

FY21.3 Annual Investors Meeting

May 13, 2021

KYUSHU RAILWAY COMPANY

- I am Toshihiko Aoyagi, the president of JR Kyushu. I would like to thank everyone for taking the time to attend our presentation.
- Today, I will discuss our financial results for FY2021/3, our performance forecasts for FY2022/3, and our future courses of action and issues for the next medium-term business plan.
- First, I will discuss our financial results for FY2021/3, which were announced on May 12. Please turn to slide 5.

Contents

Highlights	3
I Financial Results for FY21.3	4
II Performance Forecasts and Dividend Forecasts for FY22.3	8
III Future Courses of Action and Issues for the Next Medium-Term Business Plan	21
APPENDIX	38

Highlights

Financial results and year-end dividend for FY21.3

- Due to the influence of the COVID-19 infection, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all declined.
- Planning a year-end dividend of ¥93 per share (annual dividend: ¥93)

Performance forecasts and dividend forecasts for FY22.3

- Despite the anticipated influence of the COVID-19 infection, we expect a return to profitability due to, in each segment, a moderate recovery in demand and thorough cost reduction initiatives.
- In regard to dividends, planning annual dividend of ¥93 per share (year-end dividend only)

Future Courses of Action and issues for the next medium-term business plan

- Reviewing the past year with COVID-19, clarifying the Company's issues and current courses of action
- Course of action (1): "Business management with the highest priority on safety and peace of mind," "city-building that further enhances the value of stations," and "advancing new business that do not depend on the flow of people"
- Course of action (2): "Advancing cost structure reforms"
- Course of action (3): "Strengthening initiatives to invigorate Kyushu"
- Issues for the next Medium-Term Business Plan: "Business strategies for the realization of the three courses of action," "financial strategies to support the business strategies," "sustainable business value creation"

I FINANCIAL RESULTS FOR FY21.3

Consolidated Financial Highlights for FY21.3

	Results FY20.3	Results FY21.3	YoY	(¥bil)
Operating revenue	432.6	293.9	(138.7)	67.9%
Operating income	49.4	(22.8)	(72.2)	-
Ordinary income	50.6	(19.3)	(69.9)	-
Extraordinary gains and losses	(7.5)	(2.9)	4.5	-
Net income attributable to owners of the parent	31.4	(18.9)	(50.4)	-
EBITDA ^(*)	75.0	4.6	(70.4)	6.2%

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

Operating revenue

Substantial decline in revenue due to such factors as the decrease in railway transportation revenues resulting from the influence of the spread of the COVID-19 infection [¥(71.0) billion] and the influence of JR Kyushu Drug Eleven Co., Ltd. becoming an equity-method affiliate [¥(39.7) billion].

Operating income

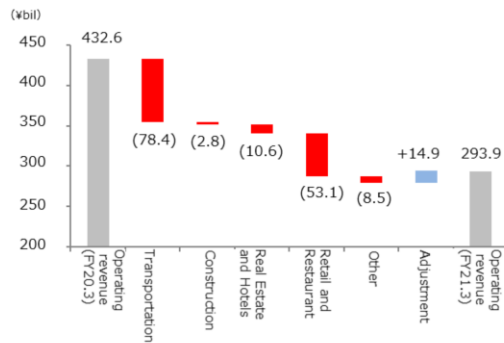
Despite efforts to reduce costs (non-consolidated: approximately ¥18.0 billion; Group companies: approximately ¥4.0 billion), profits were lower due to significant decrease in revenues.

Extraordinary gains and losses

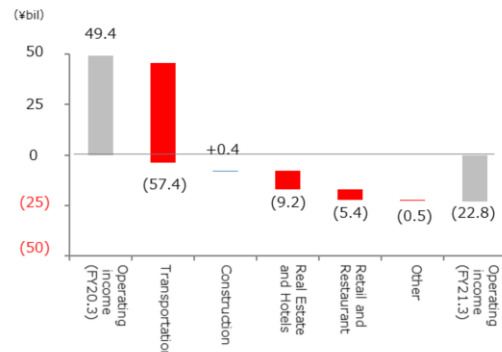
Recorded gain on sale of JR Kyushu Drug Eleven Co., Ltd. shares (+¥9.1 billion), provision for loss on disaster [¥(2.1) billion] related to the restoration of the Hitahikosan Line, and disaster-damage losses [¥(3.2) billion] due to heavy rains in July 2020.

* FY20.3 impairment loss on new-style passenger ship QUEEN BEETLE: ¥ (6.1) billion
FY21.3 impairment loss on THE BLOSSOM HIBIYA hotel: ¥ (5.6) billion

Change in operating revenue by segment



Change in operating income by segment



- First, the railway business and other businesses were significantly affected by the COVID-19 infection, and consolidated operating revenue declined by a large margin. In addition, other factors included the change of JR Kyushu Drug Eleven Co., Ltd. to an equity-method affiliate. As a result, operating revenue declined by approximately 32% year on year, to ¥293.9 billion.
- We worked to thoroughly reduce operating costs through urgent countermeasures. Nonetheless, these were not sufficient to offset the large decline in operating revenues, and we recorded an operating loss of ¥22.8 billion. However, although EBITDA was down substantially, it was positive for the year, at ¥4.6 billion.
- Net loss attributable to owners of the parent was ¥18.9 billion.
- Next, I will explain our forecasts for performance and dividends in FY2022/3. Please turn to slide 9.

FY21.3 Segment settlement

(¥bil)

	Results FY20.3	Results FY21.3	YoY	Major factors
Operating revenue	432.6	293.9	(138.7)	67.9%
Transportation	173.7	95.2	(78.4)	54.9% Decrease in passenger demand (railway, hydrofoil ferry, bus) due to influence of the COVID-19 infection
Railway Business (non-consolidated)	165.2	89.7	(75.4)	54.3%
Construction	99.3	96.5	(2.8)	97.1% Decrease in JR Kyushu-related construction
Real Estate and Hotels	90.7	80.1	(10.6)	88.3%
Real Estate Lease	55.2	49.7	(5.4)	90.1% Decrease in revenues from leases (mainly station buildings) due to influence of the COVID-19 infection
Condominium Sales	18.9	23.5	4.6	124.5% Increase in revenue from sales of condominiums
Hotel Business	16.6	6.8	(9.7)	41.0% Decrease in number of guests due to influence of the COVID-19 infection
Retail and Restaurant	104.6	51.4	(53.1)	49.2% Decrease due to transfer of a portion of holdings of shares of JR Kyushu Drug Eleven and to the influence of the COVID-19 infection
Other	72.1	63.6	(8.5)	88.2% Decrease due to decline in construction material revenues and to the transfer of the leasing and installment financing businesses
Operating income	49.4	(22.8)	(72.2)	-
Transportation	19.8	(37.6)	(57.4)	-
Railway Business (non-consolidated)	20.0	(36.6)	(56.6)	-
Construction	6.5	6.9	0.4	106.2%
Real Estate and Hotels	19.1	9.9	(9.2)	51.8%
Real Estate Lease	16.7	12.0	(4.7)	71.9%
Condominium Sales	1.5	2.6	1.0	168.6%
Hotel Business	0.7	(4.7)	(5.5)	-
Retail and Restaurant	2.8	(2.5)	(5.4)	-
Other	2.2	1.7	(0.5)	76.7%
EBITDA	75.0	4.6	(70.4)	6.2%
Transportation	29.5	(26.5)	(56.0)	-
Railway Business (non-consolidated)	28.8	(26.4)	(55.2)	-
Construction	7.6	8.0	0.3	104.6%
Real Estate and Hotels	30.5	22.2	(8.3)	72.6%
Real Estate Lease	26.1	22.0	(4.1)	84.2%
Condominium Sales	1.5	2.6	1.0	168.3%
Hotel Business	2.8	(2.4)	(5.3)	-
Retail and Restaurant	4.4	(1.1)	(5.6)	-
Other	4.3	3.7	(0.6)	85.4%

FY21.3 Non-consolidated settlement

(¥bil)

	Results FY20.3	Results FY21.3	YoY	Major Factors
Operating revenue	214.8	144.7	(70.1)	67.3%
Railway transportation revenues	147.3	76.3	(71.0)	51.8% Influence of the COVID-19 infection
Shinkansen	52.3	22.4	(29.8)	43.0%
Conventional Lines	95.0	53.8	(41.2)	56.6%
Other revenue	67.5	68.4	0.8	101.3% Increase in revenue from sales of condominiums
Operating expense	180.4	165.3	(15.1)	91.6%
Personnel expense	48.7	39.3	(9.4)	80.7% Decrease due to urgent control measures, decrease due to transfer of hospital business, natural decrease due to decline in number of employees
Non-personnel expense	105.5	97.5	(7.9)	92.5%
Energy cost	9.2	7.9	(1.2)	86.6% Decrease due to suspension of train service
Maintenance cost	33.4	29.0	(4.4)	86.7% Decrease due to urgent control measures
Other	62.8	60.5	(2.2)	96.4% Decrease in operational expenses and consignment expenses due to urgent control measures
Taxes	10.7	10.8	0.0	100.7%
Depreciation cost	15.4	17.5	2.1	113.7%
Operating income	34.3	(20.5)	(54.9)	-
Non-operating income and expense	6.1	9.7	3.5	157.4% Increase in dividend income
Ordinary income	40.5	(10.8)	(51.4)	-
Extraordinary gains and losses	(6.3)	(5.7)	0.5	Increase due to sale of a portion of holdings of the shares of JR Kyushu Drug Eleven (+9.0) Increase in THE BLOSSOM HIBIYA impairment losses (-4.9) - Increase in provision for loss on disaster related to restoration of Hitahikosan Line (-2.1) Increase in disaster expenses associated with heavy rains in July 2020 (-3.4)
Net income	28.6	(11.1)	(39.8)	-

II PERFORMANCE FORECASTS AND DIVIDEND FORECASTS FOR FY22.3

Positioning of the FY22.3

Implementing initiatives to address structural issues and measures for a V-shaped recovery

- In FY22.3, which will be the final year of the current Medium-Term Business Plan, **we will accelerate initiatives to address structural issues, such as “cost structure reform” and “business reform and growth model creation.”**
- The influence of the COVID-19 infection still remains, and we have positioned the year as a period for trials, with a focus on the post COVID-19 period.
- We will implement measures for a future V-shaped recovery and consider the next Medium-Term Business Plan.

Illustration of recovery in performance



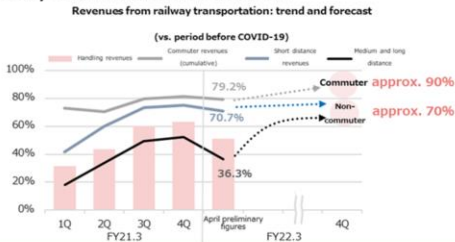
- First, I will discuss how we have positioned FY2022/3.
- In FY2021/3, nearly all of the Group’s businesses were affected by factors resulting from the COVID-19 infection, such as the declaration of a state of emergency, people refraining from going out, and restrictions on movement. Accompanying a substantial decline in operating revenues, we implemented countermeasures, principally urgent cost reductions.
- In FY2022/3, the COVID-19 infection will continue, and new lifestyles will become established. In this setting, we have positioned FY2022/3 as a period for trials, with a focus on the post COVID-19 period.
- We will take steps to address structural issues, such as “cost structure reforms” and “business reform and growth model creation,” and implement a variety of measures for a V-shaped recovery. At the same time, we will move forward with consideration of the next Medium-Term Business Plan.
- Next, I will discuss the assumptions of our performance forecasts. Please turn to the next slide.

Performance Forecast Assumptions for FY22.3

- With consideration for the lengthening of the influence of the COVID-19 infection, we anticipate a certain level of influence on each business in FY22.3.

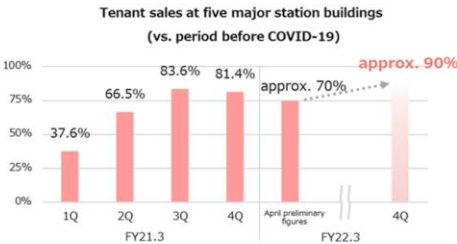
Railways

Commuter: Approximately 90% of level before COVID-19
 Non-commuter: Gradual recovery. As of 4th quarter, recovering to approximately 70% of level before COVID-19



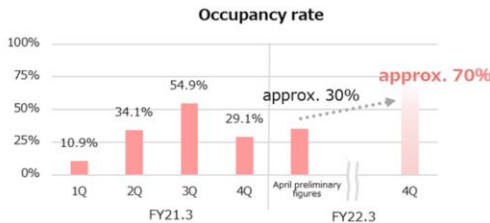
Station buildings

Tenant sales: As of 4th quarter, recovering to approximately 90% of the level before COVID-19



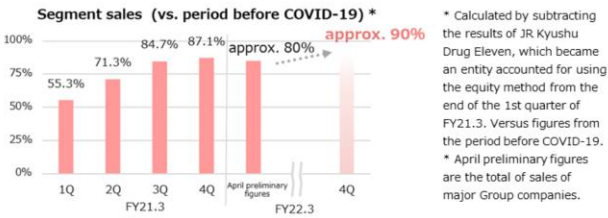
Hotels

Occupancy rate: As of 4th quarter, recovering to approximately 70%



Retail and restaurants

Segment sales: Recovering to approximately 90% of level before COVID-19



* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the 1st quarter of FY21.3. Versus figures from the period before COVID-19.
 * April preliminary figures are the total of sales of major Group companies.

Amount of influence vs. initial expectations due to changes in accounting policies (implemented April 1, 2021)

- Application of revenue recognition accounting standard
- Change in method of depreciation for railway business fixed assets. (*)

Consolidated operating revenues: -¥5.0 billion;
 Consolidated operating income: basically no influence
 Consolidated operating income: +¥3.1 billion
 (Decrease in depreciation accompanying change: -¥3.1 billion)

* In regard to the method of depreciation for railway business fixed assets, from FY22.3, change from declining-balance method to straight-line method.
 In regard to rolling stock, change to useful life in line with usage condition.

- For FY2022/3, it is still not possible to forecast the timing of the resolution of the COVID-19 infection. However, we expect a moderate recovery due to the spread of vaccines, etc. We believe that usage will be affected by the status of the infection, but the performance forecasts that we are announcing today are based on the assumptions that you see here.
- I will discuss the major segments. Please turn to the next slide.

Transportation Segment

Advancing measures to secure revenues and to reduce costs

- Working to secure revenues through large-scale discontinuance of tickets sold at counters and price increases on discount tickets (implemented April 1, 2021). Advancing cost reductions through BPR while continuing urgent control measures.

	Measures	Effects
Secure revenues	<ul style="list-style-type: none"> Strengthening yield management by shifting to on-line sales through discontinuance of discount tickets sold at counters (complete discontinuance of two-part tickets on the Shinkansen, discontinuance of two-part tickets on conventional lines on 60% of sections) Price increases on tickets sold on-line/at counters, with consideration for competitiveness with other transportation companies (price increases on 20% of sections, average price revision rate of tickets for which prices have been increased: approximately +8%) Discontinuance of ordinary sets of tickets for multiple rides 	<ul style="list-style-type: none"> ✓ Higher revenues due to ticket price increases ✓ Increase in station system efficiency, decrease in opportunities for contact at time of purchase Will continue to consider price revisions in line with conditions
Reduce costs	<ul style="list-style-type: none"> Implementing continued urgent control measures, such as control/postponement of maintenance Advancing BPR strategy (details provided in the section starting on page 28) <ul style="list-style-type: none"> Reevaluating transportation capacity by reducing number of trains through timetable revisions (train-kilometers: -5% YoY) etc. 	<ul style="list-style-type: none"> ✓ Railway business cost reduction target (vs. FY20.3, excluding special factors) Approximately -¥14.0 billion (personnel costs: ¥4.0 billion: non-personnel expenses: ¥10.0 billion)

11

- In the Transportation Segment, in the railway business we are hoping for the early resolution of the COVID-19 infection. However, we will aim to secure revenues through such measures as significantly discontinuing discount tickets sold at counters, increasing prices on discount tickets, and discontinuing ordinary sets of tickets for multiple rides.
- Also, in expenses, we will continue to implement urgent control measures. In addition, in conjunction with reductions achieved through our BPR strategy, we will aim for ¥14.0 billion in cost reductions in the railway business in comparison with FY2020/3.
- Please turn to the next slide.

Real Estate and Hotels Segment

Contribution to consolidated results from opening effect of Kumamoto and Miyazaki station buildings

- Full-year contribution to consolidated results from Kumamoto Station Building opening (April 23, 2021) and Miyazaki Station Building Opening (November 20, 2020)
- In FY22.3, continued aggressive advancement of capital investment related to city-building initiatives in areas surrounding stations, which will become a growth driver

Kumamoto Station area development



- ✓ "Amu Plaza Kumamoto" opened on April 23, 2021.
- ✓ **Expecting tenant sales on about the same scale as Oita Station Building and Kagoshima Station Building**
- ✓ There were some contract cancellations in the commercial area due to the influence of the COVID-19 infection, but all stores were determined.
- ✓ "THE BLOSSOM KUMAMOTO" hotel also opened on the same day as "Amu Plaza Kumamoto"
- ✓ For two office buildings, leasing progress is solid, and the contract rate is approximately 90%.

Miyazaki Station west entrance development



- ✓ "Amu Plaza Miyazaki" opened on November 20, 2020. ("Himuka Kirameki Ichiba" had an advance opening on October 14)
- ✓ **Tenant sales on a smaller scale than Kokura Station Building**
- ✓ There were some contract cancellations in the commercial area due to the influence of the COVID-19 infection, but all stores were determined by the opening.
- ✓ In the office area, we continue to implement measures to attract tenants.

12

- In the Real Estate and Hotels Segment, two city-building projects — the Miyazaki Station Building, which opened in November 2020, and the Kumamoto Station Building, which opened in April 2021 —are making full-scale contributions to consolidated results.
- Looking at the Kumamoto Station area development, due to the influence of the COVID-19 infection there were some tenant contract cancellations at Amu Plaza Kumamoto, but subsequent leasing initiatives resulted in all stores being determined. In addition, together with the two office buildings that opened in the previous year, this project is making a contribution to increasing the non-resident population in the areas surrounding stations. Going forward, with consideration for the status of COVID-19, we will work to promote a lively atmosphere around the station.
- Please turn to the next slide.

Consolidated Financial Highlights for FY22.3

	Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	293.9	344.2	50.2	117.1%
Operating income	(22.8)	10.6	33.4	-
Ordinary income	(19.3)	10.6	29.9	-
Net income attributable to owners of the parent	(18.9)	12.9	31.8	-
EBITDA	4.6	37.9	33.2	817.0%

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

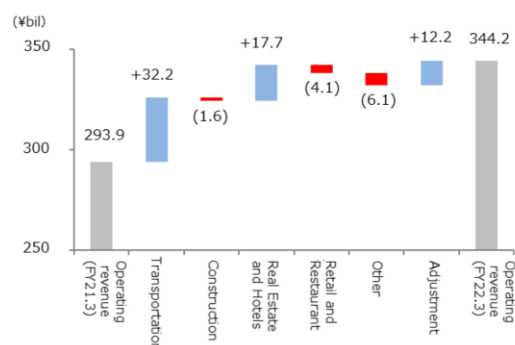
Operating revenue

Increase in revenue due to moderate recovery in demand in the Transportation Segment and other segments

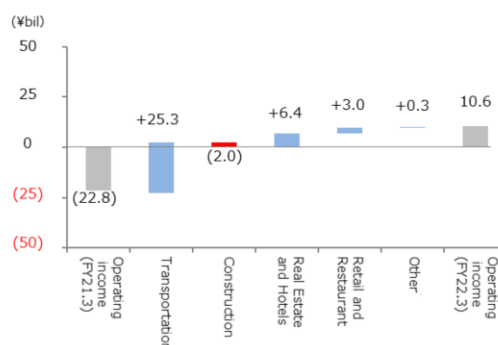
Operating income

Moderate recovery in each segment. Increase in profit due to expense reductions of approximately ¥14.0 billion in railway business. Anticipating return to profitability.

Change in operating revenue by segment



Change in operating income by segment



- I have explained our assumptions and the measures of each segment. Next, I will discuss our full-year performance forecasts, which reflect those assumptions and measures.
- In regard to operating revenue, we anticipate a rebound increase, but we also expect each business to be affected to a certain extent by the COVID-19 infection. Operating revenue will not return to the level before COVID-19.
- On the other hand, we will continue to reduce expenses, centered on the railway business, and accordingly we are forecasting a return to profitability at the operating level and a recovery in EBITDA.
- Please turn to slide 16.

Consolidated Financial Forecasts for FY22.3(by segment)

(¥bil)

	Results FY21.3	Forecasts FY22.3	YoY		Major factors
Operating revenue	293.9	344.2	50.2	117.1%	
Transportation	95.2	127.5	32.2	133.8%	Increase due to moderate recovery in demand in railway business
Railway Business (non-consolidated)	89.7	120.4	30.6	134.1%	
Construction	96.5	94.9	(1.6)	98.3%	Decrease in railway construction orders from JR Kyushu
Real Estate and Hotels	80.1	97.9	17.7	122.2%	
Real Estate Lease	49.7	59.4	9.6	119.4%	Increase due to opening of Kumamoto Station building and Miyazaki station building, increase in revenues from leases due to moderate recovery in demand
Condominium Sales	23.5	23.0	(0.5)	97.6%	Rebound decrease in revenues from condominium sales
Hotel Business	6.8	15.5	8.6	227.7%	Increase in number of guests due to moderate recovery in demand, increase due to Kumamoto hotel opening
Retail and Restaurant	51.4	47.3	(4.1)	91.9%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	63.6	57.5	(6.1)	90.3%	Decrease due to lower sales of construction materials
Operating income	(22.8)	10.6	33.4	-	
Transportation	(37.6)	(12.3)	25.3	-	
Railway Business (non-consolidated)	(36.6)	(12.5)	24.1	-	
Construction	6.9	4.9	(2.0)	70.1%	
Real Estate and Hotels	9.9	16.4	6.4	165.4%	
Real Estate Lease	12.0	14.0	1.9	116.0%	
Condominium Sales	2.6	2.2	(0.4)	83.3%	
Hotel Business	(4.7)	0.2	4.9	-	
Retail and Restaurant	(2.5)	0.5	3.0	-	
Other	1.7	2.1	0.3	119.9%	
EBITDA	4.6	37.9	33.2	817.0%	
Transportation	(26.5)	(3.4)	23.1	-	
Railway Business (non-consolidated)	(26.4)	(3.9)	22.5	-	
Construction	8.0	5.8	(2.2)	72.1%	
Real Estate and Hotels	22.2	30.6	8.3	137.7%	
Real Estate Lease	22.0	25.8	3.7	117.2%	
Condominium Sales	2.6	2.2	(0.4)	82.9%	
Hotel Business	(2.4)	2.6	5.0	-	
Retail and Restaurant	(1.1)	1.7	2.8	-	
Other	3.7	4.6	0.8	124.1%	

Non-consolidated Financial Forecasts for FY22.3

(¥bil)

	Results FY21.3	Forecasts FY22.3	YoY		Major factors
Operating revenue	144.7	177.2	32.4	122.4%	
Railway transportation revenues	76.3	106.0	29.6	138.9%	Increase due to moderate recovery in demand
Shinkansen	22.4	36.0	13.5	160.1%	
Conventional Lines	53.8	70.0	16.1	130.0%	
Other revenue	68.4	71.2	2.7	104.1%	
Operating expense	165.3	173.7	8.3	105.1%	
Personnel expense	39.3	42.1	2.7	107.0%	Increase due to results recovery
Non-personnel expense	97.5	103.5	5.9	106.1%	
Energy cost	7.9	8.3	0.3	103.8%	Increase due to moderate recovery in demand
Maintenance cost	29.0	31.7	2.6	109.1%	Increase due to moderate recovery in demand
Other	60.5	63.5	2.9	104.9%	Increase due to moderate recovery in demand
Taxes	10.8	11.4	0.5	105.4%	
Depreciation cost	17.5	16.7	(0.8)	95.0%	Decrease due to revision of depreciation method
Operating income	(20.5)	3.5	24.0	-	
Non-operating income and expense	9.7	1.1	(8.6)	11.3%	Decrease in dividend income
Ordinary income	(10.8)	4.6	15.4	-	
Extraordinary gains and losses	(5.7)	-	5.7	-	
Net income	(11.1)	10.1	21.2	-	

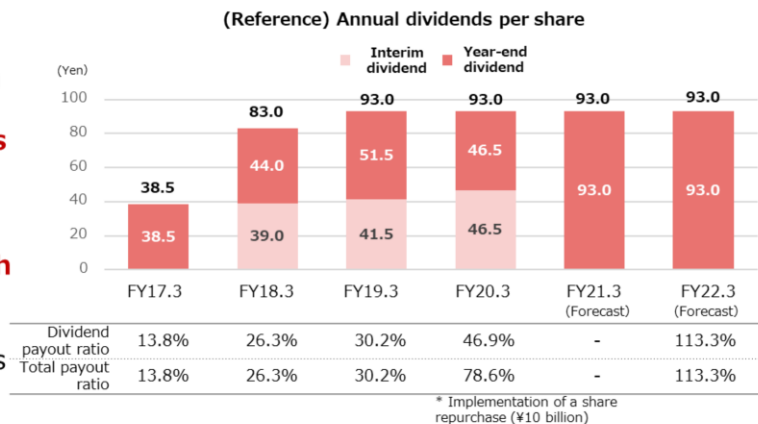
FY22.3 dividend forecasts

Shareholder return policy

- The Company views the return of profits to shareholders as one of its most important management tasks. Accordingly, the Company believes it is important to provide stable shareholder returns over the long term.
(Policy up to FY22.3)
 - Aim for a dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0
 - To increase capital efficiency, implement share repurchases depending on the situation

FY22.3 dividend forecasts

- We are forecasting continued extremely severe results for FY22.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY22.3 is ¥93.0 per share.**
- As in FY21.3, **in FY22.3 we plan to pay dividends in one part, which will be the year-end dividend, with no interim dividend.** This is due to the need to carefully consider the influence on future results of matters such as the COVID-19 infection.



- In regard to our dividend forecasts for FY2022/3, with consideration for our current shareholder return policy, we plan to pay an annual dividend per share of ¥93.
- As in FY2021/3, in FY2022/3 we plan to pay dividends in one part, which will be the year-end dividend, with no interim dividend. This is due to the need to consider the influence on future results of matters such as the COVID-19 infection.
- Next, I will discuss our future courses of action and issues for the next medium-term business plan. Please turn to slide 22.

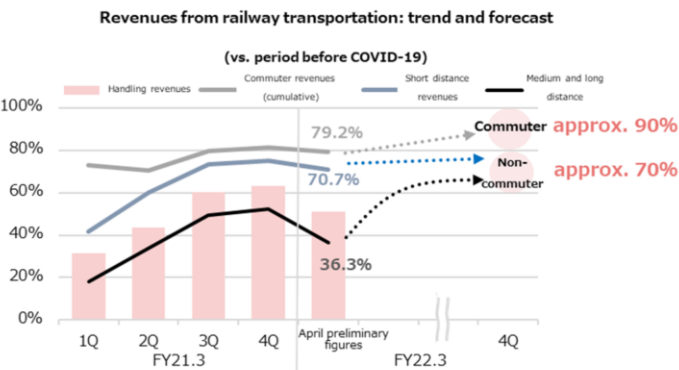
(Reference) Transportation Segment

	【Results】			(¥bil)
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	173.7	95.2	(78.4)	54.9%
Railway Business (non-consolidated)	165.2	89.7	(75.4)	54.3%
Railway transportation revenues	147.3	76.3	(71.0)	51.8%
Operating income	19.8	(37.6)	(57.4)	-
Railway Business (non-consolidated)	20.0	(36.6)	(56.6)	-
EBITDA	29.5	(26.5)	(56.0)	-
Railway Business (non-consolidated)	28.8	(26.4)	(55.2)	-

	【Forecasts】			(¥bil)
	Forecasts FY22.3	YoY		
	127.5	32.2	133.8%	
	120.4	30.6	134.1%	
	106.0	29.6	138.9%	
	(12.3)	25.3	-	
	(12.5)	24.1	-	
	(3.4)	23.1	-	
	(3.9)	22.5	-	

Railway Business

Quarterly trend / Results forecast assumptions



Overview

- (FY21.3) Due to the influence of the declaration of the state of emergency that was implemented in April and May, 2020, in the first quarter, revenues from railway transportation were approximately 30% of the level before COVID-19. However, there were signs of a gradual recovery due to the circumstances of the infection and to various measures. Nonetheless, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, there were restraints on the recovery trend. Due to the substantial decline in operating revenues, we worked to urgently reduce operating expenses in the railway business, which has a high percentage of fixed costs. Nonetheless, a large operating loss was recorded.
- (FY22.3) Due to the establishment of teleworking, we expect commuter revenues to be about the same level as in the previous year. However, we anticipate a continued moderate recovery in non-commuter revenues, and we expect operating revenues to be about 70% of the level before COVID-19. On the other hand, looking at operating expenses, we expect effects from the revision of timetables and cost-reduction initiatives with the highest priority on safety. Nonetheless, we are forecasting an operating loss.

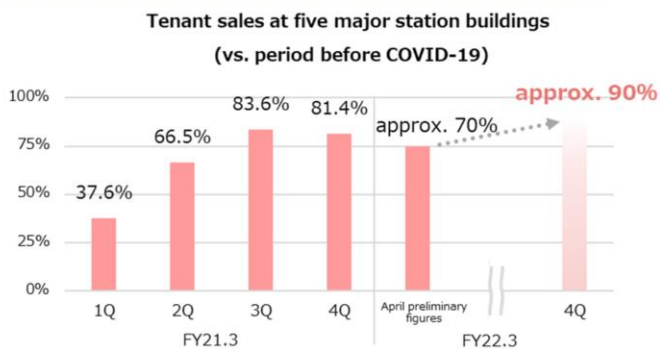
(Reference) Real Estate and Hotels Segment (1)

Real estate leasing business

	【Results】			(¥bil)
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	55.2	49.7	(5.4)	90.1%
Operating income	16.7	12.0	(4.7)	71.9%
EBITDA	26.1	22.0	(4.1)	84.2%

	【Forecasts】			(¥bil)
	Forecasts FY22.3	YoY		
	59.4	9.6	119.4%	
	14.0	1.9	116.0%	
	25.8	3.7	117.2%	

Quarterly trend / Results forecast assumptions



Overview

Station buildings

- (FY21.3) In the first quarter, the declaration of the state of emergency, which was implemented in April and May, 2020, had a significant effect, but subsequently there was a recovery trend due to the circumstances of the infection and to various measures. However, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, there were restraints on the recovery trend.
*From April to July, 2020, we implemented reduced rents and exemptions from sales promotion expenses for station building tenants (approximately ¥1.9 billion).
- (FY22.3) Other than Kumamoto and Miyazaki, expecting moderate recovery at station buildings throughout the year

Office buildings, rental apartments

- No signs of major changes in vacancy rates at existing properties, expecting stable trend in FY22.3, the same as in FY21.3

(Reference) Real Estate and Hotels Segment (2)

Condominium sales business

	[Results]		(¥bil)	
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	18.9	23.5	4.6	124.5%
Operating income	1.5	2.6	1.0	168.6%
EBITDA	1.5	2.6	1.0	168.3%

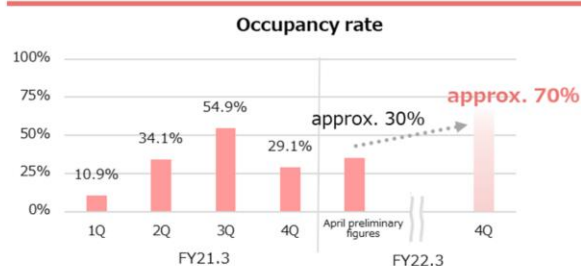
	[Forecasts]		(¥bil)	
	Forecasts FY22.3	YoY		
	23.0	(0.5)	97.6%	
	2.2	(0.4)	83.3%	
	2.2	(0.4)	82.9%	

Hotel business

	[Results]		(¥bil)	
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	16.6	6.8	(9.7)	41.0%
Operating income	0.7	(4.7)	(5.5)	-
EBITDA	2.8	(2.4)	(5.3)	-

	[Forecasts]		(¥bil)	
	Forecasts FY22.3	YoY		
	15.5	8.6	227.7%	
	0.2	4.9	-	
	2.6	5.0	-	

Quarterly trend / Results forecast assumptions



Overview

- (FY21.3) The declaration of the state of emergency, which was implemented in April and May, 2020, had a significant effect. Subsequently, despite the Go To Campaign and other measures, the recovery trend was gradual. In addition, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, the trend turned toward decline.
- (FY22.3) Operations will be influenced by trends in business and tourism demand. However, we expect a moderate recovery trend overall. We expect that some time will be required for a full-scale recovery in accommodation demand.

(Reference) Retail and Restaurant segment

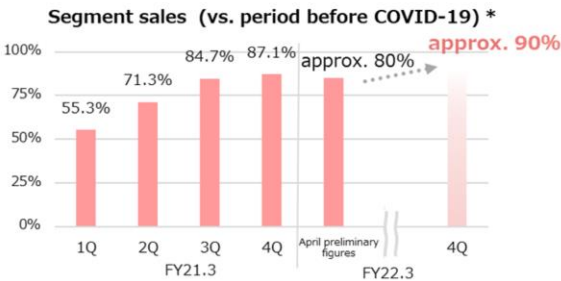
【Results】		(¥bil)	
	Results FY20.3	Results FY21.3	YoY
Operating revenue	104.6	51.4	(53.1) 49.2%
Operating income	2.8	(2.5)	(5.4) -
EBITDA	4.4	(1.1)	(5.6) -

*Amount of influence of JR Kyushu Drug Eleven becoming an equity-method affiliate : [¥(39.7) billion]

【Forecasts】		(¥bil)	
	Forecasts FY22.3	YoY	
	47.3	(4.1)	91.9%
	0.5	3.0	-
	1.7	2.8	-

*Amount of influence of JR Kyushu Drug Eleven becoming an equity-method affiliate : [¥(12.4) billion]

Quarterly trend / Results forecast assumptions



* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the 1st quarter of FY21.3. Versus figures from the period before COVID-19.
 * April preliminary figures are the total of sales of major Group companies

Overview

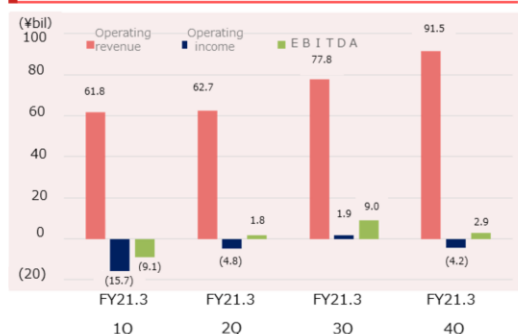
- (FY21.3) Throughout the year, the takeout business and stores in suburbs recorded solid performances. Looking at stores in areas surrounding stations, a decline in railway passengers resulted in a decrease in the number of visitors to facilities in areas surrounding stations. Consumers also refrained from the use of restaurants. These factors had an influence on operations. In particular, in the area in which a state of emergency was declared, in the first quarter the closure of station buildings had an influence. In addition, there was a reduction in operating hours at certain stores, etc. As a result, circumstances were challenging.
- (FY22.3) The takeout business and stores in suburbs are expected to continue to record solid results. Although stores in areas surrounding stations will be affected by COVID-19 infection countermeasures and the infection trend, we anticipate a moderate recovery trend.

III FUTURE COURSES OF ACTION AND ISSUES FOR THE NEXT MEDIUM-TERM BUSINESS PLAN

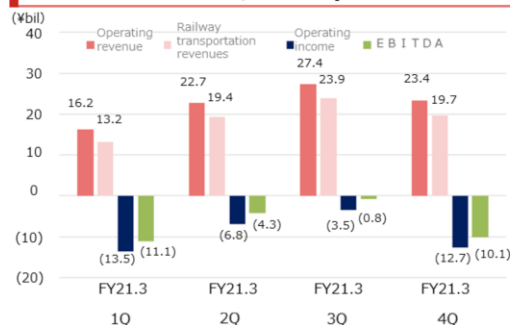
Review of Results in FY21.3

- While experiencing ups and downs, operating revenues in each business gradually recovered. In addition, we implemented thorough cost management initiatives.
- From the second quarter, consolidated EBITDA turned positive, and overall consolidated EBITDA was positive for FY21.3

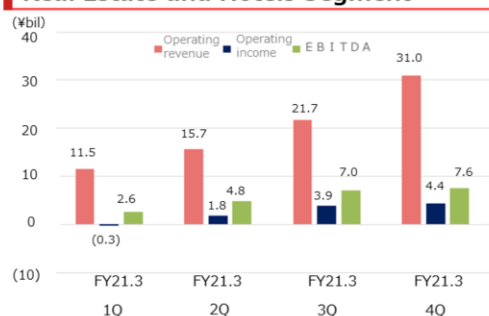
Consolidated results



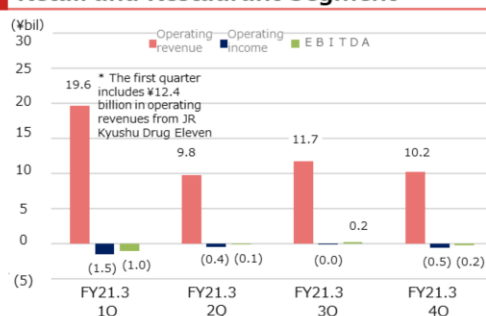
Non-consolidated, railway business



Real Estate and Hotels Segment



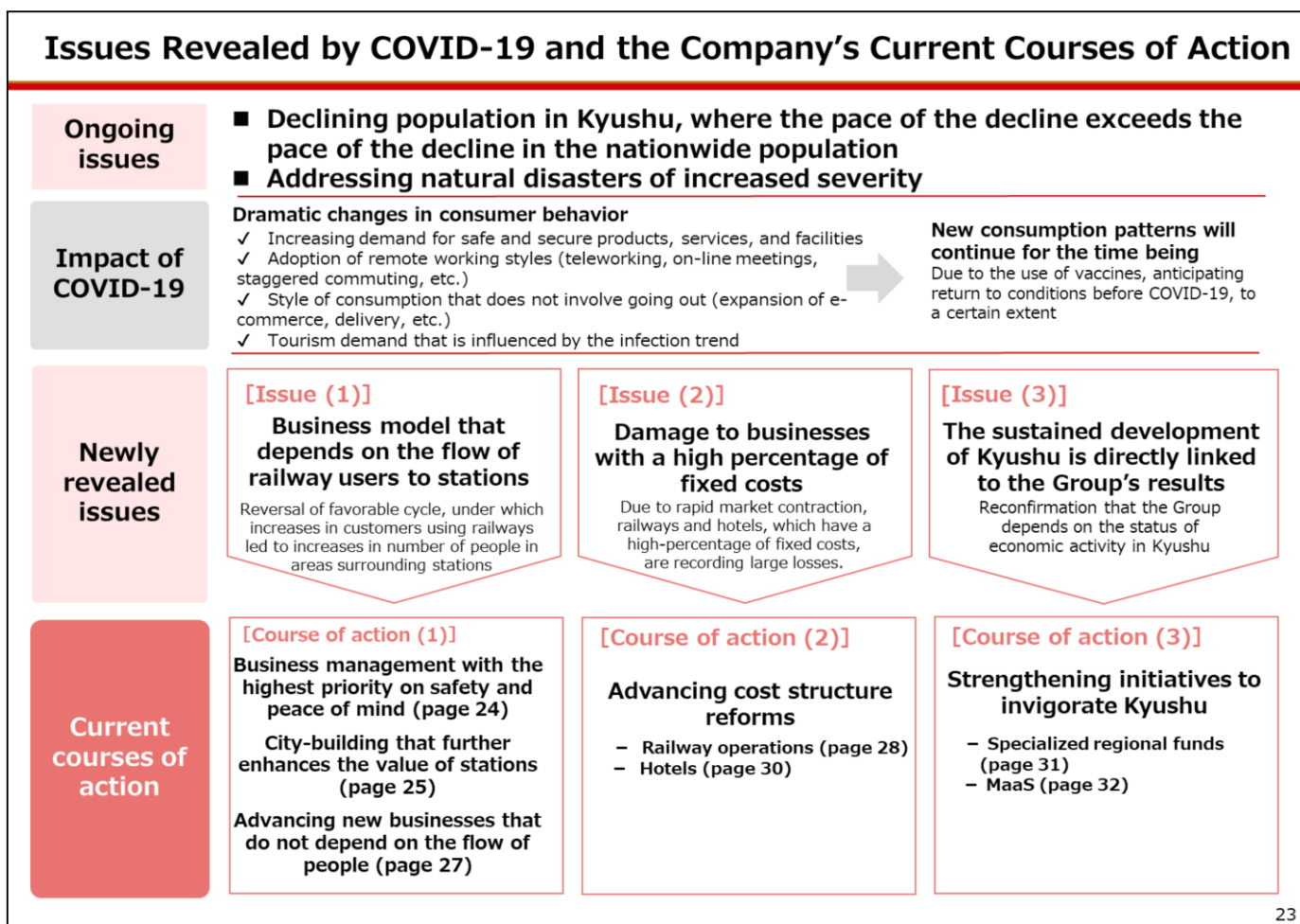
Retail and Restaurant Segment



22

- Looking back at FY2021/3, even though it was a year of ups and downs due to the COVID-19 infection and other factors, circumstances gradually began to recover.
- In the railway and hotel businesses, which have high percentages of fixed costs, we implemented urgent cost reductions, and consequently there is a recovery trend in results. Nonetheless, the business situation remains severe.
- In addition, accompanying a decline in customers using railways, the station building business has also been affected. However, station buildings have certain “city-related” functions, and we believe that the recovery trend has been comparatively strong.
- I will discuss the Group’s current courses of action, with consideration for the circumstances during the past year of COVID-19. Please turn to the next slide.

Issues Revealed by COVID-19 and the Company's Current Courses of Action



23

- In addition to addressing the population decline and natural disasters, which are ongoing issues, we currently face a new issue: the changes in customer needs due to changes in their lifestyles. We have identified three high-priority issues that have been revealed by the effect of COVID-19 and are shared by the entire JR Kyushu Group.
- These are “business models centered on stations,” “businesses with a high percentage of fixed costs,” and “the sustained development of Kyushu.” These issues will have a significant effect on the Group’s corporate value.
- The greatest influence has been on our business model of city-building centered on stations, which has faced a strong headwind. On the other hand, our operations cannot be separated from stations. We will remain dedicated to the business model of city-building centered on stations, but we will need to make changes to the model.
- In addition, looking at our earnings structure, we need to address our costs, where we have a high percentage of fixed costs.
- Finally, we are based in Kyushu, and we need to further advance initiatives that contribute to the sustained development of Kyushu.
- In regard to these various issues, I will discuss our current courses of action. Please turn to the next slide.

[Course of action (1)] Business management with the highest priority on safety and peace of mind

■ At this point, when the future is unclear, we will return to the starting point and work to fulfill our social mission and to be a trusted business group by implementing business management with the highest priority on safety and peace of mind.

Advancing initiatives to enable customers to use our services with peace of mind



Train ventilation



Train disinfection



Station facility disinfection

Reserved seat information guidance (Screen of ticket sales machine)



Providing information about train congestion status (*only for congested Hakata arrival time periods)

列車種別・区間	7:00~	7:15~	7:30~	7:45~	8:00~	8:15~	8:30~	8:45~	9:00~	9:15~	9:30~	9:45~
新幹線・在来線	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
新幹線・在来線	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
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(Other) Encouraging staggered commuting, etc., stopping usage of smart doors, etc.

Initiatives to help prevent the spread of the infection in line with the requests of the national government, etc.

- Temporary closure or reduced operating hours at restaurants, etc.
- Exercising self-restraint in regard to events held by the Group

Safety/security for business partners

- Securing safety through disinfection of entrance locations, etc.
- Aggressively utilizing on-line meetings
- Implementing support measures in line with circumstances
 - *Implementing rent reductions for station building tenants from April to July, 2020

Safety/security for employees and their families

- Providing information to employees, such as comments from Company leaders, etc.
- Implementing short-term employment adjustments, such as temporary leave
- Advancing staggered commuting, teleworking
- Enhancing employee health management system

Facility maintenance/upgrades, measures to address disasters

Steady maintenance/upgrades of facilities



Replacing rolling stock



Transitioning to TPC railroad ties

Measures to address increasingly severe disasters



【Slope countermeasure work】
Preventing fallen rocks, landslides caused by changes resulting from localized heavy rains and typhoons, surface weathering, etc.

- In accordance with our business model centered on stations, our first course of action is to implement business management with the highest priority on safety and peace of mind.
- At this time, when the future is uncertain, as a mobility services company in Kyushu, we will return to the starting point and secure a sense of security and trust from our customers and other stakeholders. This will be the fundamental approach to all of our businesses. There will be no change to the importance of safety and security.
- Please turn to the next slide.

[Course of action (1)]

City-building that further enhances the value of stations

- No change to business model centered on stations. Reforming Group businesses with a focus on traditional strengths and value provided to customers. Enhancing value of stations as “places that people make a point of visiting”

Implementing strategic city-building and community development initiatives to increase populations in the areas around our railway lines.

Building a Kyushu where people want to live, work and visit



Participating in shared offices, co-working businesses

- We will aim to “Increase City Value with Stations as Bases” through the invigoration of the Hakata area and the provision of support for start-up companies. To that end, we will implement community formation initiatives through the provision of highly convenient business infrastructure that leverages station locations.



Facility name:
Q

Location: JR Hakata City, Amu Plaza Hakata, B1
Facility area: approximately 571 m²
Start of operations: End of June 2021 (plan)

- Our operations cannot be separated from stations, which are the source of the Group’s added value. Through city-building initiatives, we have aimed to expand our businesses while increasing the population in the areas around our railway lines, and going forward there will be no major changes to that approach.
- On the other hand, in regard to the value that we provide to customers, we will work to make stations more appealing as we address new lifestyles. We will strive to provide “stations that are destinations” rather than “stations that are mobility transit points.”
- Please turn to the next slide.

[Course of action (1)]

Future city-building initiatives throughout Kyushu

- We will continue to take on the challenge of development plans, such as development in areas surrounding stations and public offerings for which we have already acquired preferred negotiating rights.
- Aiming for sustained growth, we will continue to aggressively consider investment, centered on the Kyushu region

Nagasaki Station area development

- Spring 2022: Opening under elevated railway tracks (planned)
- Fall 2023* : Full opening of new station building (planned)
- * Moved forward from plan of FY26.3

■ Details of revision of new station building development plan

Advancing COVID-19 countermeasures, initiatives to address new lifestyles, and environmental measures for de-carbonization

Measures to address COVID-19

Utilizing anti-bacterial, anti-viral construction materials, air conditioning/ventilation measures, room entry/exit management linked with temperature measuring devices, systems for tracking congestion status, etc.

De-carbonization

Utilizing construction materials with high thermal insulation, utilizing high-efficiency equipment (air conditioning, lighting, etc.) , greening wall surfaces, etc.

【Illustration of new Nagasaki Station building】



【Illustration of store under elevated railway tracks】



Development in the Fukuoka city metropolitan area

Project to utilize the former site of Sunoko elementary school

- Joint venture with the Sakurajyuji Group
- Uses: incorporating private retirement home, commercial facilities, 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



Development at the west entrance of Kagoshima-Chuo Station

- Commercial facilities, offices, multi-story parking garage (phase 1 development, opening spring 2023)
- Residences, etc. (phase 2 development, time of opening not yet determined)
- Implementing infection countermeasures, measures to reduce environmental burdens (de-carbonization), etc.

【Illustration of phase 1 development】



【Illustration of pedestrian space】



- Moving forward, we will continue to implement city-building centered on stations in Kyushu. However, we will also need to address new changes.
- Accordingly, for the Nagasaki Station area development, we reevaluated the plan from the perspectives of new lifestyles and de-carbonization, and we accelerated the full opening by about two years. Also, for the Kagoshima-Chuo Station west entrance development, in alignment with area city plans, we will advance a plan that is appropriate for the new gateway to Kagoshima. In accordance with the concept of “safe, easy to use, and environmentally friendly,” we will aim to develop station buildings that support the center of city-building.
- Please turn to the next slide.

[Course of action (1)]

Advancing new businesses that do not depend on the flow of people

- Due to new lifestyles, the flow of people will not return in the short term.
- While making full use of the Group's strengths and management resources, we will build a portfolio of new businesses by taking on the challenge of new business fields that do not depend on the flow of people.

Cargo transport using the Kyushu Shinkansen

- Starting a cargo transport business based on collaboration between the Company's directly operated cargo transport operations and Sagawa Express Co., Ltd. (from May 18, 2021)

"Haya! Delivery"—directly operated cargo delivery business



- Continuing to implement verification testing of the transport of Kyushu local specialties to the Kansai area through collaboration with JR-West

Opportunities

Unutilized space on Kyushu Shinkansen trains

×

Strengths

Shinkansen speed and regular schedule



Advancing into logistics facility leasing business

- Acquiring logistics facilities near the Kyushu Expressway/Fukuoka Interchange (completion scheduled for February 2023)

(Overview of property)

Location: Tobara 825, Kasuyagun Kasuyamachi, Fukuoka Prefecture

(approximately 5 minutes by car from Fukuoka Interchange)

Lot area: 12,061m²; Floor space: 12,375m²; structure and scale: steel frame, 2 stories

Opportunities

Growth in market surrounding logistics facilities against a background of e-commerce market growth, etc.

×

Strengths

Comprehensive city-building experience (providing additional value to warehouses); customer base, such as station building tenants, etc.



- On the other hand, we strongly believe that, over the long term, the number of customers using railways will return to the level seen before COVID-19. However, given the current situation, we think that it will not return in the short term.
- In this setting, we will participate in the flow of goods in a way that leverages the Group's strengths and assets.
- We have conducted verification testing of cargo transport using the Kyushu Shinkansen, and we will commence full-scale operations together with Sagawa Express Co., Ltd. from May. Initially, the scale of operations will be small, but we will strive to establish a foothold moving forward.
- Furthermore, leveraging the Group's strengths — such as our comprehensive city-building experience and our base of customers, such as station building tenants — we will commence the logistics facility leasing business, as a developer with strong ties to local communities.
- By handling the flow of goods in addition to the flow of people, we will strive to further activate our transportation networks.
- Please turn to the next slide.

[Course of action (2)]

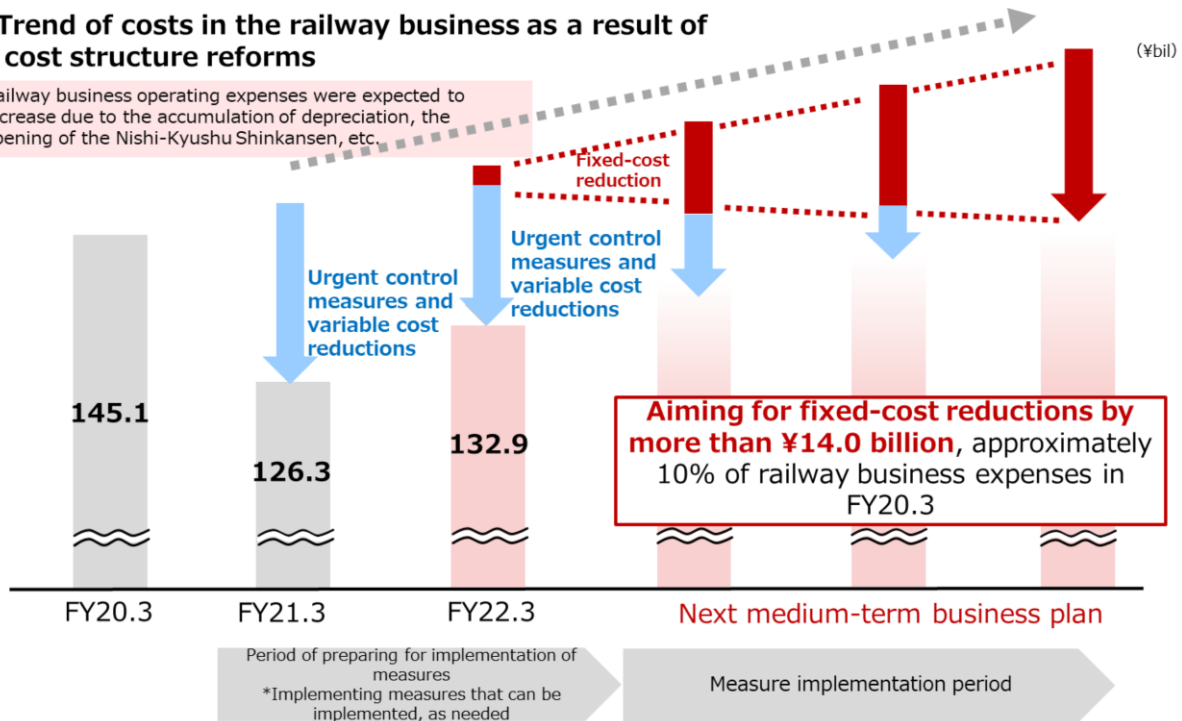
(※Business Process Re-engineering)

BPR Strategy for Railway Business Cost Structure Reform (1)

- With the objective of generating stable profits even through railway transportation revenues do not return to the level before COVID-19, we will rebuild business operations processes and systems and **aim to reduce fixed-costs by more than ¥14.0 billion in the period of the next medium-term business plan.**
- We have positioned FY22.3 as a period for preparing for the implementation of measures. We will continue working to control costs on an urgent basis, striving to reduce costs in the railway business by ¥14.0 billion in comparison with FY20.3.

Trend of costs in the railway business as a result of cost structure reforms

Railway business operating expenses were expected to increase due to the accumulation of depreciation, the opening of the Nishi-Kyushu Shinkansen, etc.



28

- Next, I will discuss the railway hotel businesses, which have high percentages of fixed costs and have been significantly affected by the COVID-19 infection.
- First, in the railway business, we have taken steps to enable the Group to generate stable profits in the post COVID-19 period, even though customers do not return in the short term. To that end, we launched an in-house project to reduce railway business operating expenses by 10%, or ¥14.0 billion, in comparison with FY2020/3, and we formulated a road-map. Our reductions in FY2021/3 exceeded our initial estimate by ¥18.0 billion, and the road-map calls for reductions in FY2022/3 that exceed our initial estimate by ¥14.0 billion.
- We cannot avoid the increases in the depreciation that accompanies capital investment in the railway business and in the expenses associated with the opening of the Nishi-Kyushu Shinkansen. However, we expect to be able to reduce fixed costs in a stable manner by more than ¥14.0 billion during the period of the next Medium-Term Business Plan, and, targeting continued reductions, we will aim to conduct detailed consideration and implementation of measures going forward.
- Please turn to slide 30.

[Course of action (2)]

BPR Strategy for Railway Business Cost Structure Reform (2)

Direction of BPR strategy

- With safety as the major precondition, continually advancing measures with ongoing cost reduction effects, rather than temporary measures

Direction of measures		
Further advancing existing measures	<div> <div>✓</div> <div> Providing services aligned with demand Reevaluating timetables and rolling stock use Reevaluating station administration systems (reevaluating number of ticket offices, number of sales machines, etc.) </div> </div>	<div> <div>Reevaluating number of ticket offices</div>  </div>
	<div> <div>✓</div> <div> Streamlining rolling stock/facilities Reducing quantity of rolling stock needed through the use of longer seats, etc. Disposing of unnecessary facilities </div> </div>	<div> <div>Using longer seats on rolling stock</div>  </div>
	<div> <div>✓</div> <div> Optimizing inspection/maintenance levels Reevaluating inspection standards related to ground equipment and equipment replacement standards </div> </div>	
Bottom-up measures	<div> <div>✓</div> <div> Realizing 4,000 ideas submitted by employees (fostering a sense of participation) Digitizing publications; utilizing information sharing tools; streamlining meetings; reevaluating number of telephone lines, etc. </div> </div>	
Top-down measures	<div> <div>✓</div> <div> Organizational streamlining Building operational administration systems transcending organization areas </div> </div>	
	<div> <div>✓</div> <div> Flexible use of human resources Implementing strategic seconding initiatives inside and outside the Group </div> </div>	
	<div> <div>✓</div> <div> Reevaluating cost/administrative structures of functional subsidiaries Reducing overlapping operations/functions between parent and subsidiaries, reevaluating contracts, etc. </div> </div>	

[Course of action (2)] Hotel business cost structure reform

Reducing break-even point through sustained cost reductions

- In FY21.3, the COVID-19 infection had a major influence. However, we are forecasting a return to profitability in FY22.3 as a result of cost structure reform initiatives. (*FY21.3 : THE BLOSSOM HIBIYA impairment loss)
- In the short-term, with no expectation for demand at the level before COVID-19, we are working to further reduce the break-even point while maintaining our brand image.

Cost reductions (measures already implemented)

Fixed costs

- ✓ Reducing administration staff at existing hotel: **-25%**
(vs. April 2020)
Halting certain operations, reevaluating shifts, controlling hiring, expanding seconding to positions outside of hotels, etc.

Variable costs

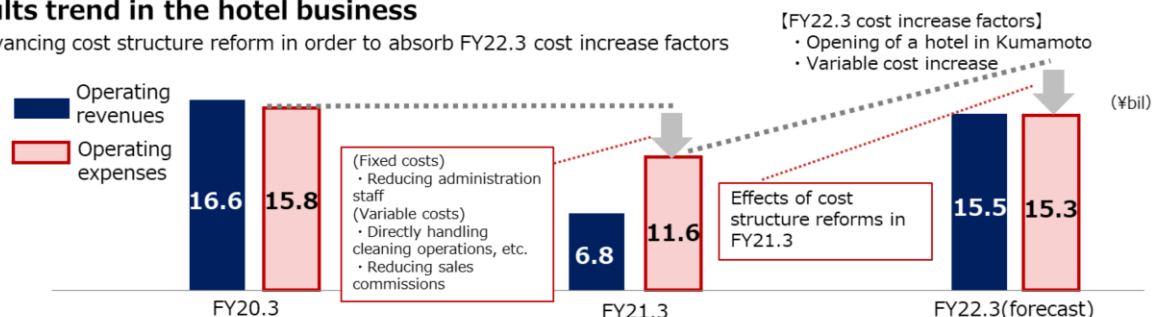
- ✓ Directly handling housekeeping rather than outsourcing
Utilizing workforce under circumstances in which there are temporarily too many employees

Medium to long term cost reduction policy

- ✓ Further reevaluating operations
- ✓ Building efficient operational administration systems through the advancement of DX
- ✓ Reducing variable cost rate
(promoting reservations through in-house web-site, etc.)
- ✓ In line with promotion of ESG, reducing use of equipment/supplies and linens, etc.
(eco-cleaning)

Results trend in the hotel business

- Advancing cost structure reform in order to absorb FY22.3 cost increase factors



30

- Like the railway business, the hotel business has been significantly affected by the COVID-19 infection. In FY2021/3, to improve the break-even point, we implemented thorough cost reductions, such as reducing administration staff at existing hotels by approximately 25% in line with demand. We believe that, in general, we have prepared our hotel business system for the future.
- In FY2022/3, we expect an increase in variable costs associated with the opening of THE BLOSSOM KUMAMOTO and with an increase in revenues. However, we anticipate improvement in our break-even point. As a result, we expect a decline in operating expenses in comparison with FY2020/3.
- Please turn to the next slide.

[Course of action (3)] Establishing specialized regional funds

Reason for establishment

JR
Kyushu
issues

Focus on growth fields, with consideration for changes in management environment during COVID-19.

Regional
issues

Increase in small and medium sized companies in challenging business environment (COVID-19, succession issues, labor shortage, disasters, etc.)

■ We will conduct investment in small and medium-sized companies that have their operational base in Kyushu and in companies that provide products and services closely tied to local communities, thereby supporting the business continuity and further growth of the companies in which we invest. In this way, we will support development and growth for the region.

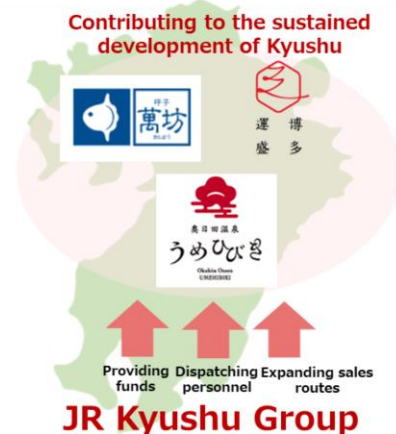
✓ In addition to providing capital, **resolving local issues** through management improvement, such as human resources support and sales route expansion

✓ **Strengthening the JR Kyushu Group's core businesses and expanding its business fields** by having more flexible, agile investment configurations in addition to conventional M&A

✓ **Expanding earnings opportunities** through participation in fund business

■ Joint investment scheme with J-WILL Group

■ Total amount of investment: **¥5.0 billion**



Accelerating initiatives for “Invigorating Kyushu” through agile investment via funds

31

- The third course of action is strengthening initiatives to invigorate Kyushu. Our businesses depend on the sustainable development of Kyushu.
- First, in regard to the specialized regional funds that we announced last month, in addition to the provision of funds, we will work to improve management by leveraging the strengths of the JR Kyushu Group. In this way, we will work to support the growth of regional companies that face the issues of COVID-19 and business succession.
- Through agile investment via these funds, we will strive to strengthen our business operations and expand our business areas. In addition, we will accelerate initiatives for the sustainable development of Kyushu.
- Please turn to the next slide.

[Course of action (3)] Invigorating Local Communities through MaaS

Direction of MaaS

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

Integration with digital content

Toward the utilization of MaaS

Aims

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

Major verification testing initiatives

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

“Creating mobility demand” and “building sustainable public transportation networks”
New regional infrastructure to invigorate local communities

Expanding/enhancing initiatives in each region of Kyushu

Initiatives in Kitakyushu City

Shimosone Station

- In conjunction with spring 2020 timetable revision, enhancing access to major stations, strengthening information/guidance for buses/trains, enhancing waiting areas, etc.
- Considering the expansion to other areas of this model, which is called the “Shimosone Model,” based on the station where it was implemented
Mojiko Station, Moji Station, Orio Station, Tobata Station, Kusami Station
- On Nishitetsu buses, the JR timetable is displayed on the fare monitor.



Initiatives in Miyazaki City, Nichinan City, and the surrounding areas

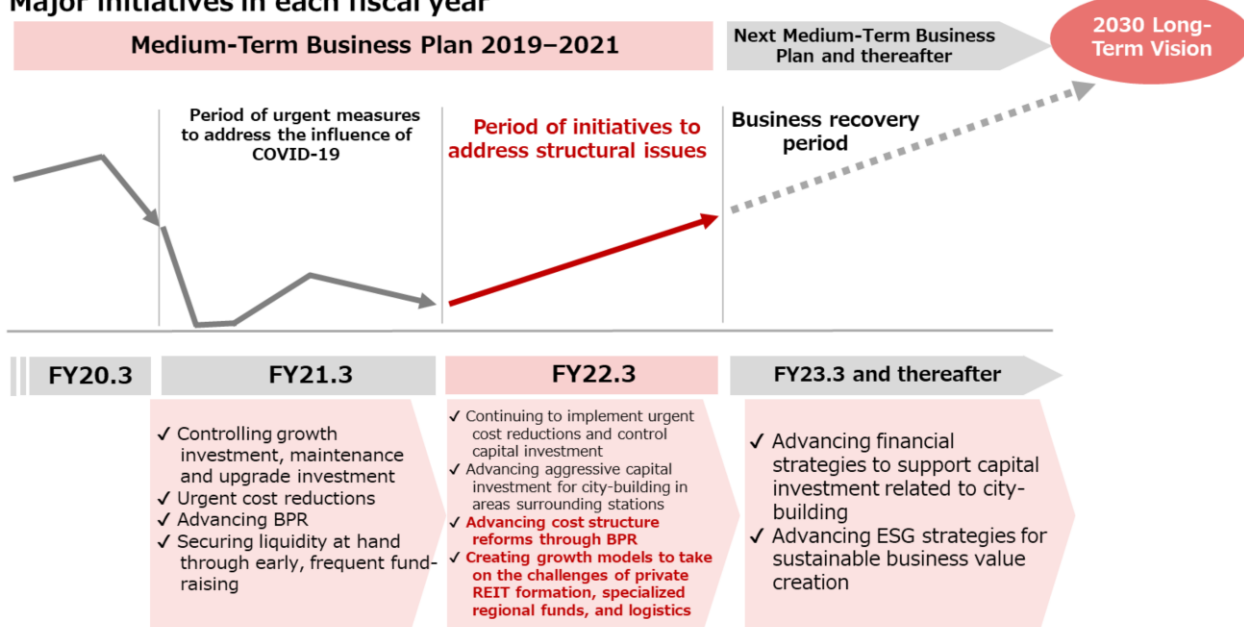
- The Ministry of Land, Infrastructure, Transport and Tourism's program for enterprises that advance/support MaaS in Japan
- Implementing verification testing for model building (November 6, 2020 to March 12, 2021)
- Providing multiple route searching, ticket reservation, and other services and providing a variety of content combining mobility services with lifestyle services and tourism.

- From the perspective of invigorating local communities, the establishment of sustainable mobility services is a long-term issue. We believe that MaaS will play a large role in those initiatives.
- Looking at MaaS, in conjunction with the Miyazaki Station Building opening in November 2020, we conducted verification testing that combined mobility with lifestyle services and tourism. In addition, we have deepened our collaboration with Nishi-Nippon Railroad Co., Ltd. Moving forward, we will expand our initiatives so that MaaS can become established as regional infrastructure.
- Finally, with consideration for these courses of action, I will discuss the issues for the next Medium-Term Business Plan. Please turn to the next slide.

Issues for the Next Medium-Term Business Plan

- In the final year of the current Medium-Term Business Plan, with consideration for the influence of COVID-19, we will advance initiatives for “cost structure reform” and “business reform and growth model creation”
- In addition, we will need to continue to implement measures to address existing issues, such as the “population decline in Kyushu” and “addressing natural disasters of increased severity.”
- **We will return to the starting point and accelerate capital investment and ESG initiatives related to city-building in Kyushu as we prepare for the next Medium-Term Business Plan.**

Major initiatives in each fiscal year

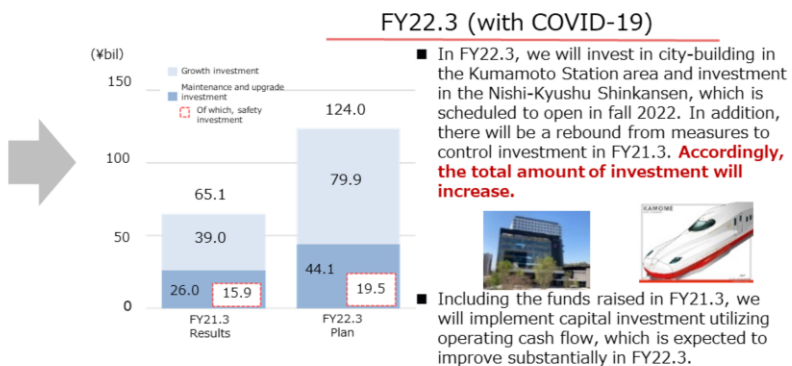
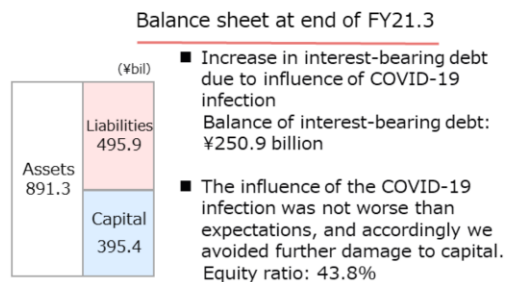


33

- The next Medium-Term Business Plan will cover an extremely important period, during which we will aim for a V-shaped recovery from the influence of COVID-19 and work to realize the 2030 Long-Term Vision.
- Accordingly, we have positioned FY2022.3 as a period for implementing structural reform, with consideration for the three major issues that have been revealed by COVID-19.
- Please turn to the next slide.

Issues for the Next Medium-Term Business Plan

Capital investment in FY22.3



Approach to future business strategies 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

In addition to operating cash flow, which is expected to improve, through real estate securitization via private REIT formation, achieve both sustained growth strategies/increase capital efficiency and sustained financial soundness.

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

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

- Looking at capital investment in FY2022/3, due to the Kumamoto Station area development, including the Kumamoto Station Building, which opened recently, and the Nishi-Kyushu Shinkansen, which is scheduled to open in fall 2022, we are planning investment of ¥124.0 billion, which is substantially higher than in the previous year. This will be implemented through the use of operating cash flow, which is recovering, and the funds raised last year. In this way, it will be possible to implement this investment while giving consideration to financial soundness.
- In addition, we will continue to implement capital investment in city-building initiatives, such as the Nagasaki Station area development and the Kagoshima-Chuo Station west entrance development. We expect operating cash flow to recover in the future. However, we will consider a financial strategy that achieves both (1) sustained growth strategies and increased capital efficiency and (2) sustained financial soundness through the introduction of a cyclical investment model via the utilization of private REIT formation.
- Please turn to slide 36.

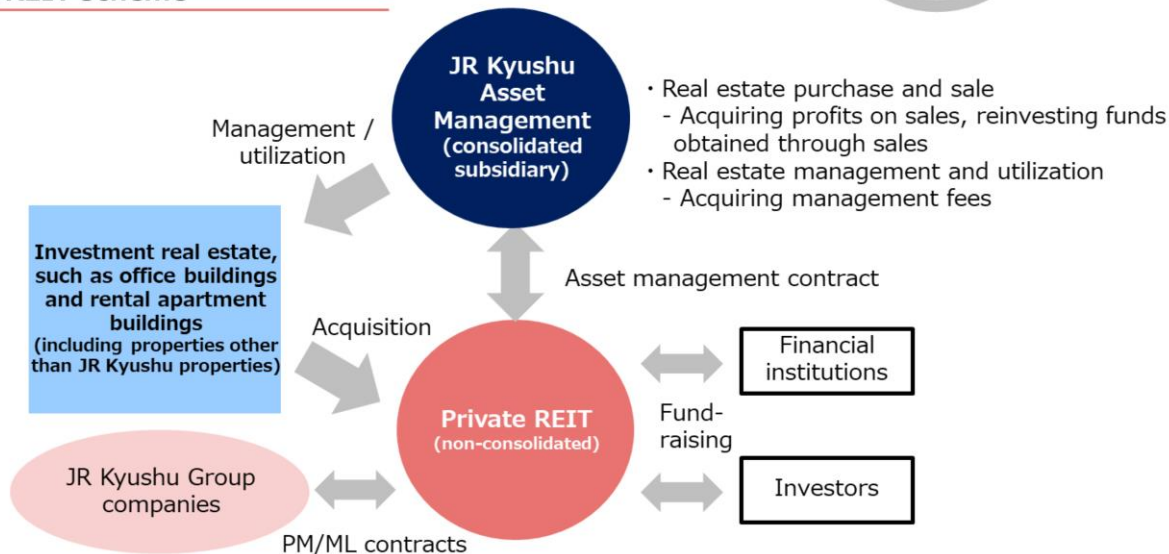
Issues for the Next Medium-Term Business Plan

Private REIT formation with the aim of sustained growth in the real estate business, which supports city-building

- Building foundation for sustainable growth in the real estate development business through a 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



Private REIT scheme



Moving ahead with procedures needed for application for permits and licenses, aiming for private REIT formation at an early stage

Issues for the Next Medium-Term Business Plan

Initiatives for the creation of sustainable business value

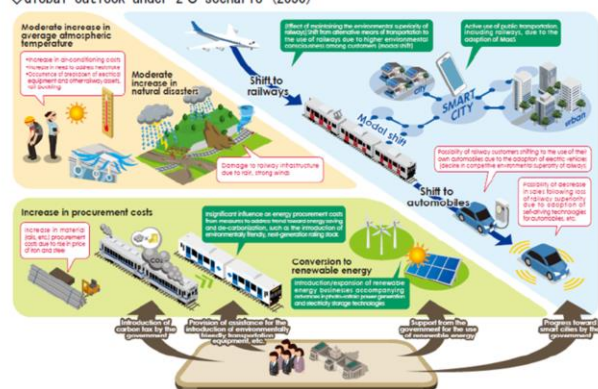
Support for TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

(Background)

- In Kyushu, in recent years, the frequency and severity of natural disasters has increased. This trend is thought to be due to the influence of global warming.
- There is an urgent need for future-focused measures to address the climate change problem.

- Announcing support for TCFD recommendations in February 2021
- Aiming for **net zero CO₂ emissions in 2050**
- There is an urgent need for the formulation of a road-map.

◇Global outlook under 2°C scenario (2050)



Safety and service

- Safety and service are the foundation of all of our businesses.
Advancing initiatives to secure safety and enhance service



Diversity/health management

- Advancing initiatives to enhance diverse working styles
- Advancing health management



JR Kyushu Group Health Declaration

私たちの「元気」が、
「地域の元気」をつくります。



36

- I have discussed our consideration of business and financial strategies, but we also need to address the long-term viewpoint.
- In February 2021, we announced our support for the TCFD recommendations, and we conducted information disclosure regarding the risks, opportunities, etc., for the Group caused by climate change. We will consider the formulation of a medium-term target of net zero CO₂ emissions in 2050 as well as specific measures. We also recognize that we need to formulate a road-map.
- We will move ahead with the formulation of the next Medium-Term Business Plan, with a focus on long-term management incorporating both financial and non-financial viewpoints.
- This concludes my presentation. Thank you for your attention.

Local Community Invigoration

Shooting Star Shinkansen



- The Shining Kyushu, Everyone's Kyushu project was launched to shine a light of hope on Kyushu, which has been affected by COVID-19, and to encourage the people of Kyushu to take the initiative in building a brighter future.
- With the cooperation of a large number of companies, organizations, etc., 8,350 wishes that had been received from around Japan were loaded onto the train, which was operated on a special basis for one night only.

APPENDIX

Balance Sheet and Cash Flow Statement

	Results FY20.3	Results FY21.3	YoY	Major factors
Total Assets	828.5	891.3	62.7	
Cash and time deposits	23.8	22.9	(0.8)	
Short-term securities	-	42.0	42.0	Increase in negotiable certificates of deposit
Property, plant and equipment	517.9	532.0	14.0	Increase due to Miyazaki Station Building opening
Railway business assets	89.1	96.7	7.6	
Interest-bearing debt	141.5	250.9	109.3	Increase due to long-term loans and issuance of bonds
Net assets	418.2	395.4	(22.8)	
Capital and paid-in capital	240.0	240.0	(0.0)	
Retained earnings	176.3	150.0	(26.3)	

ROE	7.6%	-4.7%
ROA	3.9%	-2.2%
D/E B I T D A	1.89	54.09
Equity ratio	49.9%	43.8%

Cash flow statement

	Results FY20.3	Results FY21.3	YoY	Major factors
Cash flows from operating activities	60.4	(10.3)	(70.8)	Decrease due to decline in railway transportation revenues
Depreciation expense	26.7	29.3	2.6	
Cash flows from investing activities	(76.9)	(53.9)	23.0	Decline in purchase of non-current assets
Capital expenditures	(109.9)	(95.2)	14.7	
Free cash flow	(16.4)	(64.2)	(47.7)	
Cash flows from financing activities	3.3	105.8	102.5	Increase due to loans and issuance of bonds
Cash and cash equivalents	23.8	65.0	41.2	

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	Results FY20.3	Results FY21.3	YoY		Major Factors
Total	147.3	76.3	(71.0)	51.8%	
Commuter pass	32.5	26.2	(6.3)	80.6%	
Non-commuter pass	114.7	50.0	(64.7)	43.6%	
Shinkansen	52.3	22.4	(29.8)	43.0%	Decline due to influence of COVID-19
Commuter pass	2.8	2.4	(0.3)	87.5%	Decrease due to rebound from previous year's longer Golden Week holiday period
Non-commuter pass	49.5	20.0	(29.4)	40.5%	
Conventional Lines	95.0	53.8	(41.2)	56.6%	Decline due to influence of COVID-19
Commuter pass	29.7	23.8	(5.9)	80.0%	Decrease due to suspension of all limited-express trains during Golden Week period
Non-commuter pass	65.2	30.0	(35.2)	46.0%	Decrease due to rebound from previous year's longer Golden Week holiday

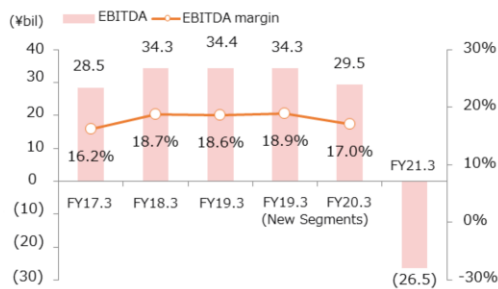
Passenger-Kilometers

(Millions of passenger-kilometer)

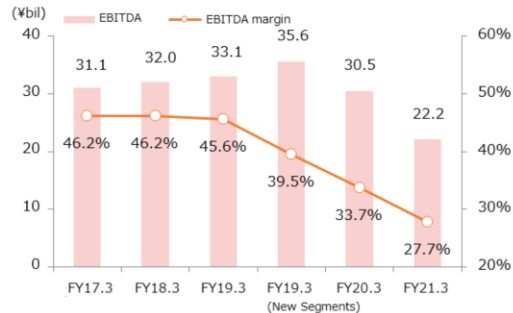
	Results FY20.3	Results FY21.3	YoY	
Total	9,059	5,564	(3,494)	61.4%
Commuter pass	4,211	3,466	(745)	82.3%
Non-commuter pass	4,847	2,098	(2,748)	43.3%
Shinkansen	1,950	868	(1,082)	44.5%
Commuter pass	204	177	(27)	86.7%
Non-commuter pass	1,745	690	(1,054)	39.6%
Conventional Lines	7,108	4,696	(2,412)	66.1%
Commuter pass	4,006	3,288	(718)	82.1%
Non-commuter pass	3,102	1,407	(1,694)	45.4%

EBITDA by Segment

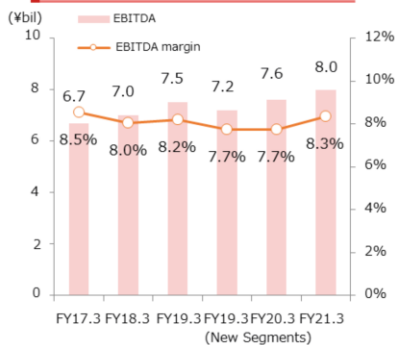
Transportation



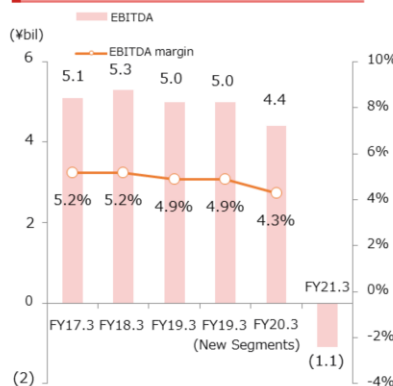
Real Estate and Hotels



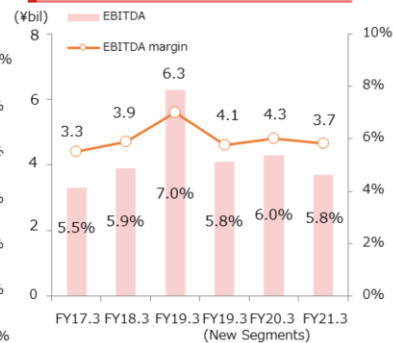
Construction



Retail and Restaurant



Other



* Figures for the Transportation segment EBITDA up to and including FY16.3 contain earnings from use of the Management Stabilization Fund (¥12.5 billion in FY15.3, and ¥11.1 billion in FY16.3).
* Figures by segment are prior to eliminating intersegment transactions.

Important Accounting Matters

Changes in accounting policies (implemented April 1, 2021)

■ Application of revenue recognition accounting standard

- Accompanying the clarification of the handling of revenue recognition and the mandatory application of the standard, applying new standard from FY22.3.
(Amount of influence in FY22.3)

Consolidated: operating revenues: -¥5.0 billion / operating income: basically no influence

Transportation Segment : Operating revenues approximately -¥2.0 billion

Construction : Operating revenues approximately -¥1.0 billion

Retail and restaurant : Operating revenues approximately -¥1.5 billion

*For each segment, there will be almost no influence on operating income

■ Change in depreciation method

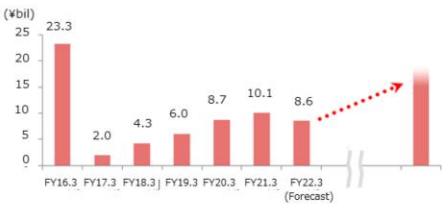
- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets
- Amount of influence: Expected reduction in depreciation of ¥3.1 billion in FY22.3

* Reflected in performance forecasts

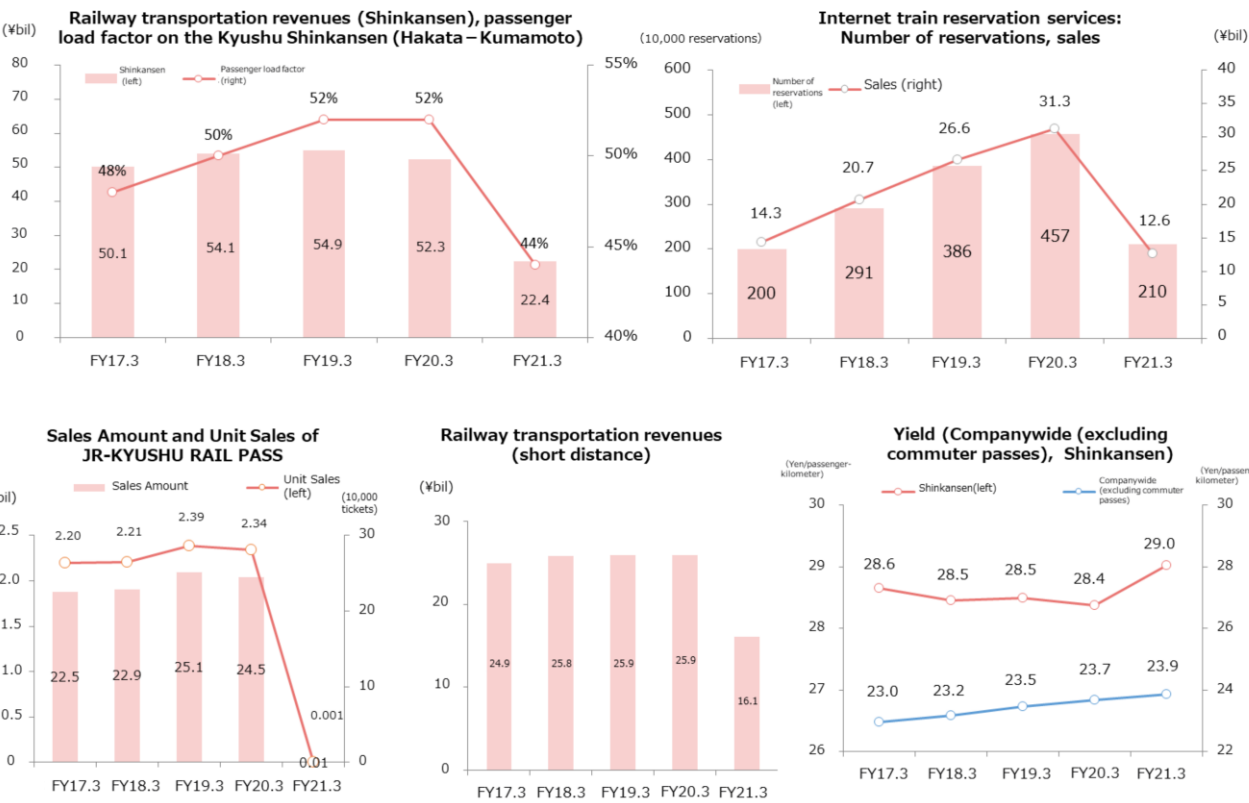
Items	Affected assets	Details
Change in depreciation method	All assets	Declining-balance method → Straight-line method
Change in depreciation period	Rolling stock	Legal useful life (13 years) → Economic useful life (20 years)

Depreciation Costs of the Railway Business

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business (excluding rolling stocks) after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)



Trends in the Railway Business



Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
Shimoori development	Onojo City, Fukukoka Prefecture	Winter 2019: Start of construction Spring 2022: Planned opening	Lot area: Approx. 13,000㎡	Integrated development incorporating commercial facilities, residences, etc.
Nagasaki City Station area development	Nagasaki City, Nagasaki Prefecture	Spring 2022: Opening under elevated railway tracks Fall 2023: Full opening of new station building * Moved forward from plan of FY26.3	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none">• Integrated development incorporating commercial facilities, hotels, offices, etc.• Considering environment burden reduction measures, use of AI/ICT
Kagoshima-Chuo Station West Entrance Development	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction Spring 2023: Phase 1 development opening Phase 2 development, time of opening not yet determined	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (phase 1 development)	<ul style="list-style-type: none">• Phase 1: commercial facilities, offices, multi-story parking garage; phase 2: integrated development, including residences, etc.• Considering infection countermeasures, environment burden reduction measures, use of ICT
Project to utilize the former site of Sunoko elementary school * Joint development by six companies, with Sakurajyuji Co., Ltd. as the representative company	Chuo-ku, Fukuoka City	January 2024:Planned opening	Lot area: Approx. 8,500㎡	Integrated development incorporating private retirement home, commercial facilities, etc.
Project for effective use of site of Fukuoka Prefecture east government building	Hakata-ku, Fukuoka City	Spring 2022:Start of construction Spring 2024:Planned opening	Lot area: Approx. 2,600㎡	<ul style="list-style-type: none">• Office buildings (section of commercial facilities and stores)• Introducing automatic cleaning robot, photo-voltaic power generation, etc.
Hotel development in Shimogyo Ward, Kyoto City	Shimogyo Ward, Kyoto City	Winter 2020: Start of construction Summer 2022: Planned opening	180 rooms (planned) Floor space: Approx. 9,600㎡	
Toranomon 2-chome category 1 urban redevelopment project * Joint development by six companies, with NIPPON STEEL KOWA REAL ESTATE CO., LTD., as the Group representative for the acquisition of reserved floor area.	Minato Ward, Tokyo Prefecture	September 2020: Start of construction November 2023: Planned completion	Lot area: Approx. 22,500㎡ Floor space: Approx. 180,700㎡	Office building (certain commercial stores)

Note: Schedules are subject to change

Overview of Miyazaki Station West Entrance Development and MaaS Initiatives

Miyazaki Station West Entrance Development



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 Ichiba” [Under elevated railway tracks] (commercial facility floor space: 2,700 m²)

- Souvenirs / food and beverages / sundries / services

Details of MaaS verification testing in Miyazaki Prefecture

- Verification testing period
November 6, 2020 (Fri) to March 12, 2021 (Fri)
*Continuing to implement initiatives to create mobility demand and build sustainable public transportation networks
- Implementation area
Miyazaki Prefecture: Miyazaki City, Nichinan City, and their suburbs
- MaaS app used: “my route”
*Multi-modal mobility service developed and provided by Toyota Motor Corporation and Toyota Financial Services Corporation
- Other
 - Selected for the Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan
 - Providing services, such as multiple route searching and ticket reservation/payment services, and providing a variety of content combining mobility services with lifestyle services and tourism.

MaaS verification testing background

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

Opening of Amu Plaza Miyazaki
Opportunity to activate Miyazaki 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”

Overview of Kumamoto Station Area Development



JR Kumamoto Station Building

Opening: April 23, 2021
Total floor space: Approximately 110,000㎡
Number of hotel rooms: 203 rooms
1st to 8th floors: Amu Plaza Kumamoto (commercial, weddings)
9th to 12th floors: THE BLOSSOM KUMAMOTO (hotel)



JR Kumamoto Kasuga South Building

Completion: December 2020 (commercial facilities opened April 21, 2021)
Total floor space: Approximately 3,600 ㎡
1st floor: Commercial, services
2nd to 4th floors: Offices



RJR Precia Kumamoto Ekimae

Completion: January 2021
Total number of units: 144 units



MJR Kumamoto The Tower

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

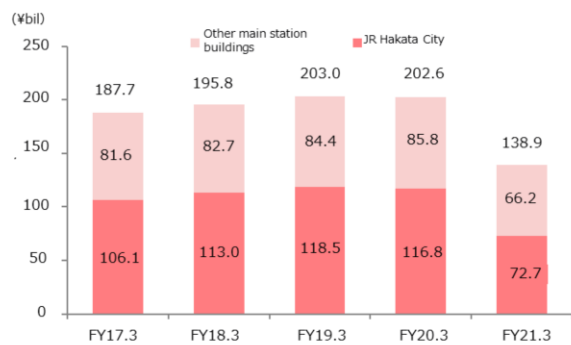


JR Kumamoto Shirakawa Building

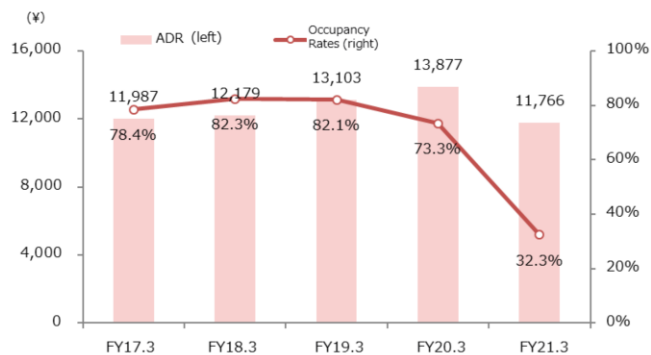
Completion: December 2020 (commercial facilities opened March 5, 2021)
Total floor space: Approximately 17,000 ㎡
1st to 3rd floors: Amu Plaza Kumamoto (BicCamera)
4th to 12th floors: Offices

Trends in the Real Estate and Hotel Businesses

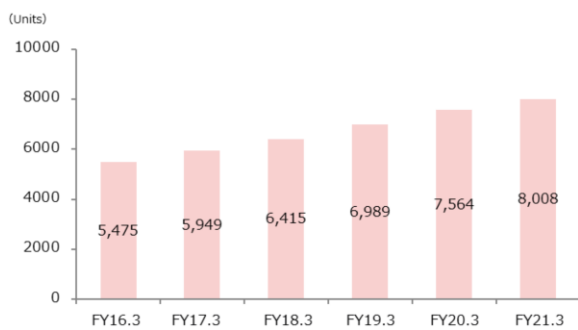
Station building tenant sales



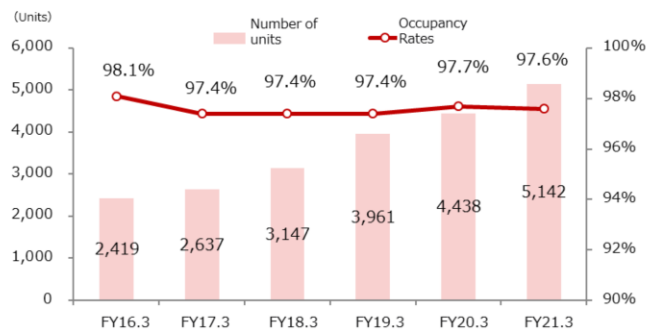
Hotel occupancy rates and average unit prices



Unit sales of condominiums (cumulative)



Rental apartment numbers (cumulative) and occupancy rate



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

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:

https://www.jrkyushu.co.jp/company/ir_eng/library/earnings/