



Medium-Term Business Vision

December 11, 2020

Kyushu Railway Company

Toshihiko Aoyagi

President and CEO



- I would like to thank everyone for kindly taking the time to participate in today's presentation. I am Toshihiko Aoyagi, the President of the JR Kyushu Group.
- Today marks our first-ever JR KYUSHU IR DAY, and I will discuss the three major elements of our medium-term business vision, the theme of this presentation.
- First is our rationale behind the withdrawal of our numerical management targets and reference indicators in the Medium-Term Business Plan. Second are the initiatives we are currently undertaking in response to the impact of COVID-19. And finally, the third element is our management approach going forward toward realizing our 2030 Long-Term Vision.
- Please take a look at page 3.



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

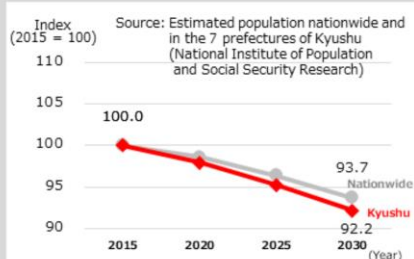


2030 Long-Term Vision

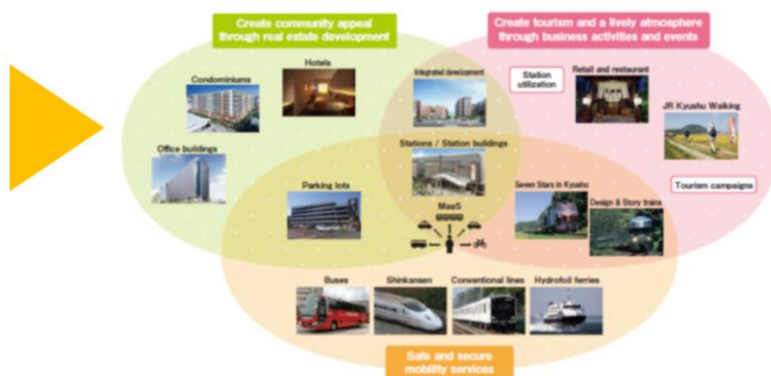
We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

- 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



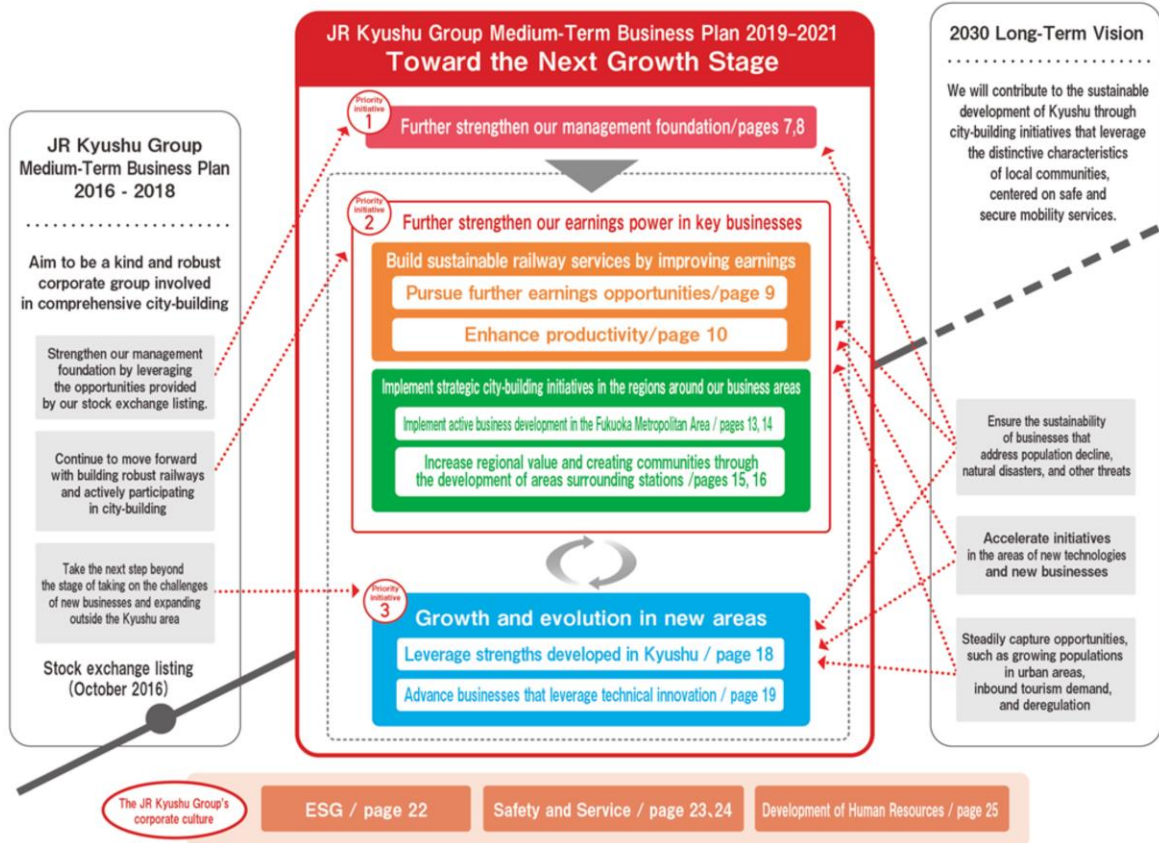
Initiatives to increase the population in areas around our railway lines



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- When our current Medium-Term Business Plan was unveiled in March 2019, we announced our 2030 Long-Term Vision of “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.”
- For a company like ours whose business hinges on the Kyushu area, we cannot overlook the issues of population decline and natural disasters. With this in mind, the development of sustainable mobility services through the incorporation of new technologies and collaboration with other companies will play a major role going forward.
- Amid the current COVID-19 environment, our duty to society as a company that specializes in mobility services will become even more crucial, and therefore our 2030 Long-Term Vision will remain intact.
- Please turn to the next page.

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

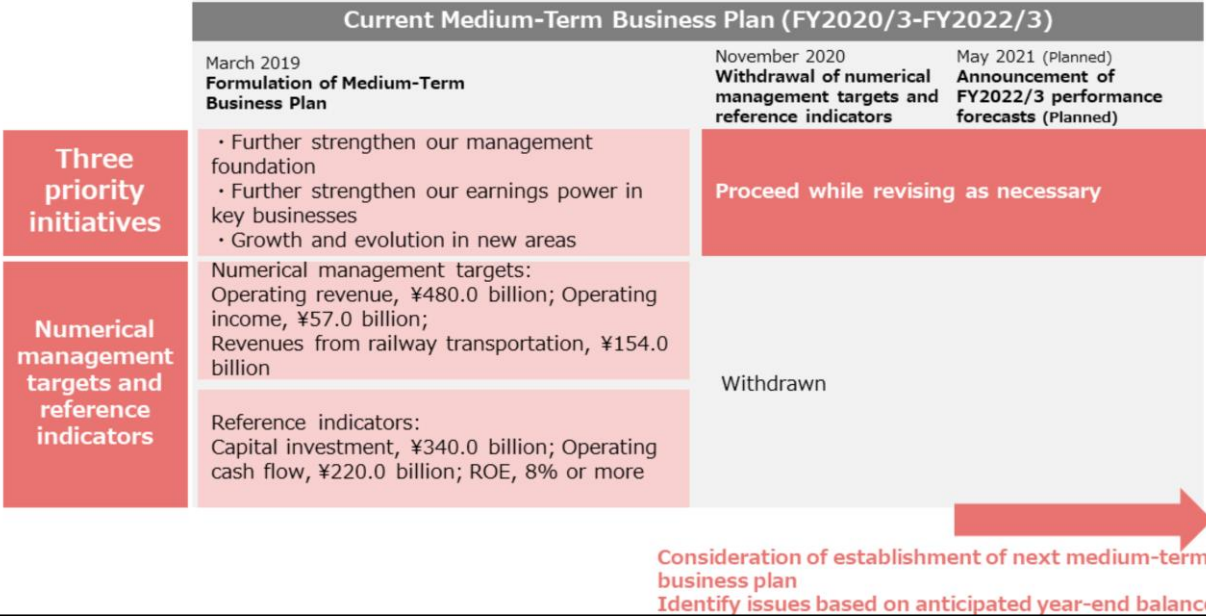


- In the current Medium-Term Business Plan, which we announced last year, we set forth three priority initiatives.
- The first initiative is “further strengthen our management foundation.” Our efforts in this area to date include the revision of segments, the formulation of the Nomination and Compensation Advisory Committee, the establishment of the position of Chief Financial Officer (CFO), the addition of outside directors, and the introduction of a performance-linked share-based remuneration plan.
- The second initiative “further strengthen our earnings power in key businesses” entails “the building of sustainable railway services by improving earnings” and “the implementation of strategic city-building initiatives in the regions around our business areas.” Up until the third quarter of last year, our railway business was on pace to achieve record profits. Meanwhile, our city-building efforts made steady progress with the development of station buildings in Miyazaki and Kumamoto prefectures and the securing of two publicly offered real estate investment projects in Fukuoka City.
- And finally, the third initiative is “growth and evolution in new areas.” The hotel business saw the opening of our top-end brand “The Blossom,” drawing on the strengths cultivated in Kyushu, as well as joint initiatives with other transportation companies centered on MaaS.
- Please turn to the next page.

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.



- However, as you are all well aware, the impact of COVID-19 has had significant implications on our business and we were forced to withdraw our numerical management targets under the current Medium-Term Business Plan due to the difficulty we foresaw of their achievement. Meanwhile, despite our drastically shifting operating environment, we have decided to continue to advance measures based on our three priority initiatives, including the implementation of revisions, until the fiscal year ending March 31, 2022.
- Moreover, the numerical targets for the fiscal year ending March 31, 2022 that were withdrawn will be announced in the form of performance forecasts during the financial results presentation to be held at the end of the current fiscal year. In regards to the next medium-term business plan, we will focus on our business and financial strategies for post-COVID-19 on the basis of our balance sheets going forward and the impact of this pandemic.
- Please turn to the next page.

Management Approach for the Post-COVID-19 Era



Ongoing issues

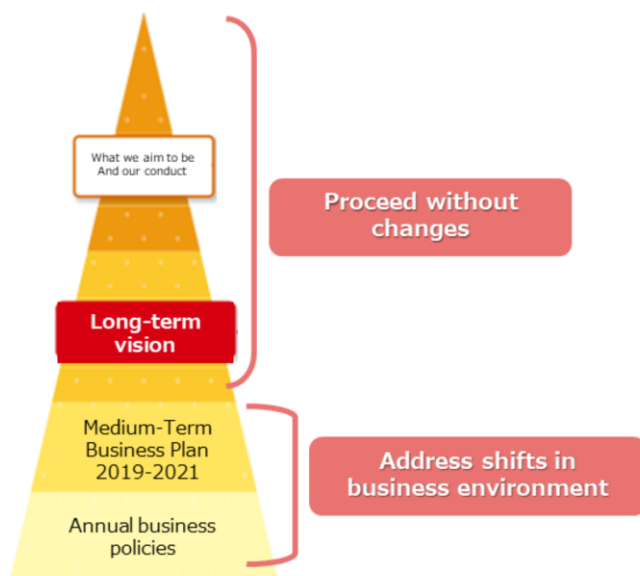
- Population decline in Kyushu outpacing that of the entire nation
- Response to intensifying natural disasters



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

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- Now, I'll reflect on the impact that COVID-19 has had on our operating environment thus far.
- First of all, in addition to the ongoing issues of population decline and natural disasters, we must place emphasis on the measures that need to be undertaken from a hygienic point of view that will ensure peace of mind for customers using our services, as well as to the decrease in transportation demand, the disappearance of inbound tourism and the increasing popularity of micro-tourism.
- While changes in customers' lifestyles have led to dramatic shifts in their needs, amid such times of crisis, it is imperative that we continue to operate our business by revising as necessary while monitoring both the temporary and permanent changes to our business environment. We will aim to increase populations in the areas around our railway lines through our city-building initiatives while looking to expand our business by generating more transportation demand. With that said, the Group's business approach will not be affected to a significant degree but the risks to our operations that have emerged as of late must be addressed.
- In addition, as a result of the buildup of interest-bearing debt over this short period, we must revise our financial strategies moving forward, such as through the introduction of a cyclical investment model in the real estate business.
- Please turn to the next page.

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		

- In response to changes identified at present and based on three priority initiatives, we have organized our future strategy in terms that include initiatives to be accelerated, new initiatives, and initiatives to be revised.
- First, I will discuss reforming strategies amid COVID-19. As a relatively short-term initiative, I will explain methods for improving the Railway Business and the Hotel Business, which have a high proportion of fixed costs, and our approach toward our business portfolio.
- Please turn to page 10.

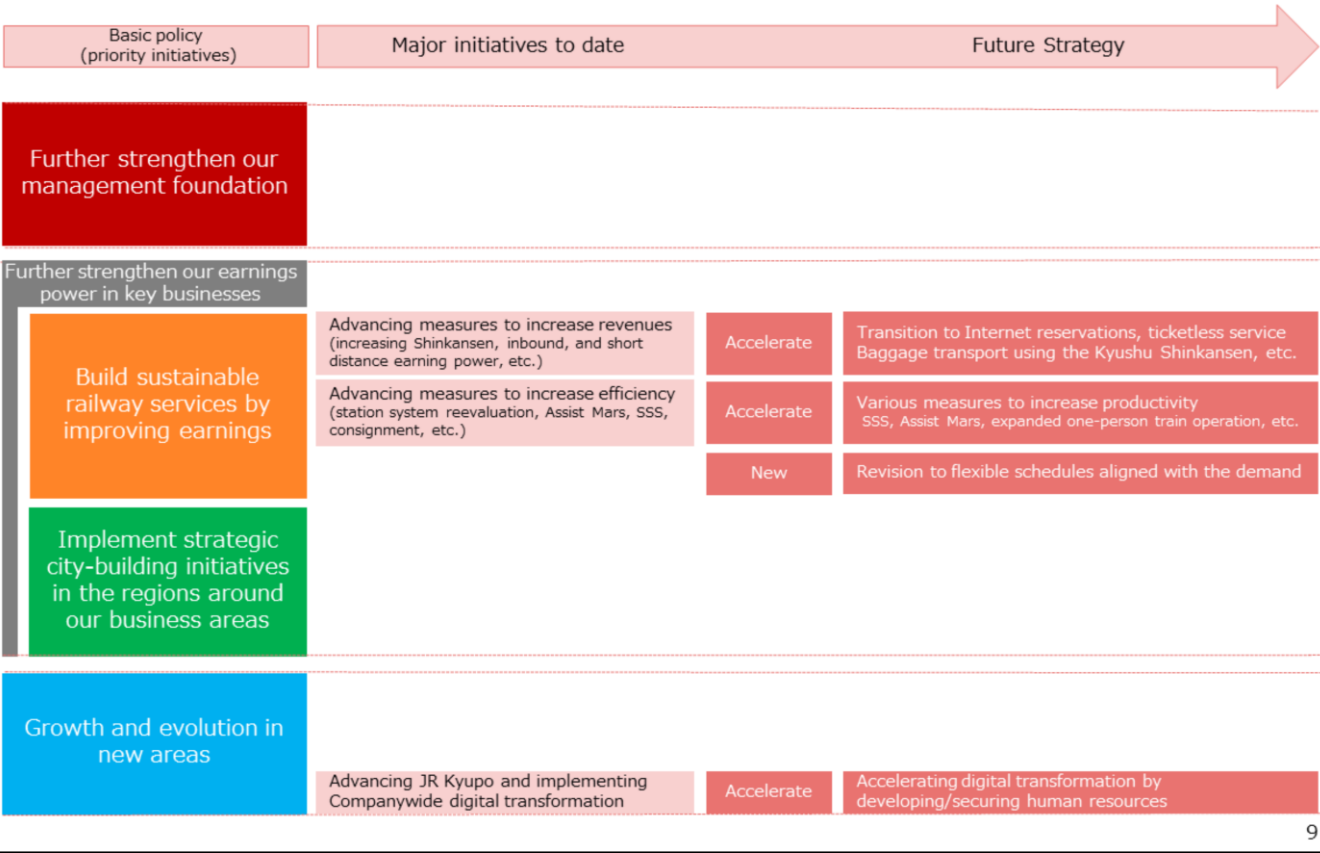


II. REFORMING STRATEGIES AMID COVID-19



KYUSHU RAILWAY COMPANY

Reforming Strategies in the Railway Business



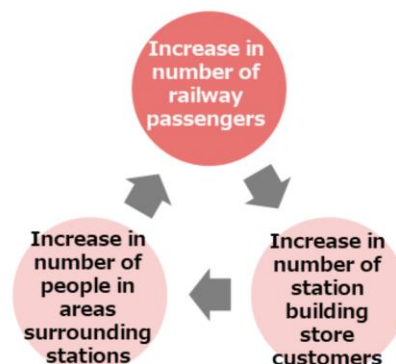
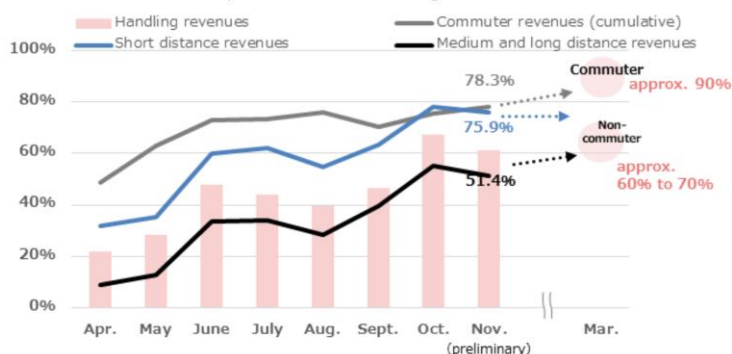
Overview of the Railway Business



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

- Our railway business has continued to trend upward from our lowest period between April and early May with both commuter revenues and short distance revenues recovering to around 80% of their levels in the previous fiscal year. On the contrary, medium and long distance revenues have been on a moderate recovery trend.
- Looking ahead, by March 2021 we foresee commuter revenues climb back up to around 90% of their level before the spread of COVID-19 while non-commuter revenues will return to roughly 60%-70%. At the same time, we must remain mindful of the additional impact that COVID-19 may have on our business moving forward.
- The Group's business model revolves around the fact that an increase in the number of railway passengers means an increase in the number of people at station buildings and their surrounding areas. For that reason, expanding the number of railway passengers is pivotal to the optimization of this cycle.
- While ensuring the safety and peace of mind of our customers is of the utmost priority, we are undertaking an array of initiatives to achieve top-line growth to some extent.
- Please turn to the next page.

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! Hohi Main Line Full Opening Project" on the Hohi 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 Hohi 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)



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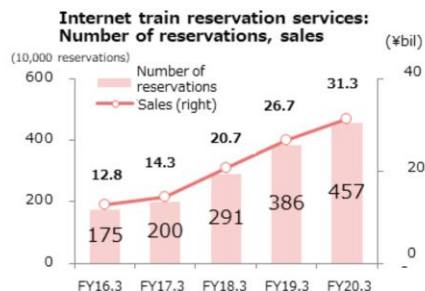
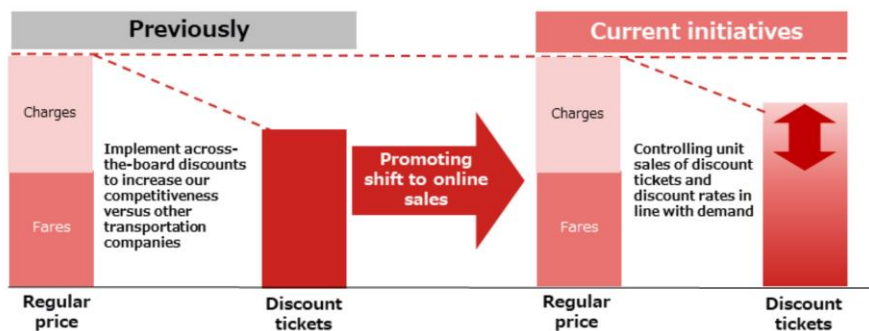
- As part of our efforts to spur new demand, we are collaborating with Disney, Pixar, the popular TV animation Demon Slayer: Kimetsu no Yaiba, and other brands. With Demon Slayer: Kimetsu no Yaiba, we have unveiled trains in which their exterior is decorated with the characters from this hit series as well as a limited-edition SL Hitoyoshi train furnished with designs depicting the anime, which have garnered rave reviews from customers.
- Meanwhile, the launch of our new tourist train named 36+3 and the project whereby full operation of the Hohi Main Line was resumed for the first time in four years embody the importance of our cooperation with local governments and local community residents as well as our efforts to invigorate the Kyushu Region in our path to achieving what we aim to be.
- Please turn to the next page.

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)



- Next, I'd like to touch on the importance of online sales.
- In the past, we implemented across-the-board discounts on paper train tickets to remain competitive with other transportation companies. While our efforts have centered on the promotion of online sales in recent years, we will proceed forward by looking to introduce a range of products at various prices in order to eagerly improve earnings.
- We also plan to expand the EX service area for the Kyushu Shinkansen by teaming up with Central Japan Railway Company and West Japan Railway Company.
- We will continue to engage in initiatives that contribute to greater revenue, which hinges on providing products and services tailored to the needs of customers for added convenience.
- Please turn to the next page.



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

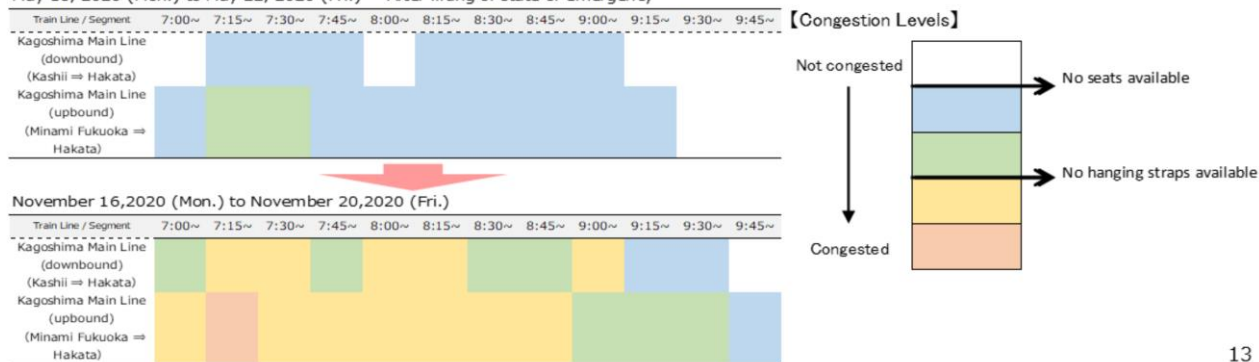
Resumed operation of certain limited-express trains, which were scheduled to be suspended, during November 21-23 (extended holiday) due to high number of reservations

- 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



- In regard to the advancement of our efficiency measures, we will step up the pace of our initiatives more than ever.
- One of the issues we must contend with in reforming our strategy is the establishment of flexible schedules in tune with changes in demand.
- While we revised our operation plans for certain limited-express trains in November in view of customer needs, we expect the fluctuations in demand to continue moving forward. Against this backdrop, we plan to put in place flexible schedules by replacing regular train services with provisional services, enabling adjustments to the number of train services in accordance with the needs of customers.
- Furthermore, we will thoroughly monitor the rate of usage for our next timetable revision and consider reducing the number of services and segments with declining usage. We plan to amend the operation system for certain segments with the objective of maintaining our current transport network and realizing further efficiency in our operations.
- Please turn to the next page.

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.



- Although the efficiency measures described on this slide have been ongoing from previous years, they are all essential to securing the talent that will be critical for our business in the years ahead amid Japan's declining labor force.
- We will move at our highest gear ever with these measures by working harmoniously with our various stakeholders.
- Please turn to the next page.

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

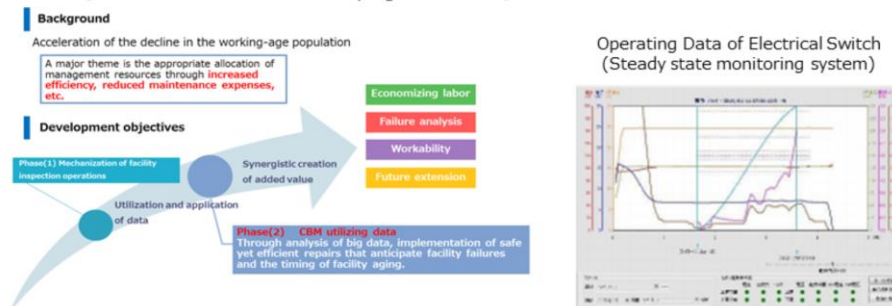
Reform through the creation of future businesses

Customers (Maximizing earnings)	Operations (Increasing efficiency / reducing costs)	Office work (Enhancing productivity, diversifying working styles)	Future business/operations
In digital areas, strengthening customer contact points and promoting marketing	Using digital/ICT technologies that contribute to efficient operational administration	Using digital technologies to reform working styles	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)

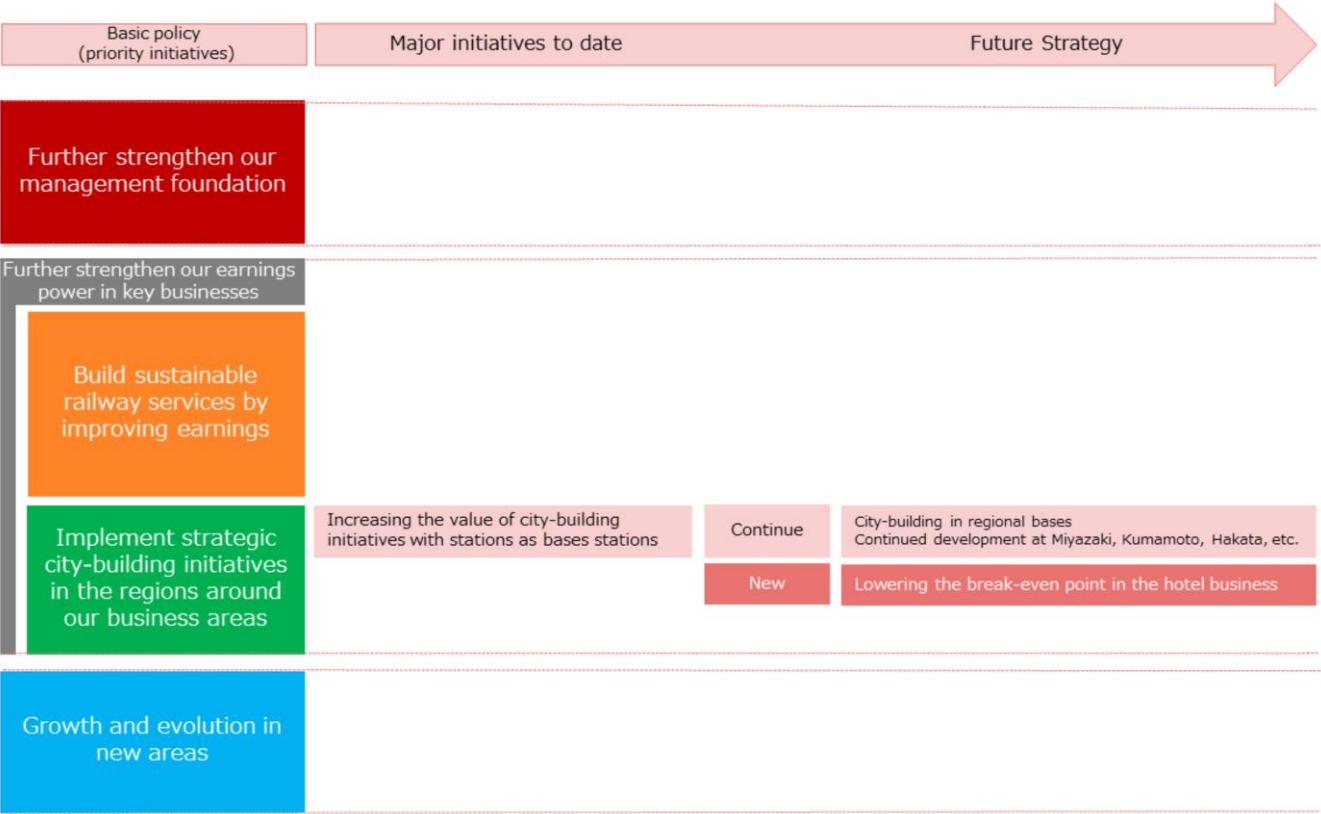
【Maintenance vision for railway signal facilities】



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- As I noted earlier, the railway business has had to cope with unprecedented conditions in terms of profitability as a result of COVID-19, despite our cost-reduction efforts to date.
- In order to reform our conventional approach to business operations, we will 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 use of business process re-engineering. The business processes deemed necessary as a result will be subject to digital transformation toward achieving greater efficiency.
- Next, I would like to touch on the real estate and hotel businesses.
- Please take a look at page 17.

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 m²)

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

Yama-kan (commercial facility floor space: 6,300 m²)

- 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 m²)



- With the Miyazaki Station west entrance development, we held the advance opening of “Himuka Kirameki Ichiba,” a commercial facility located under elevated railway tracks, in October and followed up with the opening of “Amu Plaza Miyazaki” in November.
- While Mr. Takuma Matsushita will go into further detail in our next program, the number of customers these facilities have attracted so far has exceeded our expectations and are off to a tremendous start.
- Please turn to the next page.

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 109,000㎡
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 ㎡
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 ㎡
1st to 3rd floors: Amu Plaza Kumamoto (BicCamera)
4th to 12th floors: Offices

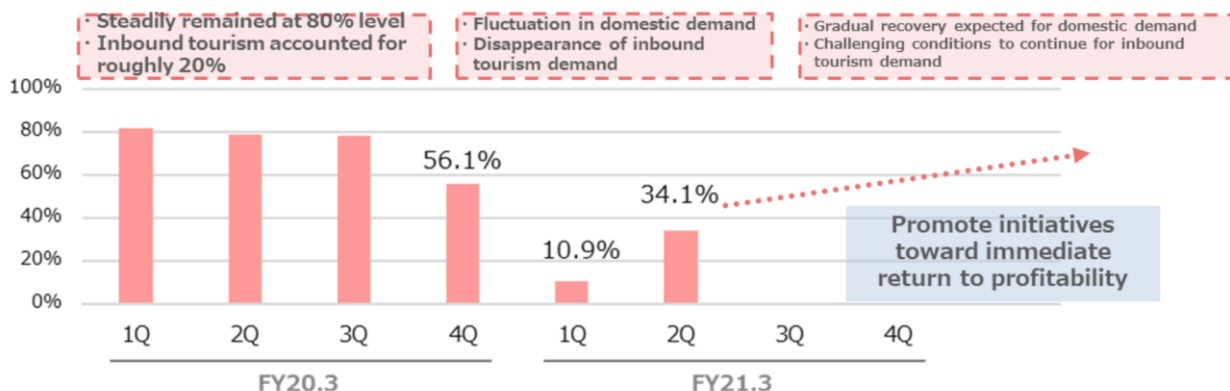
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- As for the Kumamoto Station area development, “Amu Plaza Kumamoto” will open for business in April 2021 while the two office buildings will be established later this month. For the commercial area, 184 tenants were announced last month and just like the office buildings, the leasing numbers have performed favorably thus far.
- This development as a whole is expected to create approximately 4,500 jobs and nearly 1,000 accommodations, through which we anticipate a greater influx of people to the areas nearby.
- We believe that such initiatives to create communities where people want to live, work, and visit are paramount to the growth of the JR Kyushu Group.
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Lowering the Break-Even Point in the Hotel Business



Change in occupancy rate (by quarter)



Review of operational system

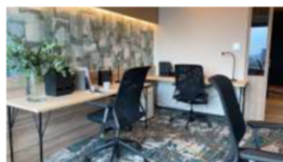
- Review of operational system, including the joint procurement of hotel supplies, internalization of consigned services, and reevaluation of workforce requirements

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)

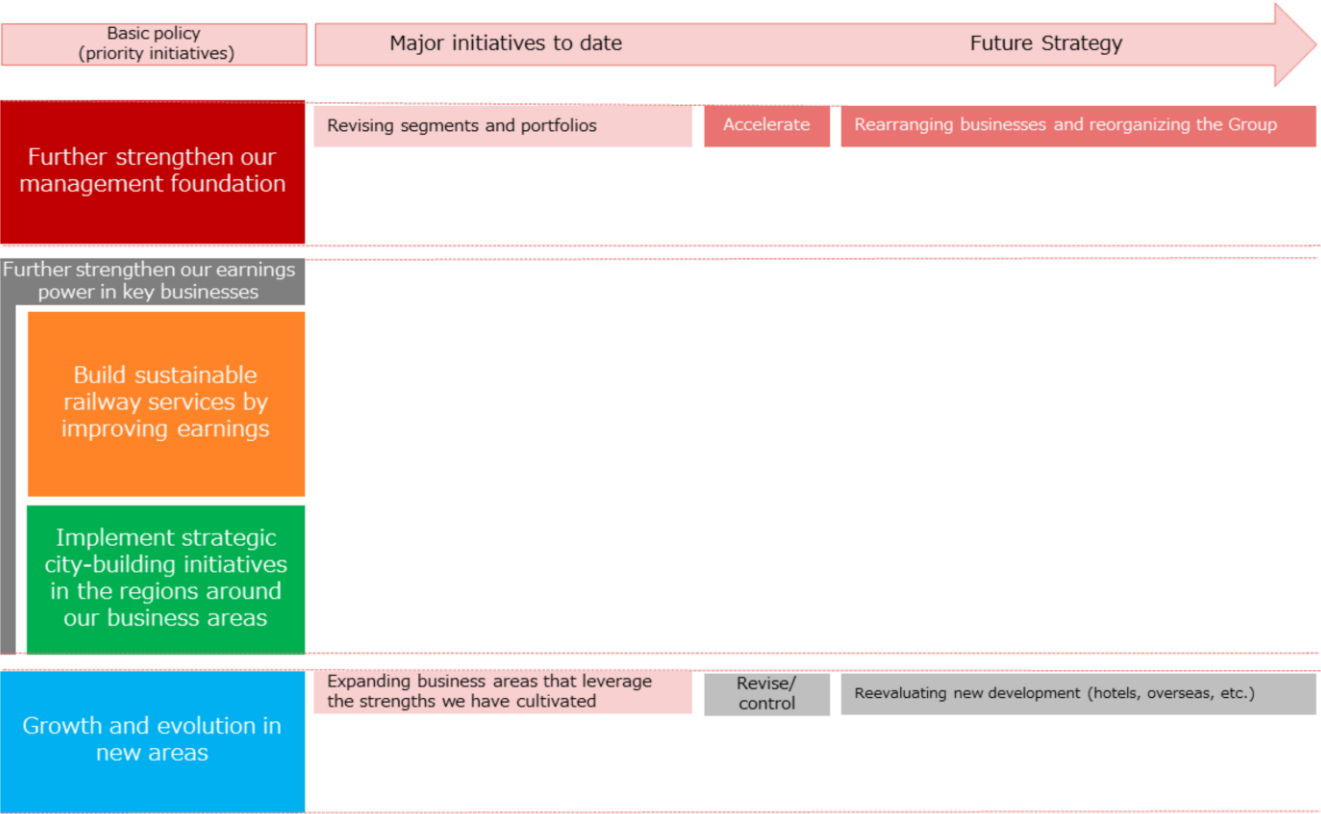


Converting hotel rooms to
business offices
(THE BLOSSOM HIBIYA)

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- Alongside the railway business, the hotel business has been hit the hardest by the impact of COVID-19.
- Domestic demand has fluctuated back and forth and demand from inbound tourism, which accounted for roughly 20% of our hotel guests, has almost disappeared.
- We believe that it will take some time for inbound tourism demand to recover. As such, in order to restore profitability as swiftly as possible, we must carry out measures to reevaluate our operational administration systems, including bringing our consigned operations in-house and reevaluating our workforce requirements, in order to lower the break-even point in the hotel business.
- In an effort to address the needs of customers unlike those of the past, we are diversifying our product lineup such as for subscription-style accommodations and serviced offices, through which we will realize top-line growth.
- Next, we'll move on to discuss our approach to the business portfolio.
- Please turn to page 21.

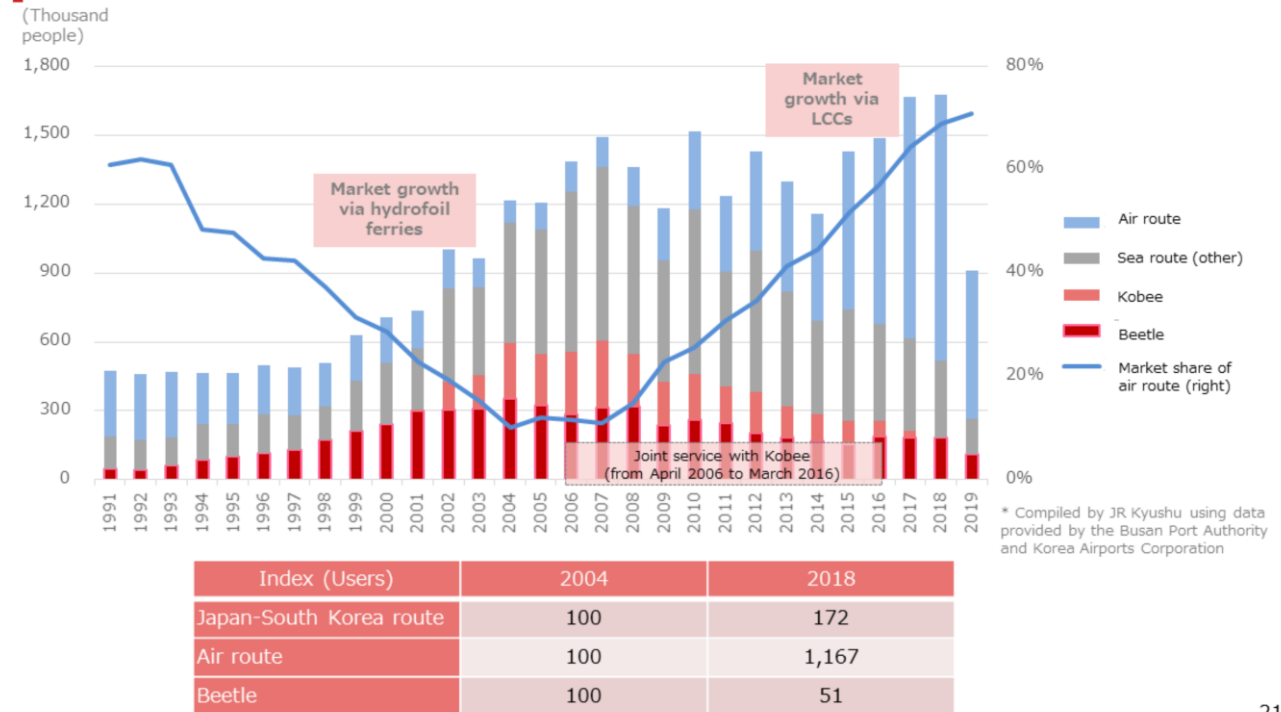
Reforming Business Portfolio Strategies



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



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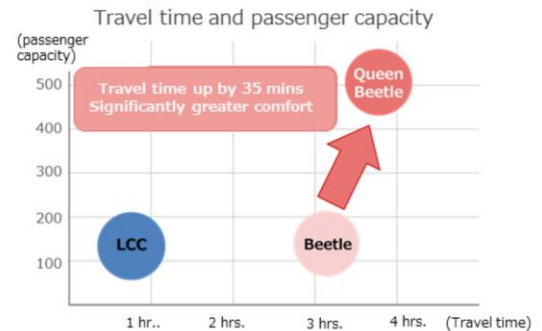
- I will first address our policy regarding the Group's existing businesses.
- Operation of the Japan-South Korea route of the hydrofoil ferry business has been suspended since March due to the Japanese government's request to halt passenger transportation.
- Established in 1991, the Japan-South Korea route transports passengers mainly between Fukuoka and Busan. The graph on this slide shows the results for this route over the last three decades. While the number of users of hydrofoil ferries grew on a yearly basis in the past, the popularity of low-cost carriers (LCCs) has bolstered the air route share in recent years.
- Please turn to the next page.



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.



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

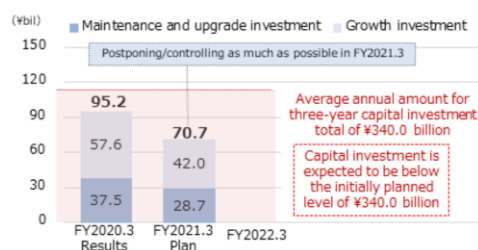
- Although hydrofoil ferries remained competitive to a certain extent before the rise of LCCs, the approximate two-hour difference in travel time and the low airfares have forced these ferries out of competition.
- And this paved the way for the launch of Queen Beetle, a new type of ferry designed to offer a pleasant travel experience.
- The jetfoil-type Beetle required the use of a seatbelt, which certainly didn't make for a pleasant travel experience. On the other hand, the Queen Beetle offers a renewed and enjoyable travel experience without the need for a seatbelt, while offering features such as business class seating and a relaxing lounge. It also accommodates large groups of passengers such as for school trips due to its significantly greater capacity.
- We will concentrate our management resources on the Queen Beetle in the coming years with the aim of providing new value for travels and expanding our customer base. By doing so, we hope to function as a bridge between Japan and South Korea and promote cultural exchange between the two nations.
- Please turn to the next page.

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)



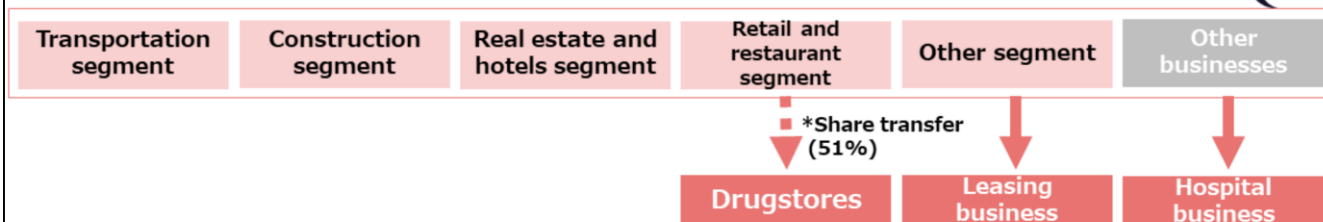
Restaurant Business in Shanghai (China)

- 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.

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- Next, I'll talk about the postponement and control of new developments and our approach to overseas business.
- Through the implementation of controls and postponement to the extent possible, we expect the amount of capital investments to be lower than the initially targeted ¥340.0 billion for the three years of the Medium-Term Business Plan.
- Despite strategies to expand business such as the acquisition of a serviced apartment in 2017 and a hotel operated by Marriott International in 2018, our real estate business in Bangkok (Thailand) has had to cope with severe operating conditions since the disappearance of inbound tourism demand.
- We will continue to operate these properties given that they performed favorably after the acquisition and that they are expected to regain their solid performance upon the restoration of inbound tourism demand. However, we will hold off on investing in new properties for the time being and instead focus our efforts on existing properties.
- Conversely, we have come to the decision to withdraw our restaurant business in Shanghai (China) due to the continuously harsh operating conditions stemming from the deteriorating relations between Japan and China and the declining number of Japanese residents in the area in recent years.
- Please turn to the next page.

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

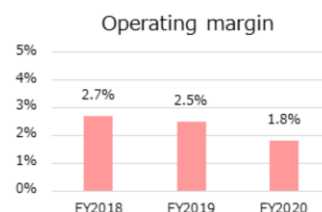


Sale of business stemming from change in business (market) conditions

- 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)



- While examining the future of our business as a whole, we have undertaken a variety of measures till now to revise our business portfolio, which include the sale of our leasing and hospital businesses and the transfer of shares of JR Kyushu Drug Eleven Co., Ltd.
- Although JR Kyushu Drug Eleven Co., Ltd. was a major subsidiary in our retail and restaurant segment, the transfer of a portion of shares to TSURUHA Holdings Inc. offers the potential for further growth of the business through the leveraging of economies of scale.
- As the review of our business portfolio represents one of the major initiatives for our priority issue “further strengthen our management foundation” under the current Medium-Term Business plan, we will continue to assess the possibility of business transfers and capital alliances from this point onward.
- Please turn to the next page.

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



Transportation segment	Construction segment	Real estate and hotels segment	Retail and restaurant segment	Other segment	Other businesses
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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.

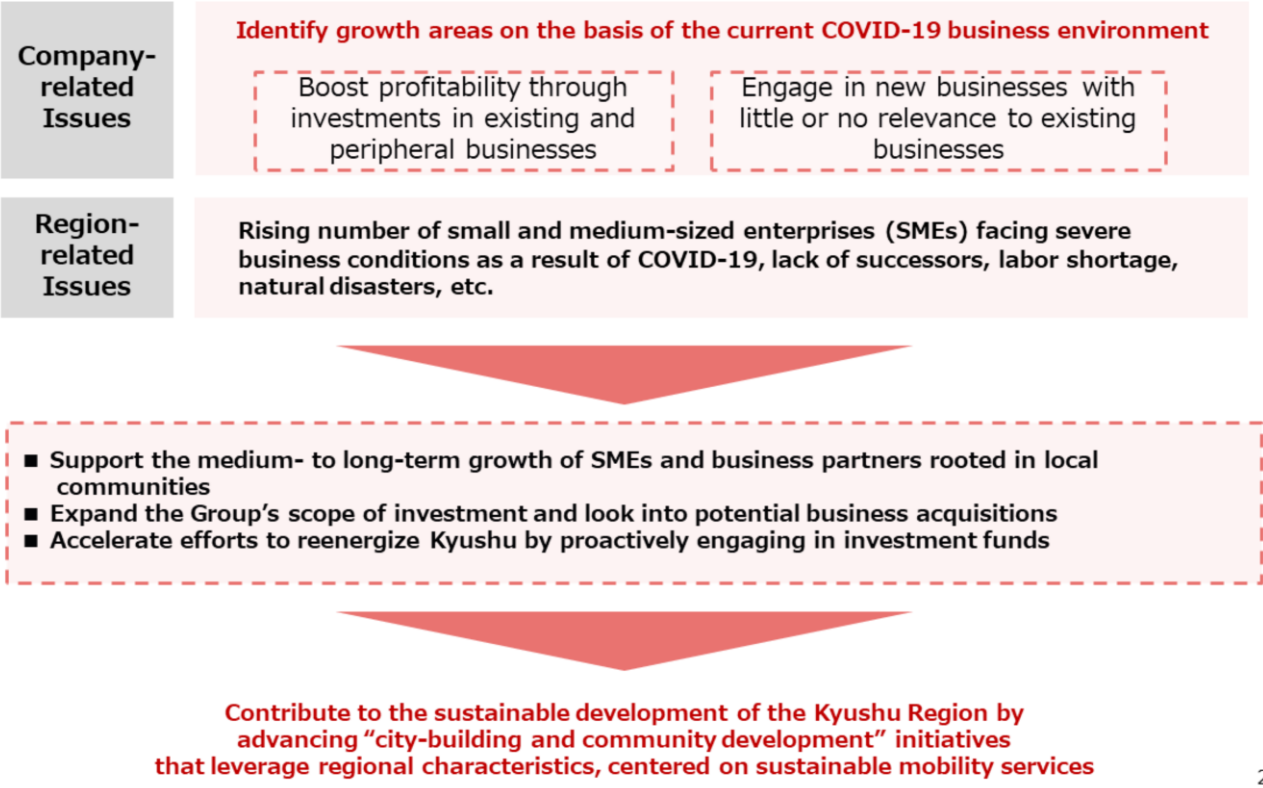


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- Seeking to expand our operations even further, we are pursuing the acquisition of businesses that will generate synergies with our existing businesses, promote tourism in Kyushu, and uncover railway demand.
- For example, Oyama Yumekobo, Inc., which we acquired in 2016 as a part of our efforts to privatize the joint public-private venture, underwent a major renovation and was converted into a high-end ryokan (Japanese-style inn), as a result of which its ADR has roughly doubled and it continues to maintain a high occupancy rate to this day.
- For the purpose of enhancing profitability through the efforts of well-known local enterprises, we acquired a company based in Saga Prefecture that manufactures and sells squid siu mai dumplings and operates a restaurant as well as a confectionery retailer in Fukuoka Prefecture that specializes in the sale of pastries considered to bring good luck.
- Please turn to the next page.



Potential establishment of a region-based investment fund



- Looking to expand the scope of our business even further, we are considering the possibility of establishing a region-based investment fund.
- The Kyushu Region is brimming with small and medium-sized enterprises (SMEs) that are rooted in local communities. We believe that we can underpin the medium- to long-term growth of our business partners by proactively engaging in investment funds as well as expand our business domain through the acquisition of these enterprises.
- And we feel that such efforts will ultimately lead to the invigoration of Kyushu.
- Next, I would like to discuss about our initiatives for realizing our long-term vision.
- Please turn to page 29.

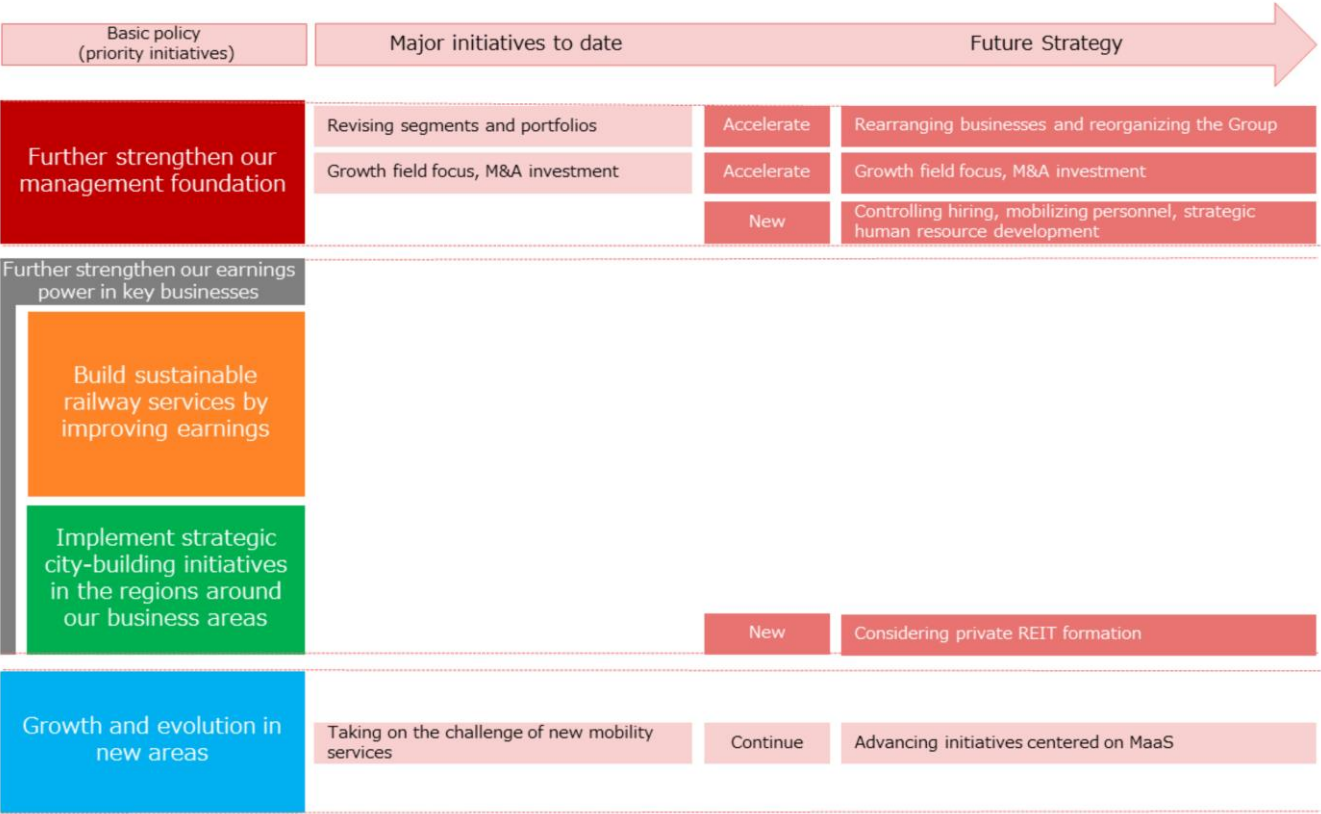


Ⅲ. INITIATIVES TOWARD REALIZING OUR LONG-TERM VISION

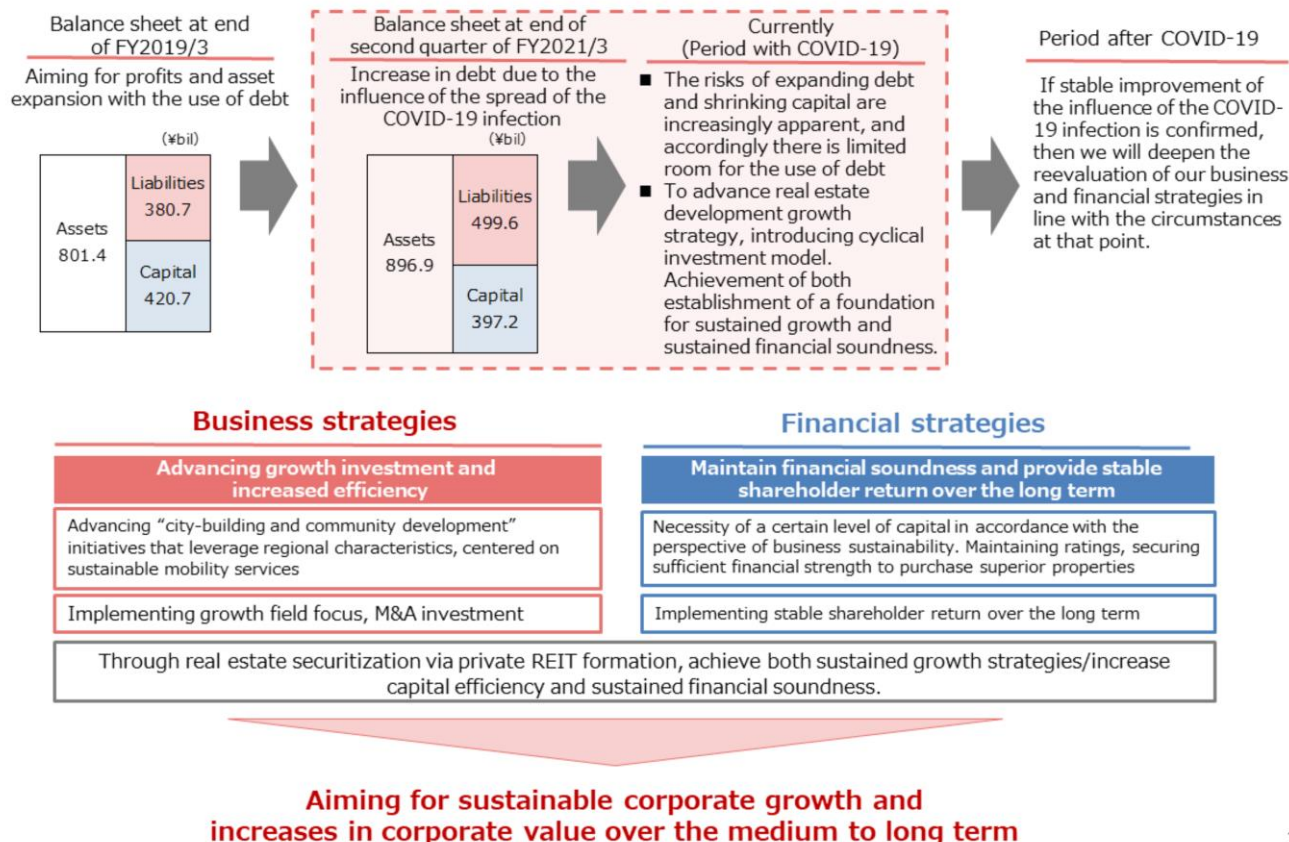


KYUSHU RAILWAY COMPANY

Initiatives toward Realizing Our Long-Term Vision



Cooperation of Business and Financial Strategies



- First off is our approach to business and financial strategies.
- The significant amount of funds we have had to procure as a result of COVID-19 in the current fiscal year has, we believe, left us with limited room for the use of debt at the present time.
- However, seizing investment opportunities that trigger the development and growth of the regions around our business areas is central to the sustainable increase of our corporate value and, to that end, we must be well-equipped to procure the funds necessary.
- The coordination of our business and financial strategies in the form of implementing sustainable growth strategies, increasing capital efficiency, and maintaining financial soundness will become even more critical going forward and we must ensure that these matters are addressed thoroughly in our next medium-term business plan.
- Please turn to the next page.

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

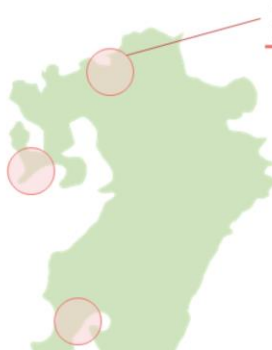
Nagasaki Station area development

- 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 Sakurajyūji 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



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- Based on the current circumstances, we began discussions on the establishment of a private REIT with the aim of developing a foundation for sustainable growth in the real estate development business based on a cyclical investment model. Through the acquisition of development profit and diversification of funding methods, we will roll out new business initiatives, which we expect will facilitate the cooperation of our business and financial strategies.
- Moreover, plans for the development of station areas, intended to drive further growth of the Group, are in place for the urban areas of Nagasaki, Kagoshima, and Fukuoka prefectures, accompanying our station area developments in Miyazaki and Kumamoto. We will also be active in our efforts to secure public offerings in a bid to promote city-building in local communities.
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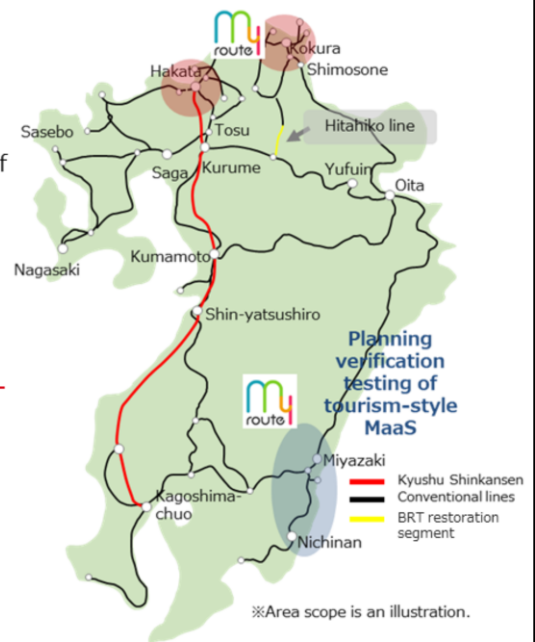


Strengthening collaboration with other transportation companies

- 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)



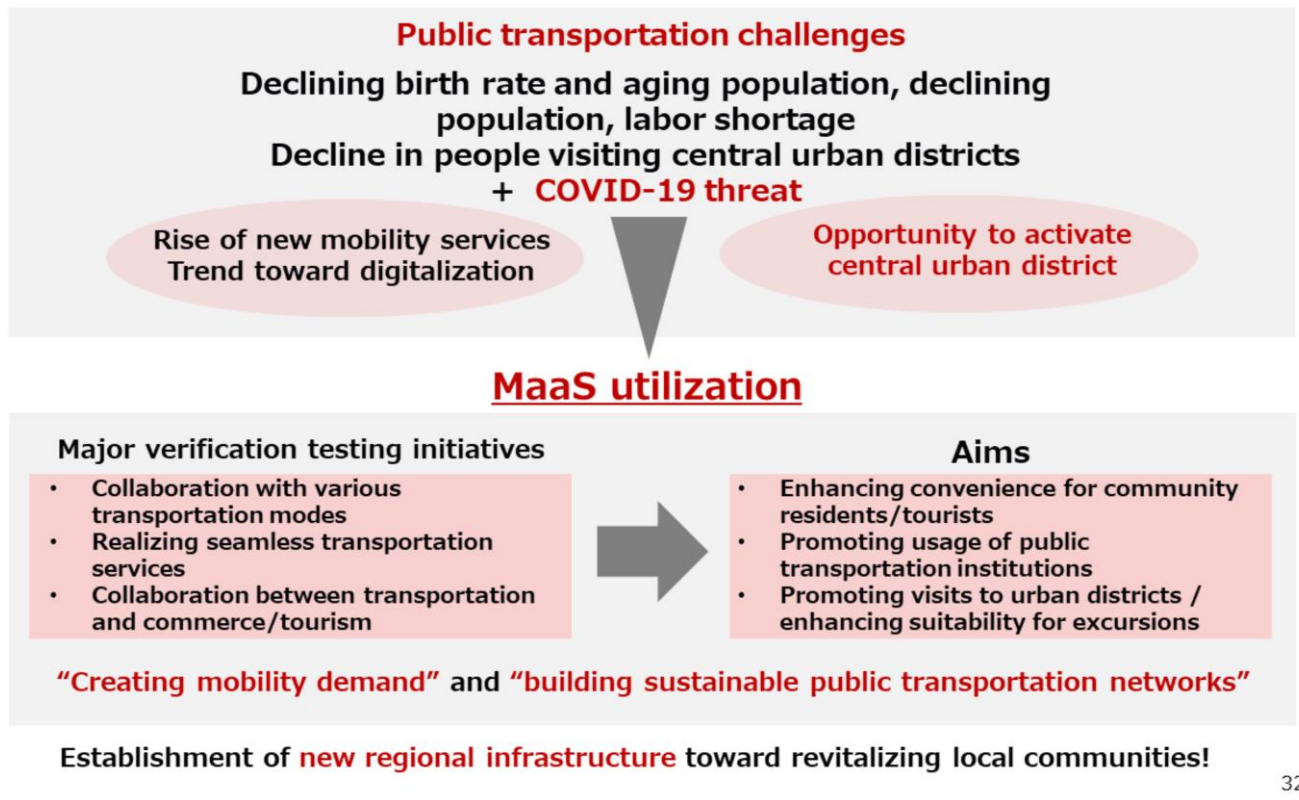
Implementing verification testing

- 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

- Mindful of the significance of MaaS on the development of sustainable mobility services, we are stepping up our advancement of new technologies and our collaboration with other transportation companies.
- Since 2019, in addition to our joint initiatives with DAIICHI KOUTSU SANGYO Co., Ltd. and Nishi-Nippon Railroad Co., Ltd., we have joined forces with the Toyota Group to introduce a service that utilizes its MaaS app and teamed up with ALL NIPPON AIRWAYS Co., Ltd. on a system integration.
- We also pressed ahead with verification testing in November on our work in Miyazaki, which was selected for the Ministry of Land, Infrastructure, Transport and Tourism's program for enterprises that advance/support MaaS in Japan.
- Please turn to the next page.



Background for conducting MaaS verification testing in Miyazaki Prefecture



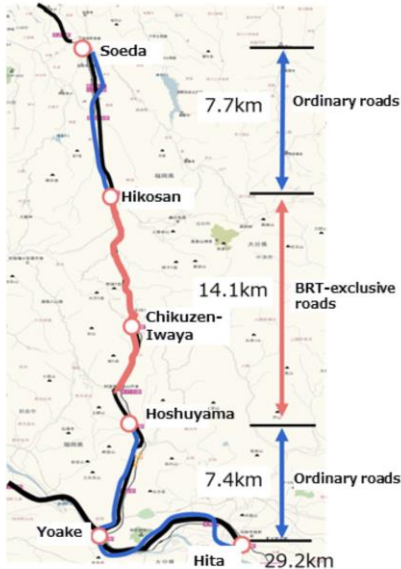
- Now I will detail the background for our MaaS verification testing in Miyazaki.
- The diminishing number of visitors to city centers, along with the declining birth rate and aging population, declining population, and labor shortage, pose a challenge to not only Miyazaki Prefecture, but to a myriad of regional communities, and the spread of COVID-19 has only made this challenge even bigger.
- To overcome this obstacle, it is absolutely critical that the various transportation services, which operated independently till now, work together and realize seamless services that offer greater convenience. This will ultimately benefit local residents, tourists, and transportation companies alike.
- With our sights set on creating mobility demand and building sustainable public transportation networks through the use of MaaS, we will carry out verification testing to develop MaaS into a new regional infrastructure that contributes to the revitalization of 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.

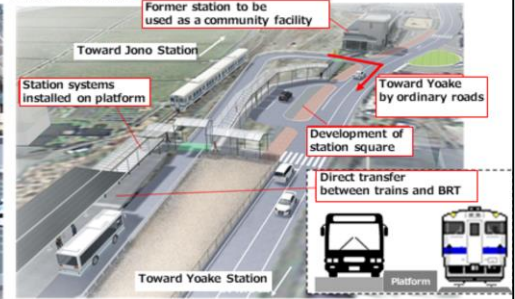


Development of station building and surrounding area (Soeda Station)

Before restoration



After restoration



The above image may be subject to change.

- In regards to our development of sustainable mobility services, we have decided to restore the Hitahikosan Line via the construction of a bus rapid transit (BRT).
- Since July 2017, operation of a certain segment along the Hitahikosan Line has been suspended due to heavy rainfall. However, a meeting was held to finalize the restoration of this segment through the introduction of a BRT system.
- This will be our first time to develop a BRT system. We will take all the measures necessary, including the establishment of bus stops in areas other than train stations for added convenience.
- Please turn to the next page.

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>

- Meanwhile, we 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.
- For certain segments experiencing particularly sharp declines in user numbers, we have held discussions with the municipal authorities and established sustainability-related measures.
- In cooperation with the municipal authorities and residents along train lines, we will to seek to establish sustainable transportation networks by advancing the examination of measures that will lead to an increase in user numbers for each train line.
- Next is our concluding slide. Please turn to the next page.

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.**



Customers

Business
Partners

Local
Communities

Employees

Shareholders

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- Lastly...
- Contributing to the sustainable development of Kyushu by bringing happiness to customers and local communities and thereby invigorating the region represents the existential mission of the JR Kyushu Group. And, we are convinced that by rolling out our businesses that have solidified their strengths in Kyushu to the rest of Japan and Asia, and returning them to Kyushu in the form of even greater strengths, we will be able to inject even more invigoration back into the region.
- While our business continues to suffer the consequences of COVID-19, particularly in our railway business, we will continue to do everything in our power to fulfill our duty to society as a company that specializes in mobility services for the Kyushu Region while enhancing corporate value through our harmonious coexistence with stakeholders.
- This concludes our presentation. Thank you for your cooperation.



THANK YOU



KYUSHU RAILWAY COMPANY

Forward-Looking Statements



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

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

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