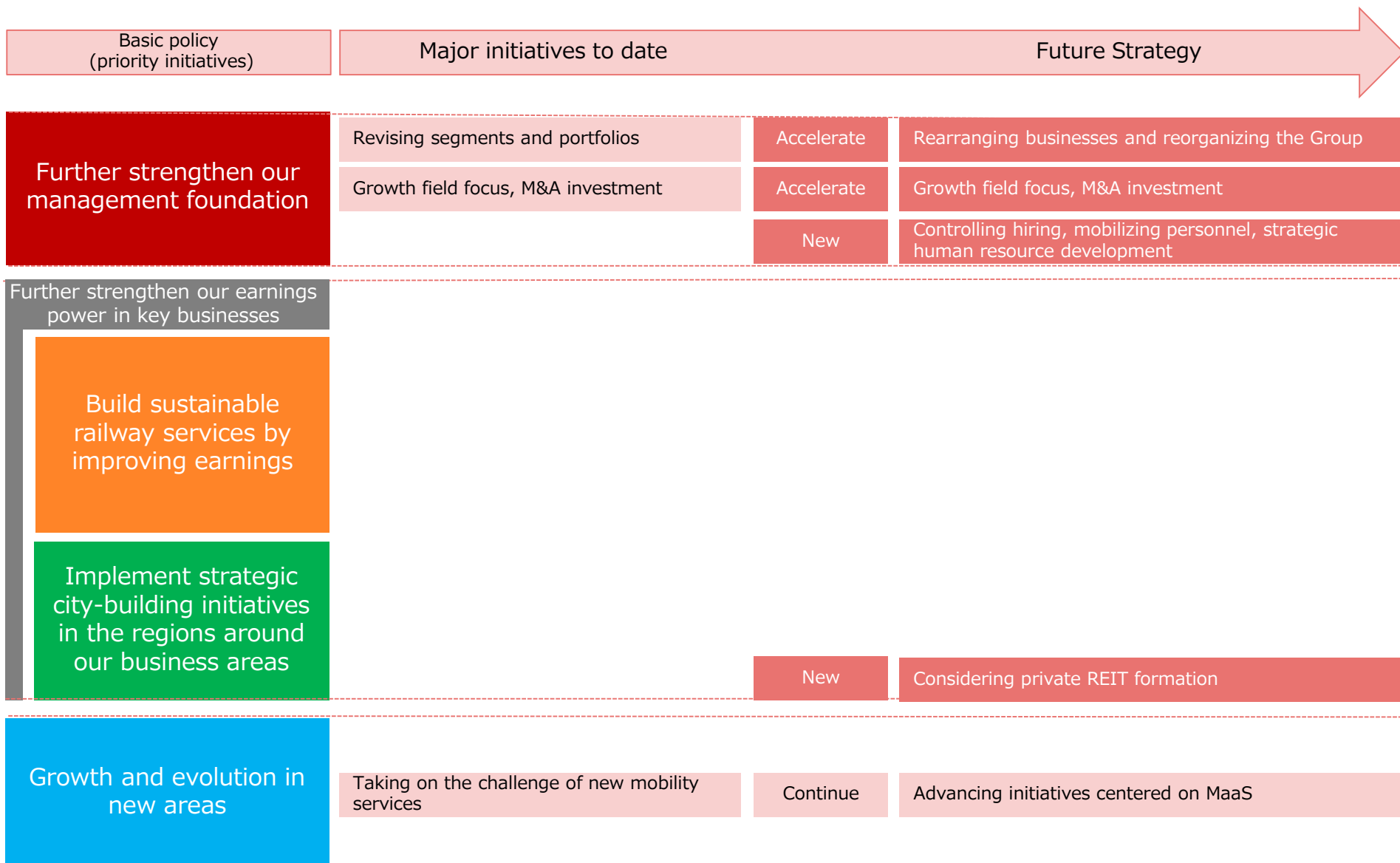


# **III. INITIATIVES TOWARD REALIZING OUR LONG-TERM VISION**

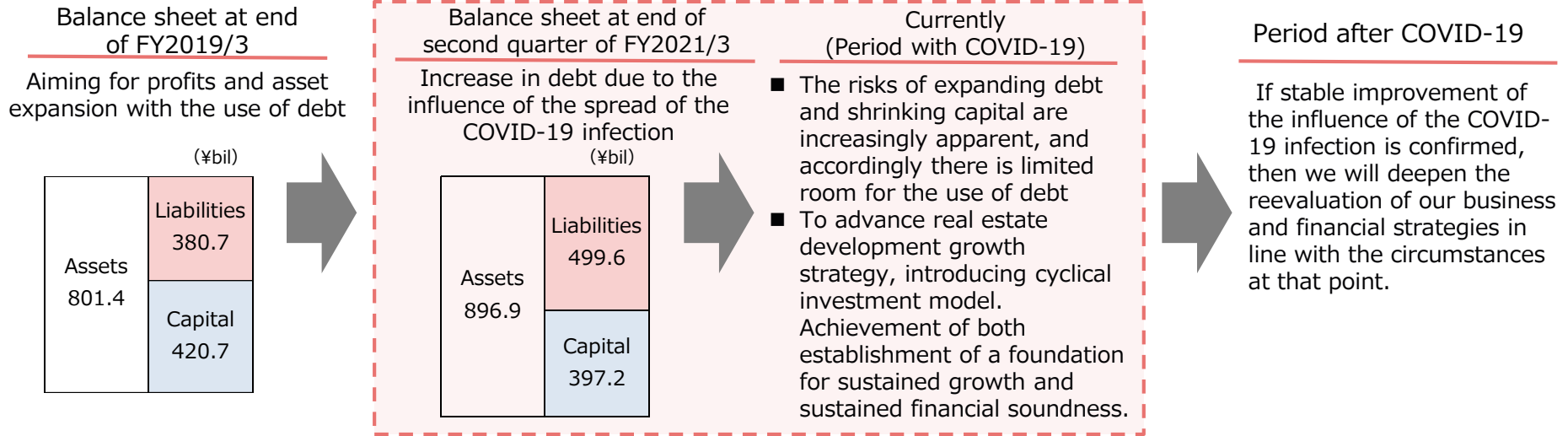


KYUSHU RAILWAY COMPANY

# Initiatives toward Realizing Our Long-Term Vision



# Cooperation of Business and Financial Strategies



## Business strategies

### Advancing growth investment and increased efficiency

Advancing “city-building and community development” initiatives that leverage regional characteristics, centered on sustainable mobility services

Implementing growth field focus, M&A investment

## Financial strategies

### Maintain financial soundness and provide stable shareholder return over the long term

Necessity of a certain level of capital in accordance with the perspective of business sustainability. Maintaining ratings, securing sufficient financial strength to purchase superior properties

Implementing stable shareholder return over the long term

Through real estate securitization via private REIT formation, achieve both sustained growth strategies/increase capital efficiency and sustained financial soundness.

**Aiming for sustainable corporate growth and increases in corporate value over the medium to long term**



# Consideration of Private REIT Formation and Development Plans Going Forward



## Considering private REIT formation

- Establishing foundation for sustained growth in real estate business through cyclical investment model
- Rolling out new business initiatives through acquisition of development profit and diversification of funding methods
- Expanding profit opportunities through participation in asset management business

## Development plans going forward

- Proceed ahead with station area development, public offerings for which we have acquired preferential negotiation rights, and other development plans
- Continue to actively pursue promising investment opportunities with the goal of realizing sustainable growth

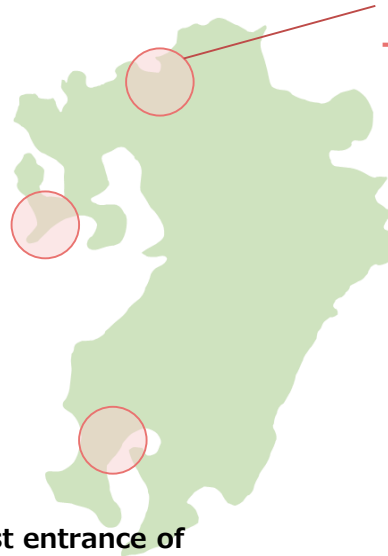
### Nagasaki Station area development

- FY2023/3: Opening under elevated railway tracks
- Spring 2023: Partial opening of new station building
- FY2026/3: Full opening of new station building



### Development at the west entrance of Kagoshima-Chuo Station

Considering integrated development incorporating commercial facilities, offices, and residences



### Development in the Fukuoka city metropolitan area

#### Project to utilize the former site of Sunoko elementary school

- Joint venture with the Sakurajyuji Group
- Uses: senior citizens facility, hospital, etc.
- Scheduled opening: January 2024



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

- Joint venture with Fukuoka Jisho Co., Ltd. and Aso Corporation
- Uses: commerce, offices
- Scheduled opening: Spring 2024



#### Plan for utilizing the space above the tracks at Hakata Station

New urban development plan utilizing three-dimensional aerial images of the tracks at Hakata Station



# Advancement of MaaS ①

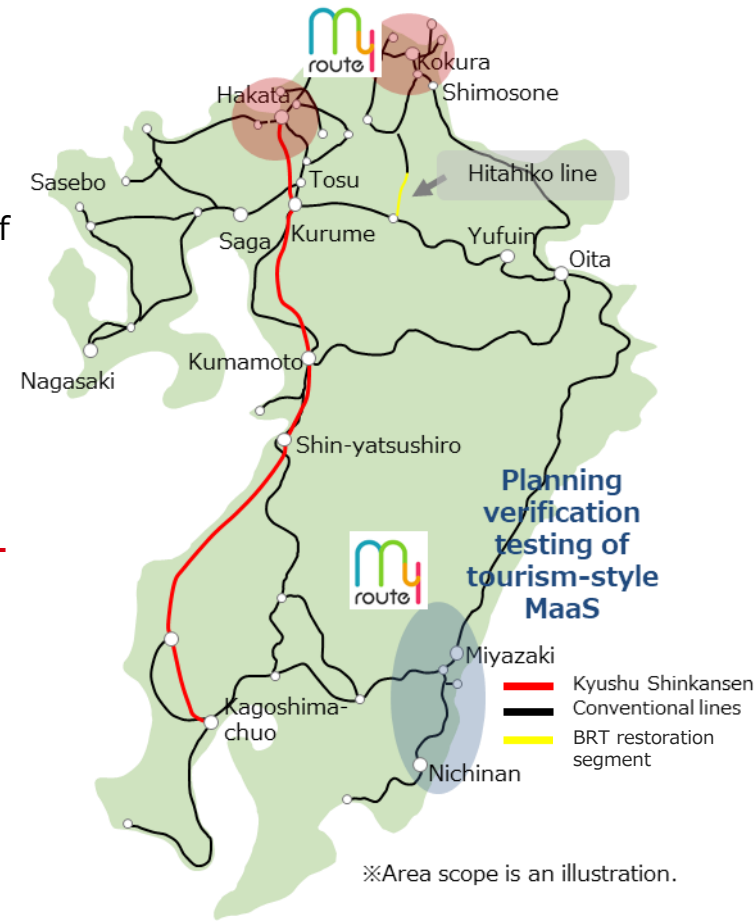


## Strengthening collaboration with other transportation companies

- Formed a business alliance with **DAIICHI KOUTSU SANGYO Co., Ltd.** for the development of a joint mobility service (May 2019)
- Signed a memorandum for the coordination of regional transportation services with **Nishi-Nippon Railroad Co., Ltd.** to enhance the convenience of transportation services (October 2019)  
Commenced an initiative to enhance the convenience of trains and buses at JR Shimosone Station in March 2020, and an expansion of this effort will be considered going forward
- Implemented a service utilizing the “my route” MaaS app developed and operated by the **Toyota Group** in the urban areas of Fukuoka and Kitakyushu, and Miyazaki
- Realized seamless transportation services enabling reservations of airline tickets and reservations and payments of Shinkansen and limited-express train tickets through a system integration with **ALL NIPPON AIRWAYS Co., Ltd** (October 2020)

## Implementing verification testing

- Selected for the Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan. Began verification testing in November toward the establishment of a business model
- Review underway for the date and other details regarding the implementation of MaaS in Yufuin due to the current business conditions, despite the establishment of a Verification Testing Committee





## Background for conducting MaaS verification testing in Miyazaki Prefecture

### Public transportation challenges

Declining birth rate and aging population, declining population, labor shortage

Decline in people visiting central urban districts

+ **COVID-19 threat**

Rise of new mobility services  
Trend toward digitalization

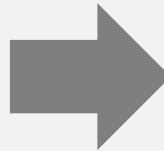


Opportunity to activate  
central urban district

### MaaS utilization

#### Major verification testing initiatives

- Collaboration with various transportation modes
- Realizing seamless transportation services
- Collaboration between transportation and commerce/tourism



#### Aims

- Enhancing convenience for community residents/tourists
- Promoting usage of public transportation institutions
- Promoting visits to urban districts / enhancing suitability for excursions

**“Creating mobility demand” and “building sustainable public transportation networks”**

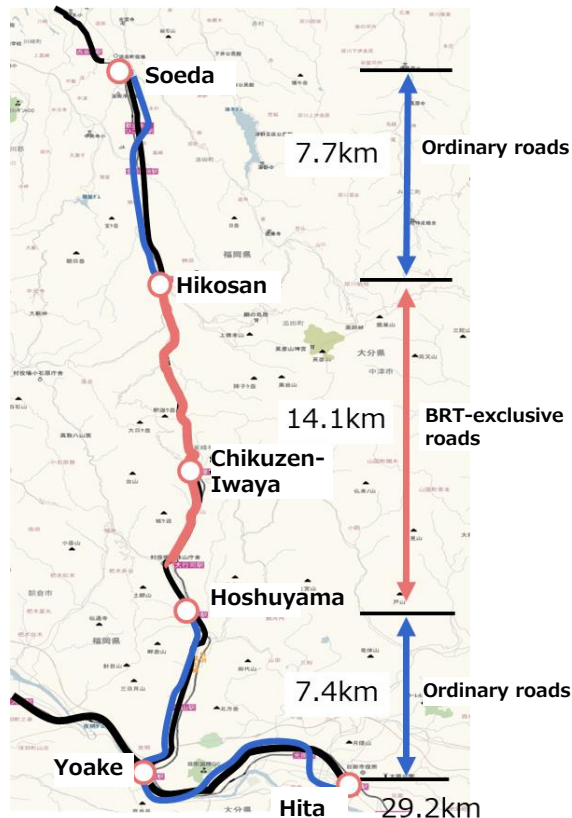
Establishment of **new regional infrastructure** toward revitalizing local communities!

# Pursuit of New Mobility Service with Bus Rapid Transit



## Restoring the Hitahikosan Line through the construction of a Bus Rapid Transit (BRT) system

- Finalized the construction of a BRT system to restore the Soeda-Yoake segment, of which operation has been suspended since July 2017
- In addition to the development of BRT-exclusive roads, in certain areas the BRT will operate on ordinary roads in proximity to residential areas.  
Bus stops will be established in areas other than train stations as well for added convenience.
- Construction will be completed in approximately three years with an estimated cost of around ¥2.6 billion.

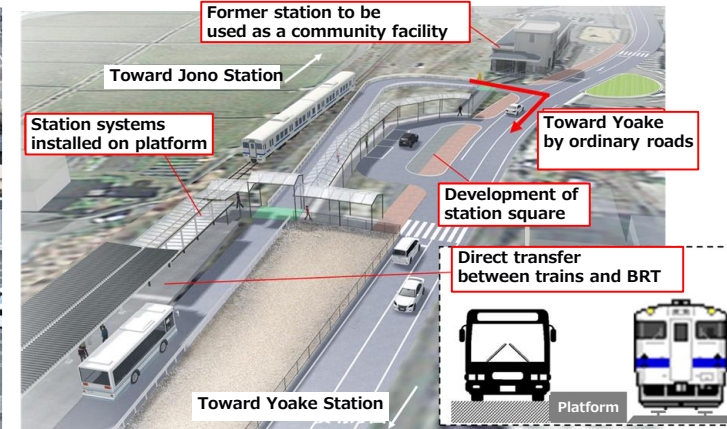


## Development of station building and surrounding area (Soeda Station)

Before restoration



After restoration

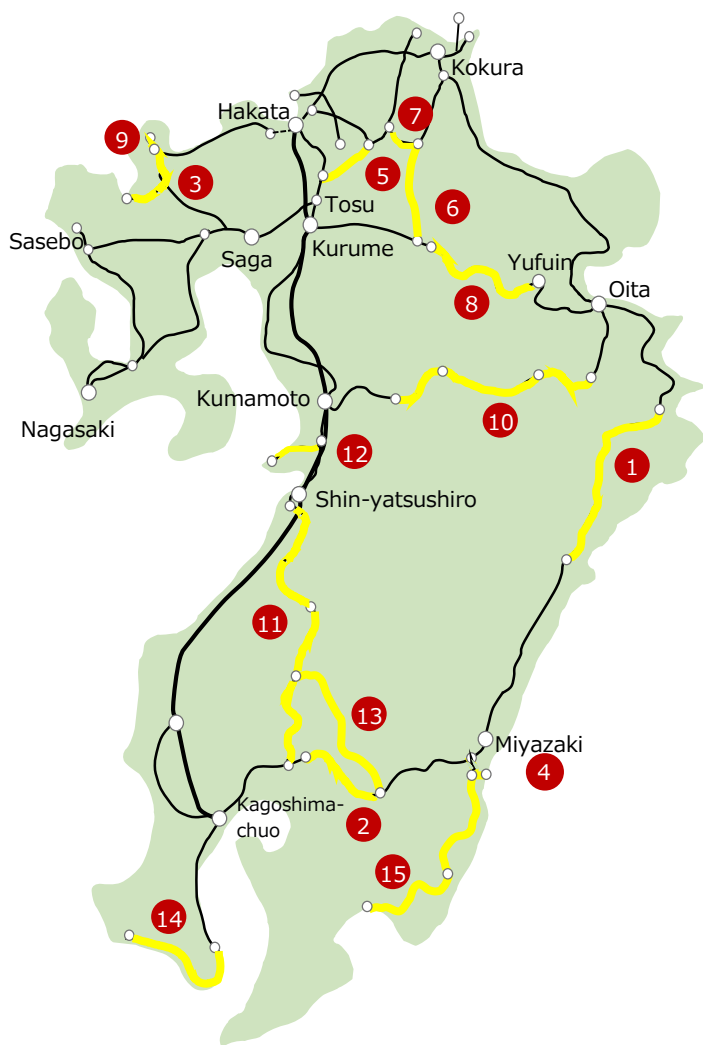


The above image may be subject to change.

# Disclosure of profitability by train line



- Shared details with the relevant municipal authorities on the difficult situation regarding profitability attributable to the average number of passengers being less than 2,000 per day
- Held discussions with the municipal authorities for certain segments and established sustainability-related measures



No.	Name of line	Segment	Operating kilometers (Km)	Profitability in FY2020.3 (¥ million)	Average number of passengers (passengers/day)
				Operating profit (loss)	FY2020.3
①	Nippo Main Line	Saiki – Nobeoka	58.4	(746)	858
②		Miyakonojō – Kokubu	42.2	(368)	1,389
③	Chikuhi Line	Imari – Karatsu	33.1	(235)	214
④	Miyazaki Airport Line	Tayoshi – Miyazaki Airport	1.4	10	1,854
⑤	Chikuho Main Line	Keisen – Haruda	20.8	(84)	467
⑥	Hitahikosan Line	Tagawa-Gotōji – Yoake	38.7	—	— (299)
⑦	Gotoji Line	Shin-Iizuka – Tagawa-Gotōji	13.3	(167)	1,272
⑧	Kyudai Main Line	Hita – Yufuin	51.5	(96)	1,756
⑨	Karatsu Line	Karatsu – Nishi-Karatsu	2.2	(185)	1,024
⑩	Hohi Main Line	Higo-Ozu – Miyaji	30.8	—	— (1,854)
		Miyaji – Bungo-Taketa	34.6	(289)	96 (463)
		Bungo-Taketa – Miemachi	23.9	(174)	917 (1,331)
⑪	Hisatsu Line	Yatsushiro – Hitoyoshi	51.8	(621)	414
		Hitoyoshi – Yoshimatsu	35.0	(270)	106
		Yoshimatsu – Hayato	37.4	(370)	605
⑫	Misumi Line	Uto – Misumi	25.6	(242)	1,187
⑬	Kitto Line	Yoshimatsu – Miyakonojō	61.6	(319)	451
⑭	Ibusuki Makurazaki Line	Ibusuki – Makurazaki	42.1	(354)	277
⑮	Nichinan Line	Tayoshi – Aburatsu	44.0	(403)	1,133
		Aburatsu – Shibushi	42.9	(357)	199

Please use the link below (Company website) to confirm the assumptions, details of calculation methods etc.

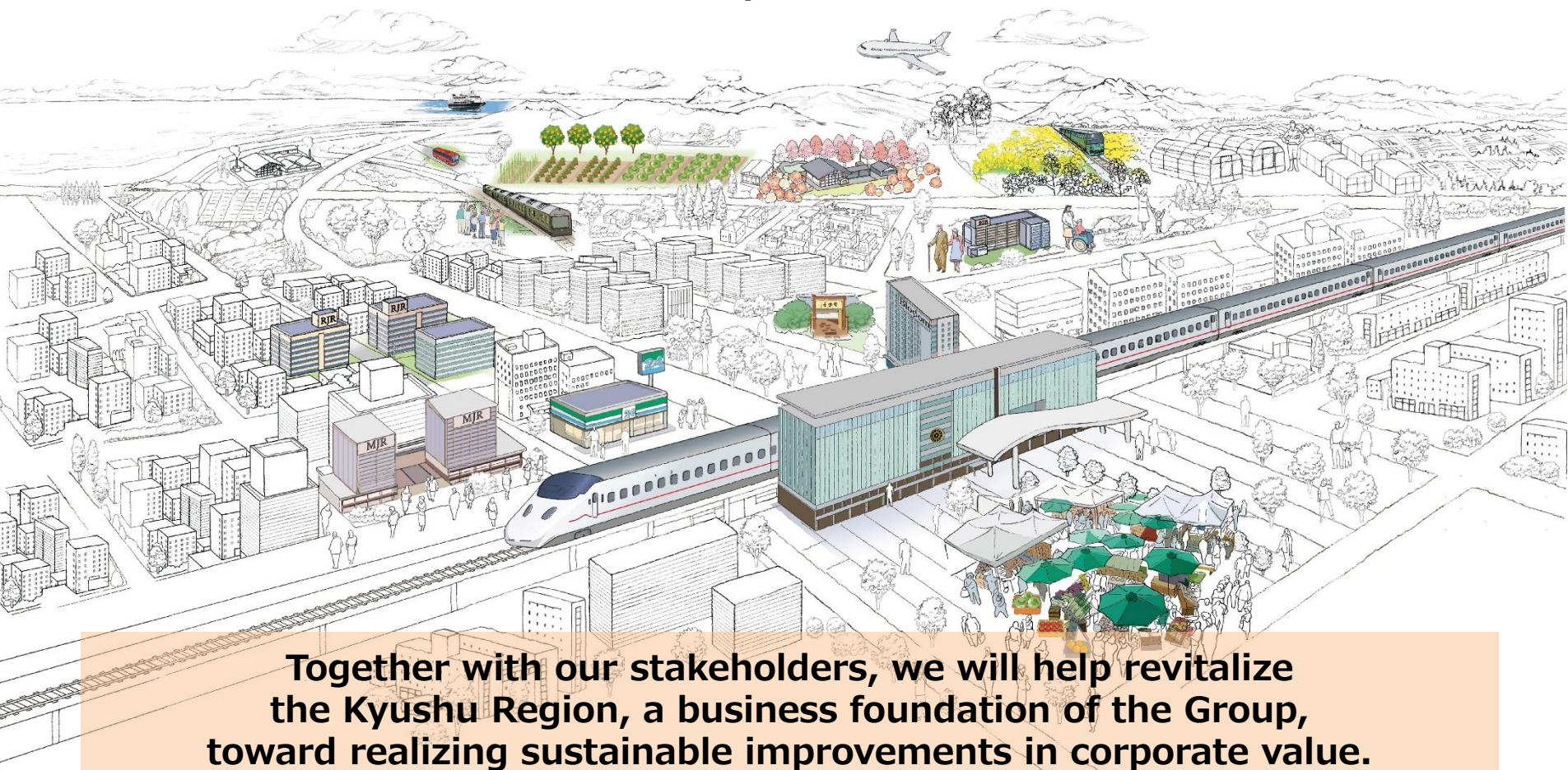
> Usage status by train line : <https://www.jrkyushu.co.jp/company/info/data/senkubetsu.html>



# In Summary: JR Kyushu's Mission "Local Community Invigoration"



What the JR Kyushu Group aims to be:  
**A corporate group that invigorates Kyushu, Japan,  
and Greater Asia with safety and service as its foundation.**



**Together with our stakeholders, we will help revitalize  
the Kyushu Region, a business foundation of the Group,  
toward realizing sustainable improvements in corporate value.**

Customers

Business  
Partners

Local  
Communities

Employees

Shareholders



# THANK YOU



KYUSHU RAILWAY COMPANY



# Forward-Looking Statements

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

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance may vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

IR materials can be viewed on our corporate website:

[http://www.jrkyushu.co.jp/company/ir\\_eng/library/earnings/](http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/)