

FY22.3 Financial Results Overview, First Quarter

August 3, 2021

KYUSHU RAILWAY COMPANY

- I would like to thank everyone for taking the time to join us.
- I will discuss our results in the three-month period ended June 30, 2021, our full-year performance forecasts for the fiscal year ending March 31, 2022, the status of segments, and the status of our initiatives to address issues faced by the Group.
- First, I will discuss the first quarter financial results. Please turn to slide 4.

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I Financial results for the First Three-Months of FY22.3, Full-Year Performance Forecasts, and Dividend Forecasts

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2021 (Year on Year)

	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY	(¥bil)
Operating revenue	61.8	72.0	10.2	116.6%
Operating income	(15.7)	(1.3)	14.3	-
Ordinary income	(15.2)	0.3	15.6	-
Extraordinary gains and losses	7.0	0.0	(7.0)	0.8%
Net income attributable to owners of the parent	(5.1)	0.9	6.0	-
EBITDA [※]	(9.1)	5.0	14.1	-

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

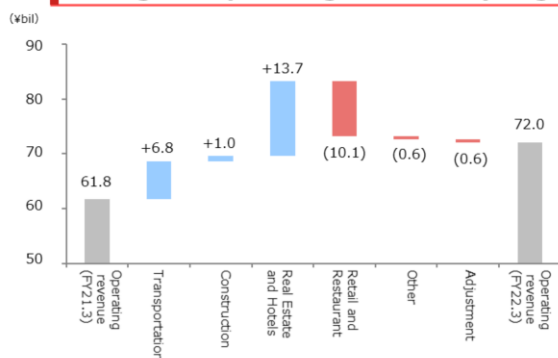
Operating revenue

Despite the continued influence of the COVID-19 infection and the change of JR Kyushu Drug Eleven to an equity-method affiliate [¥(12.4) billion], operating revenue increased due to condominium sales and a moderate recovery in demand in each business.

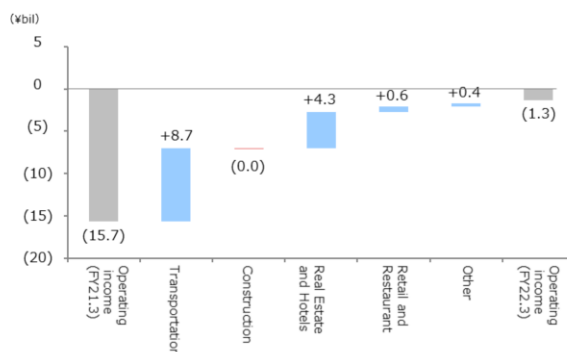
Operating income

Due to the implementation of cost reductions (railway business expenses: [¥(3.6) billion] and other initiatives, the scale of the operating loss was reduced, but nonetheless an operating loss was recorded due to the continued influence of the COVID-19 infection.

Change in operating revenue by segment



Change in operating income by segment



- Consolidated operating revenue increased ¥10.2 billion year on year, to ¥72.0 billion, as a result of higher condominium sales and a gradual recovery in demand in each business, despite the continued influence of COVID-19 in the railway business and other businesses. In May 2020, we transferred a 51% interest in JR Kyushu Drug Eleven. The figure for the first quarter of the previous fiscal year includes ¥12.4 billion in operating revenue from JR Kyushu Drug Eleven.
- In a continuation from the previous fiscal year, we worked to implement cost reductions. As a result of this and other factors, operating income improved by ¥14.3 billion year on year. Nonetheless, due to the continued influence of the COVID-19 infection, an operating loss of ¥1.3 billion was recorded. EBITDA increased ¥14.1 billion year on year, to ¥5.0 billion.
- Consequently, net income attributable to owners of the parent was ¥0.9 billion.
- Next, I will explain our forecasts for full-year performance in the year ending March 31, 2022. Please turn to slide 7.

Results for the First Three Months of FY22.3 (by segment)

	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		(¥bil)
					Major factors
Operating revenue	61.8	72.0	10.2	116.6%	
Transportation	17.3	24.1	6.8	139.7%	
Railway Business (non-consolidated)	16.2	22.8	6.5	140.6%	Increase due to moderate recovery in demand
Construction	16.8	17.9	1.0	106.3%	Increase in construction
Real Estate and Hotels	11.5	25.2	13.7	219.2%	
Real Estate Lease	10.2	13.9	3.7	136.5%	Increase due to opening of Kumamoto Station Building and Miyazaki Station Building, increase due to rebound from previous fiscal year's building closures, rent reductions, etc.
Condominium Sales	0.4	9.6	9.2	-	Increase in condominium sale revenues
Hotel Business	0.8	1.6	0.8	197.2%	Increase due to rebound from previous fiscal year's building closures
Retail and Restaurant	19.6	9.4	(10.1)	48.2%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	14.3	13.6	(0.6)	95.5%	
Operating income	(15.7)	(1.3)	14.3	-	
Transportation	(13.9)	(5.2)	8.7	-	
Railway Business (non-consolidated)	(13.5)	(5.0)	8.5	-	
Construction	0.2	0.1	(0.0)	69.5%	
Real Estate and Hotels	(0.3)	4.0	4.3	-	
Real Estate Lease	1.6	3.7	2.0	224.0%	
Condominium Sales	(0.2)	1.5	1.7	-	
Hotel Business	(1.8)	(1.1)	0.6	-	
Retail and Restaurant	(1.5)	(0.8)	0.6	-	
Other	0.1	0.5	0.4	427.1%	
EBITDA	(9.1)	5.0	14.1	-	
Transportation	(11.3)	(3.1)	8.2	-	
Railway Business (non-consolidated)	(11.1)	(3.1)	7.9	-	
Construction	0.5	0.4	(0.0)	83.7%	
Real Estate and Hotels	2.6	7.5	4.8	284.7%	
Real Estate Lease	4.0	6.6	2.5	164.0%	
Condominium Sales	(0.2)	1.5	1.7	-	
Hotel Business	(1.2)	(0.6)	0.5	-	
Retail and Restaurant	(1.0)	(0.5)	0.5	-	
Other	0.5	0.9	0.4	189.5%	

Results for the First Three Months of FY22.3 (non-consolidated)

(¥bil)

	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY		Major Factors
Operating revenue	24.1	40.5	16.3	167.6%	
Railway transportation	13.2	19.6	6.4	149.0%	Increase due to moderate recovery in demand
Shinkansen	3.2	5.3	2.0	164.2%	
Conventional Lines	9.9	14.3	4.3	144.0%	
Other revenue	10.9	20.8	9.8	190.1%	Increase in revenue from sales of condominiums
Operating expense	34.5	40.3	5.8	116.9%	
Personnel expense	11.2	10.4	(0.8)	92.5%	
Non-personnel expense	16.5	23.3	6.7	140.8%	
Energy cost	1.9	1.9	0.0	103.8%	
Maintenance cost	4.8	4.6	(0.2)	95.2%	
Other	9.7	16.6	6.9	170.8%	Increase in cost of sales due to increase in revenue from sales of condominiums
Taxes	2.5	2.6	0.1	107.4%	
Depreciation cost	4.1	3.9	(0.2)	93.5%	Decrease due to revision of depreciation method
Operating income	(10.3)	0.1	10.5	-	
Non-operating income	9.0	3.6	(5.4)	40.2%	Decrease in dividend income
Ordinary income	(1.2)	3.8	5.0	-	
Extraordinary gain and losses	6.9	0.1	(6.8)	1.9%	
Net income	7.8	4.6	(3.2)	59.0%	

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%

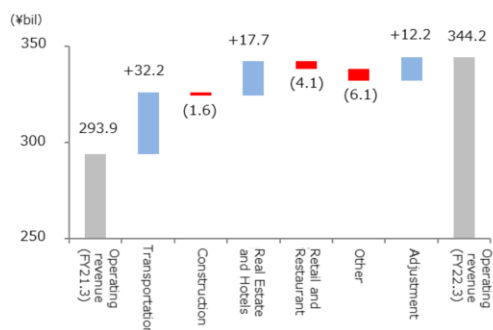
Operating revenue

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

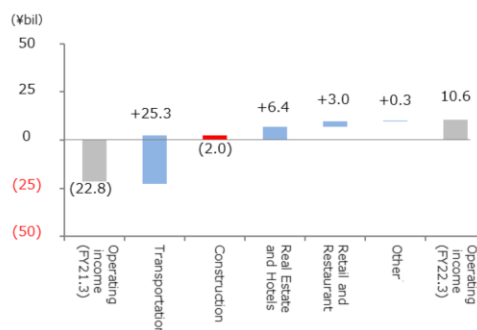
Operating income

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



- The timing of the resolution of the COVID-19 infection remains uncertain. However, looking at the full-year forecasts for performance and dividends, with consideration for the circumstances in the first quarter and for a gradual recovery in demand due to the progress of vaccination, etc., there is no change to the forecasts announced on May 12.
- Going forward, we will continue working to reform our cost structure, centered on the railway business, while monitoring future COVID-19 trends.
- Next, I will discuss the status of our segments. Please turn to slide 12.

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	-	

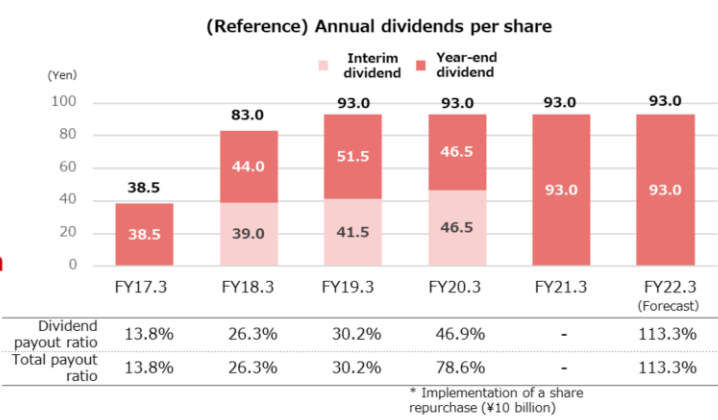
FY22.3 dividend forecasts

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.



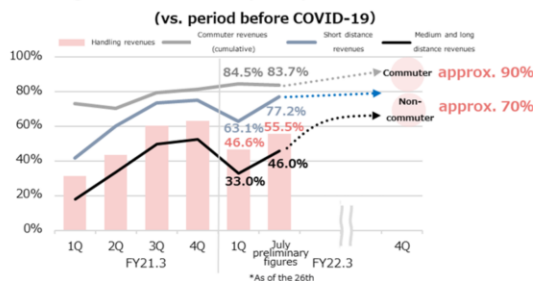
II Status of Segments

Status of segments (1)

Customer usage weakened because customers refrained from going out/moving around due to the declaration of a state of emergency, etc.
Currently, there are signs of a gradual recovery in demand in each business following the lifting of the state of emergency, etc.

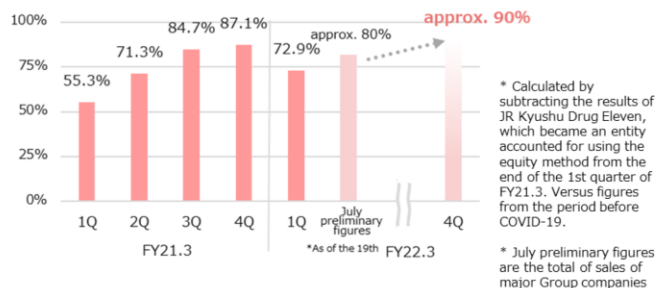
Transportation Segment

Handling revenues from railway transportation: trend and forecast



Retail and Restaurant segment

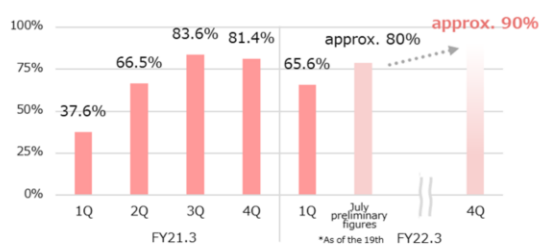
Segment sales (vs. period before COVID-19) *



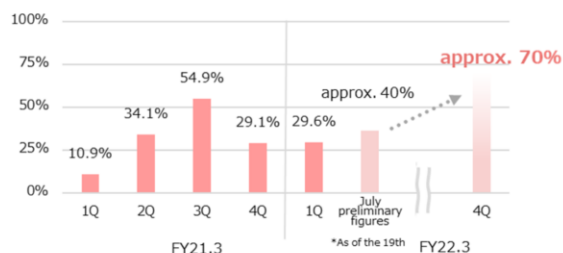
Real Estate and Hotels Segment

Tenant sales at five major station buildings

(vs. period before COVID-19)



Hotel occupancy rate











- In Kyushu, Fukuoka Prefecture declared a state of emergency from May 12. In addition, Kumamoto Prefecture implemented infection prevention and other priority measures, and there were requests for shorter operating hours in all prefectures in Kyushu.
- As a result, conditions remained extremely challenging in the railway business, centered on medium to long distance revenues. In addition, station buildings, retail stores and restaurants in areas surrounding stations, and hotel businesses, which are correlated with the railway business, were affected by people staying inside.
- On the other hand, currently, due to the lifting of the state of emergency and other factors, we are seeing signs of demand recovery in each business.
- Moving forward, we anticipate a gradual recovery in demand due to the progress of vaccination, etc. In this setting, with our highest priority on securing the safety of customers and employees, we will advance measures to increase revenues so that we do not miss the recovery in demand, and we will also implement cost structure reforms.
- Next, I will discuss the status of initiatives to address issues faced by the Group. Please turn to slide 20.

Status of segments (2)

Status of state of emergency, etc., in Kyushu

Declaration of state of emergency: Fukuoka Prefecture (May 12 to June 20)
Infection prevention and other priority measures: Fukuoka Prefecture (June 21 to July 11)
Kumamoto Prefecture (May 16 to June 13)
Requests from local governments to shorten operating hours: All of Kyushu

Influence of declaration of state of emergency, etc., on major segments

Segment	Business		Major influences
Transportation	Railway		Number of passengers declined accompanying recommendations for people to refrain from going out/moving around, for teleworking, etc.
	Buses		Suspension of operation of certain high-speed buses, reduction in number of chartered buses operated
Real Estate and Hotels	Station buildings		Decline in tenant sales due to shortening of operating hours at certain tenants
	Office buildings, rental apartments		Solid results, with no sign of major changes in vacancy rates
	Condominiums		No particular influence
	Hotels		Sluggish occupancy rates
Retail and restaurants	Retail		Decline in customers at stores in areas surrounding stations
	Restaurants		Decline in customers at stores in areas surrounding stations, despite strong takeout business Shortened operating hours at certain stores

Transportation Segment

[Results]

	3 months ended June, 30 2020	3 months ended June, 30 2021	(¥bil)	
			YoY	
Operating revenue	17.3	24.1	6.8	139.7%
Railway Business (non-consolidated)	16.2	22.8	6.5	140.6%
Railway transportation revenues	13.2	19.6	6.4	149.0%
Operating income	(13.9)	(5.2)	8.7	-
Railway Business (non-consolidated)	(13.5)	(5.0)	8.5	-
EBITDA	(11.3)	(3.1)	8.2	-
Railway Business (non-consolidated)	(11.1)	(3.1)	7.9	-

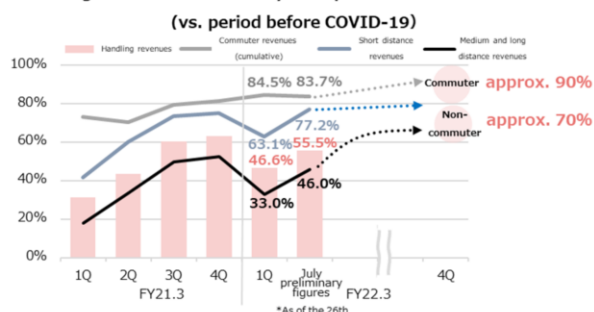
[Forecasts]

	Results FY21.3	Forecasts FY22.3	(¥bil)	
			YoY	
Operating revenue	95.2	127.5	32.2	133.8%
Railway Business (non-consolidated)	89.7	120.4	30.6	134.1%
Railway transportation revenues	76.3	106.0	29.6	138.9%
Operating income	(37.6)	(12.3)	25.3	-
Railway Business (non-consolidated)	(36.6)	(12.5)	24.1	-
EBITDA	(26.5)	(3.4)	23.1	-
Railway Business (non-consolidated)	(26.4)	(3.9)	22.5	-

Railway Business

Quarterly trend / Results forecast assumptions

Handling revenues from railway transportation: trend and forecast



Overview

- Due to the effect of people staying inside as a result of the declaration of a state of emergency, etc., circumstances remain challenging, centered on medium to long distance revenues
- Operating loss, despite urgent control measures and other cost reductions in the railway business.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY		Major Factors
Total	13.2	19.6	6.4	149.0%	
Commuter pass	6.1	7.2	1.1	118.0%	
Non-commuter pass	7.0	12.4	5.3	175.8%	
Shinkansen	3.2	5.3	2.0	164.2%	Increase due to gradual recovery in demand, increase due to rebound from suspension of all limited-express trains during Golden Week period in the previous year
Commuter pass	0.6	0.6	0.0	106.8%	
Non-commuter pass	2.6	4.7	2.0	177.2%	
Conventional Lines	9.9	14.3	4.3	144.0%	Increase due to gradual recovery in demand, increase due to rebound from suspension of all limited-express trains during Golden Week period in the previous year
Commuter pass	5.5	6.5	1.0	119.3%	
Non-commuter pass	4.4	7.7	3.3	174.9%	

Passenger-Kilometers

(Millions of passenger-kilometer)

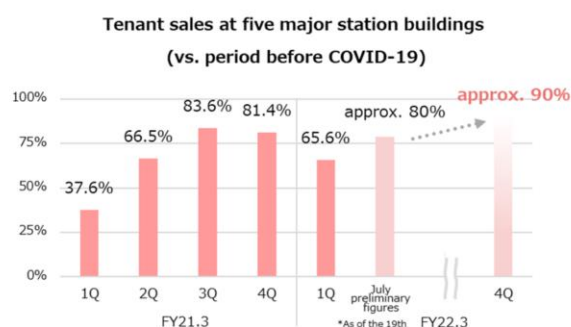
	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY	
Total	1,155	1,496	340	129.5%
Commuter pass	850	993	142	116.7%
Non-commuter pass	304	503	198	165.0%
Shinkansen	135	201	65	148.3%
Commuter pass	44	47	2	106.5%
Non-commuter pass	91	153	62	168.7%
Conventional Lines	1,019	1,294	274	127.0%
Commuter pass	806	945	139	117.3%
Non-commuter pass	213	349	135	163.5%

Real Estate and Hotels Segment (1)

Real estate leasing business

	[Results]		YoY		[Forecasts]		YoY	
	3 months ended June, 30 2020	3 months ended June, 30 2021		(¥bil)	Results FY21.3	Forecasts FY22.3		(¥bil)
Operating revenue	10.2	13.9	3.7	136.5%	49.7	59.4	9.6	119.4%
Operating income	1.6	3.7	2.0	224.0%	12.0	14.0	1.9	116.0%
EBITDA	4.0	6.6	2.5	164.0%	22.0	25.8	3.7	117.2%

Quarterly trend / Results forecast assumptions



Overview

Station buildings

- The opening of station buildings in Kumamoto and Miyazaki made a contribution to increased revenues, despite influence of people staying inside and shortened operating hours at certain tenants due to the declaration of a state of emergency, etc.
- Uniform tenant support measures that were implemented in the previous fiscal year, such as closures and rent/sales promotion expense reductions [amount of influence in first quarter of previous fiscal year: ¥(1.5) billion], are not being implemented this year.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Office buildings, rental apartments

- Solid results, with no sign of major changes in vacancy rates at existing properties.

Real Estate and Hotels Segment (2)

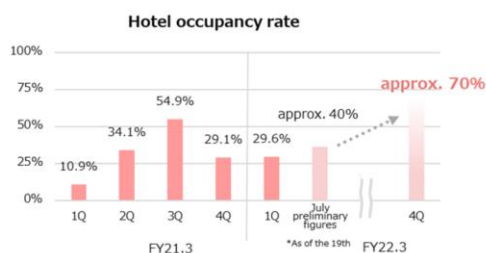
Condominium sales business

	【Results】			(¥bil)	【Forecasts】			(¥bil)
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	0.4	9.6	9.2	-	23.5	23.0	(0.5)	97.6%
Operating income	(0.2)	1.5	1.7	-	2.6	2.2	(0.4)	83.3%
EBITDA	(0.2)	1.5	1.7	-	2.6	2.2	(0.4)	82.9%

Hotel business

	【Results】			(¥bil)	【Forecasts】			(¥bil)
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	0.8	1.6	0.8	197.2%	6.8	15.5	8.6	227.7%
Operating income	(1.8)	(1.1)	0.6	-	(4.7)	0.2	4.9	-
EBITDA	(1.2)	(0.6)	0.5	-	(2.4)	2.6	5.0	-

Quarterly trend / Results forecast assumptions



Overview

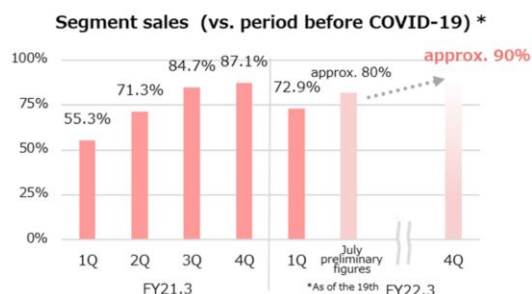
- We continued to implement cost reductions to improve the breakeven point in the hotel business, but operations were affected by people staying inside due to the declaration of a state of emergency, etc., and occupancy rates were sluggish.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a recovery in demand, but the timing of a full-scale recovery in accommodation demand is not clear.
- From the second quarter, anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Retail and Restaurant segment

	【Results】		【Forecasts】		【Forecasts】		【Forecasts】	
	3 months ended June, 30 2020	3 months ended June, 30 2021	(¥bil)		Results FY21.3	Forecasts FY22.3	(¥bil)	
			YoY				YoY	
Operating revenue	19.6	9.4	(10.1)	48.2%	51.4	47.3	(4.1)	91.9%
Operating income	(1.5)	(0.8)	0.6	-	(2.5)	0.5	3.0	-
EBITDA	(1.0)	(0.5)	0.5	-	(1.1)	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.

* July preliminary figures are the total of sales of major Group companies

Overview

- Continued challenging circumstances, especially for stores in areas surrounding stations, due to shortened operating hours at certain stores and a decline in railway passengers, as a result of the effect of people staying inside due to the declaration of a state of emergency, etc.
- Favorable results for takeout at fast food stores. In certain business formats, existing store sales higher than two years ago.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

III Status of Initiatives to Address Issues Faced by the Group

Status of major initiatives in the current fiscal year

Issues revealed by COVID-19	Current courses of action	Major items to be implemented
Business model that depends on the flow of railway users to stations	Business management with the highest priority on safety and peace of mind	Rigorous initiatives for safety, which is the foundation of all of our businesses Safety/services that reflect consideration for new lifestyles
	City-building that further enhances the value of stations	1 Maximizing opening effect of Kumamoto Station area development Advancing Nagasaki Station area development, Kagoshima-Chuo Station west entrance development
	Advancing new businesses that do not depend on the flow of people	Cargo transport using the Kyushu Shinkansen Advancing into logistics facility leasing business
Damage to businesses with a high percentage of fixed costs	Advancing cost structure reforms and securing the top line	2 Railway business cost structure reform 3 Reevaluating discount tickets, advancing shift to on-line sales 4 Improving profits in the hotel business
The sustained development of Kyushu is directly linked to the Group's results	Strengthening initiatives to invigorate Kyushu	5 Expanding business fields through M&A 6 Strengthening collaboration in transportation services through MaaS Implementing flexible investment through the establishment of specialized regional funds

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- Accompanying changes in lifestyles resulting from the spread of the COVID-19 infection, the Group has identified three issues that it needs to address on a priority basis. These are “adverse trends for business models centered on stations,” “damage to businesses with a high percentage of fixed costs,” and “the sustained development of Kyushu.” For each of these issues, we determined our current direction and have been implementing initiatives.
- I will discuss the status of specific initiatives for this fiscal year. Please turn to the next slide.

① Maximizing opening effect of Kumamoto Station area development

Maximizing opening effect by strengthening collaboration between railways and urban districts, while implementing environmental burden reduction measures and infection prevention measures

Opening effect (Comparison with period before opening on April 23, 2021)

Number of visitors to Amu Plaza Kumamoto*
Approximately
2.14 million

*Total up to June 30

Short distance revenues*
Up approximately **10%**

*Comparison of results at Kumamoto Station from April 23 to May 15 with period before opening

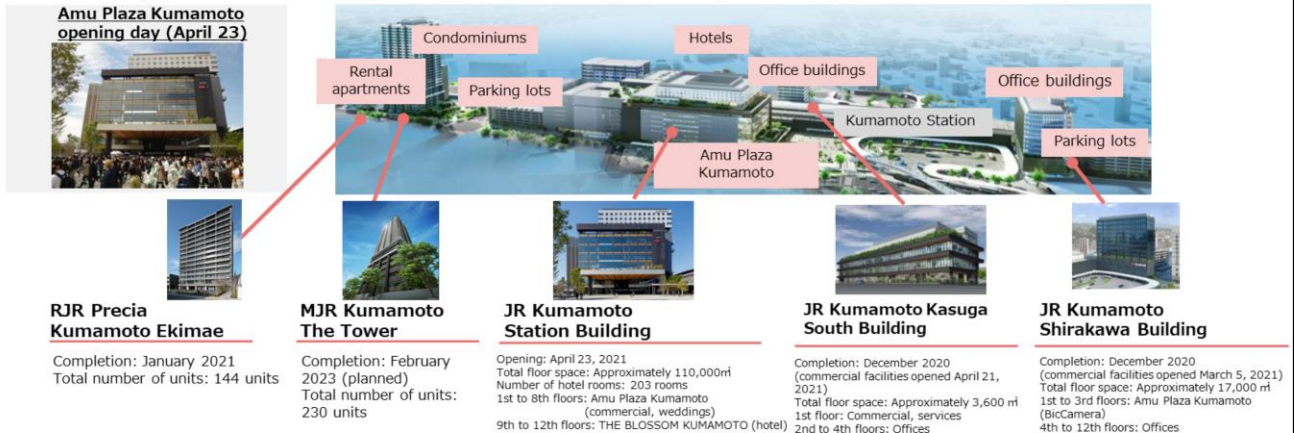
Working population
Up approximately
4,500 people

Residential population*
Up approximately
1,000 people

* Estimate after condominiums are occupied

Overview of Kumamoto Station Area Development

Centered on the JR Kumamoto Station Building, the area will be developed in a unified manner, integrating commercial facilities, offices condominiums, and hotels. We will work to create a lively atmosphere and a place where people want to live, work, and visit.



Reducing the environmental burden and implementing infections countermeasures at the JR Kumamoto Station Building

- Greening of walls and use of daylight, natural ventilation, radiant heat air conditioning, installation of high-efficiency / energy-saving equipment, etc.
- Installation of flapper gates and thermometers at employee entrances/exits, securing natural ventilation in common spaces, anti-microbial coating, etc.

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- The business model centered on stations has been significantly affected by COVID-19, but from a medium to long term perspective, there is no change to our direction. We will work to increase employment, the resident population, and the non-residential population in Kyushu, where the population is declining. To that end, we will strive to increase the value of cities with stations as bases through the advancement of strategic city-building initiatives in regions around our bases.
- For the Kumamoto Station area development, we leveraged the characteristics of the region and implemented development in a unified manner, integrating commercial facilities, offices, condominiums, and hotels. After the opening, more than 2 million people visited Amu Plaza Kumamoto by the end of June. In comparison with the period before the opening, we estimate that the working population will increase by 4,500 people and the resident population will increase by 1,000 people. Moving forward, we will continue to strengthen collaboration between railways and urban districts and work to maximize opening effects.
- We will also continue to aggressively advance these types of city-building initiatives in areas around our bases, and we will implement capital investment in the Nagasaki Station area development and the Kagoshima-Chuo Station west entrance development.
- Please turn to the next slide.

② Railway Business Cost Structure Reform

In the current fiscal year, urgent control measures will continue to be the main initiative. To reduce fixed expenses from the next fiscal year, we will advance BPR initiatives. We will aim to reduce costs by ¥14.0 billion, about 10% of railway business expenses in FY20.3.



Specific BPR initiatives

* vs. FY20.3, excluding special factors

Provision of services in line with demand

- Reevaluating station administration systems (reducing number of ticket offices and number of machines)
- Optimizing timetables and rolling stock use

Streamlining rolling stock/facilities

- Reducing quantity of rolling stock needed through the use of longer seats, etc.

Optimizing inspection/maintenance levels

- Reevaluating facility inspection standards and replacement standards

Disposing of unnecessary facilities

Reevaluating use of organizations, human resources

- Directly handling cleaning of stations and rolling stock, train patrols, replacement operations, lost-property management, etc.
- Building business operation systems that transcend groups (track/electrical equipment inspections, etc.)
- Flexible use of human resources (Implementing strategic seconding initiatives inside and outside the Group)



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- With the objective of securing stable profits even if railway transportation revenues do not return to the level before COVID-19, we have been working from the previous fiscal year to implement BPR initiatives to re-engineer business processes and systems in the railway business. We are aiming to reduce fixed-costs by ¥14.0 billion or more per year.
- This fiscal year, we are anticipating a certain level of results from the reduction of fixed costs through BPR. However, as in the previous fiscal year, cost reductions through urgent control measures will play the central role. This fiscal year, we are expecting ¥14.0 billion in cost reductions in comparison with railway operating costs in FY2020/3. As of the end of the first quarter, the amount of cost reductions was ¥3.6 billion, representing a progress rate of about 26% toward the target.
- Going forward, in accordance with our roadmap, which was formulated with consideration for the speed and amount of cost reductions, with our priority on securing safety, we will steadily take steps to re-engineer the cost structure in the railway business, such as reevaluating station administration systems.
- Please turn to the next slide.

③Reevaluating discount tickets, advancing shift to on-line sales

We will continue to reevaluate discount tickets, strengthen yield management through the shift to on-line sales, and work to secure the top line by reevaluating limited-express surcharges.

Items to be implemented

Initiatives in the first quarter

1. Reevaluated prices of discount tickets sold on-line, discount tickets sold at counters (From April 1, 2021)

- Increased on approximately 20% of sections
- Average price revision rate for tickets with increased prices: Approximately +8%

2. Discontinued discount tickets sold at counters (From April 1, 2021)

- Complete discontinuance of two-part tickets on the Shinkansen
- Discontinuance of approximately 60% of two-part tickets on conventional lines

Initiatives in the second quarter and thereafter

1. Complete discontinuance of ordinary sets of tickets for multiple rides (within Kyushu) (From July 1, 2021)

2. Further progress in the discontinuance of discount tickets sold at counters (From August 1, 2021)

- Further progress in the discontinuance of two-part tickets on conventional lines on certain sections (targeting approximately 70% discontinuance)

3. 50% discontinuance for sets of tickets for multiple rides for limited express surcharges (From August 1, 2021)

4. Reevaluating limited express surcharges on conventional lines (From April 1, 2022)

- Increasing limited express surcharges for limited express trains (non-reserved seats, reserved seats), special limited express surcharges

* No change to prices of discount tickets, such as Kyushu On-Line Tickets

Strengthening yield management, securing the top line, increasing efficiency of personnel systems and other station systems

Discount ticket on-line sales ratio

Shinkansen (discount tickets for travel that starts and ends on our network)



Conventional lines (discount tickets for travel that starts and ends on our network)



Projected on-line sales ratio in FY22.3*

- Shinkansen: **100%**
 - Conventional lines (major sections): **60% or more**
- * Discount tickets for travel that starts and ends on our network

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- In conjunction with cost reduction initiatives, to improve earnings in the railway business as rapidly as possible, with consideration for our competitiveness versus other transportation companies, in April 2021 we increased prices of discount tickets by an average of 8%. In addition, we promoted the shift to on-line sales by advancing the discontinuance of discount tickets sold at counters.
- This fiscal year, we will implement complete discontinuance of ordinary sets of tickets for multiple rides, further discontinuance of sales of discount tickets at counters, and 50% discontinuance for sets of tickets for multiple rides for limited express surcharges. In addition, from April 2022, we will raise limited express surcharges on conventional lines. Through these initiatives, we will accelerate the shift to on-line sales, thereby securing the top line, including the strengthening of yield management. We will also take steps to increase the efficiency of station systems, such as reducing ticket offices. Our targets for the on-line sales ratio for discount tickets in the current fiscal year are 100% for the Shinkansen and 60% or more for major sections on conventional lines.
- Please turn to the next slide.

④ Improving Profits in the Hotel Business

We will continue the cost reduction initiatives that we have been implementing since the previous fiscal year, and we will advance initiatives to enhance customer drawing power so that we do not miss a recovery in demand.

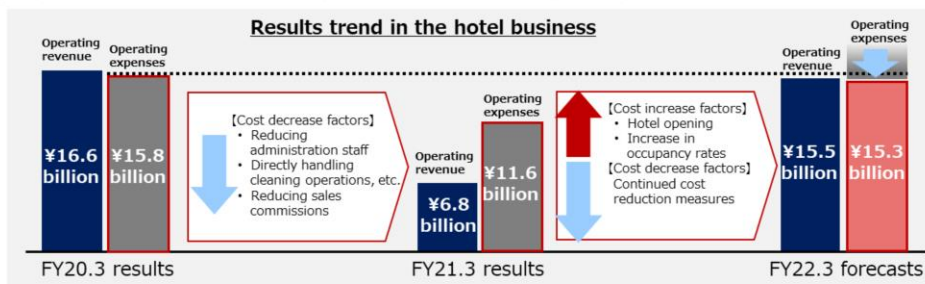
Cost reduction initiatives

We will continue to advance multi-tasking; bring in-house operations that had been outsourced, such as cleaning; advance DX, etc. In this way, in FY22.3, despite a rise in expenses due to the opening of THE BLOSSOM KUMAMOTO and increases in occupancy rates, we anticipate a decline in operating expenses in comparison with the period before COVID-19 (FY20.3).

Advancing multi-tasking



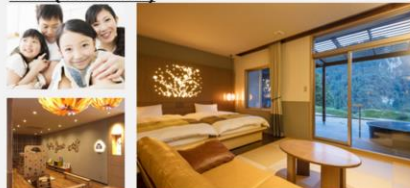
Advancing multi-tasking, under which one staff member handles the front, customer rooms, restaurant, etc.



Initiatives to enhance customer drawing power

- Strengthening sales with a focus on a recovery in the attitude to senior citizens toward travel (Collaboration with tickets for seniors, such as Zipangu Club and Active 65)
- Development of products reflecting collaboration with restaurants in surrounding area
- Expansion of plan lineup reflecting enhancement of double occupancy ratio (DOR)
- Improving RevPAR through flexible fare setting aligned with demand
- Enhancing service level and productivity by implementing human resources development through temporary transfers to other Japanese-style inns, etc.

Establishing family plans in order to increase DOR (Umehibiki)



- I will discuss our initiatives for improving profits in the hotel business.
- This fiscal year, due to THE BLOSSOM KUMAMOTO opening and higher occupancy rates, there will be an increase in sales commissions. However, we will continue to advance initiatives implemented in the previous fiscal year, such as promoting multi-tasking, bringing cleaning and other outsourced operations in-house, and promoting DX, and we anticipate a decline in operating expenses in comparison with FY2020/3.
- Also, to enable the Group's hotel business to capture a recovery in accommodation demand accompanying vaccination progress, etc., we will strengthen sales efforts for senior citizens. In addition, we will expand plans that reflect so-called “revenge consumption” and a higher double occupancy ratio. In these ways, we will strengthen initiatives to enhance customer drawing power.
- Please turn to the next slide.

⑤ Expanding Business Fields through M&A

To expand business fields that do not depend on the flow of people and to realize further growth in the Group's restaurant business, we acquired Nurubon as a new subsidiary. This barbecue restaurant is highly popular, centered on Fukuoka.

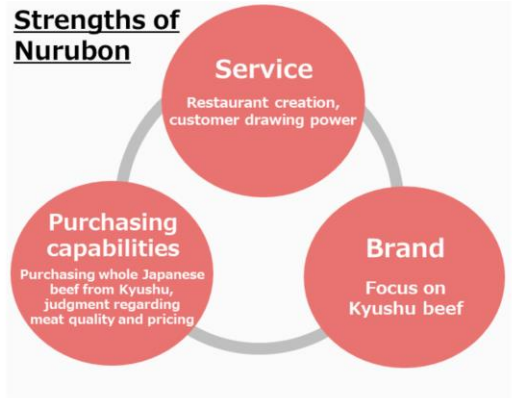
Overview of newly established subsidiary

Name	Nurubon Inc.
Location	Hakata-ku, Fukuoka City
Business activities	Restaurant business, meat and foodstuffs wholesale business
Number of restaurants	15 restaurants (12 barbecue restaurants, 2 pubs, 1 steakhouse)
Date of establishment	August 10, 2021 (planned)
Investment percentage	Kyushu Railway Company: 100%



15 restaurants, centered on Fukuoka City suburbs

Strengths of Nurubon



Objective of M&A

1. Strengthening our business portfolio

- In addition to existing businesses in stations and city centers, add suburban business
- Advance into destination barbecue restaurant business with strong customer-drawing power, even in the suburbs

2. Acquire additional growth know-how for the Group's restaurant business

- Reduce costs through joint purchasing
- Enhancing the service level at the Group's restaurants
- Business development leveraging brand power

Accelerating growth in restaurant business



Contributing to the sustained development of Kyushu

- I will discuss the expansion of our business fields through M&A. We recently decided to establish a new subsidiary that will acquire Nurubon, a barbecue restaurant that is highly popular, centered on Fukuoka.
- Even prior to COVID-19, the barbecue restaurant business had a high level of customer-drawing power as a destination restaurant format. In addition, this business is developing restaurants centered on suburban locations. Accordingly, we believe this acquisition will strengthen our business portfolio, which had been centered on stations and city centers. We also acquired the strengths of Nurubon — a high level of service, purchasing capabilities, and brand strength. By leveraging Group resources, we expect to be able to further accelerate growth in the restaurant business.
- Annual sales in the period before COVID-19 were approximately ¥2.0 billion. The effect on the Company's consolidated results from this transaction will be insignificant.
- Moving forward, as a result of this type of M&A and agile investment via the specialized regional fund established in April 2021, we will strengthen the Group's business portfolio, expand our business fields, and advance initiatives for the sustained development of Kyushu.
- Please turn to the next slide.

⑥ Strengthening Cooperation in Transportation Services through MaaS

We will work to strengthen cooperation with other transportation companies, and will consider expanding areas and services for the period after COVID-19.

Strengthening cooperation with other transportation companies

Cooperation with Nishi-Nippon Railroad Co., Ltd.

- In the “my route” app provided by the Toyota Group, in cooperation with Nishi-Nippon Railroad, we have begun to sell digital tickets that are sets combining passenger tickets with shopping vouchers for station buildings, etc.
- This will help to create a lively atmosphere in the Tenjin/Hakata area and contribute to economic revitalization.

Cooperation with JR West

- We are working to expand services by providing JR Kyushu station timetables and information about tourism on WESTER, a MaaS app provided by JR West.

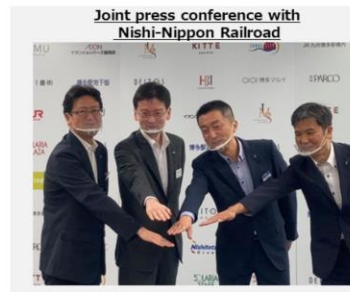
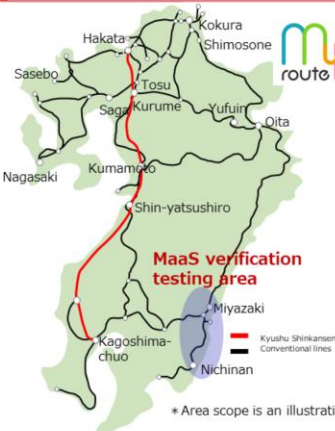


Illustration of digital ticket



Results of verification testing (Miyazaki City/Nichinan City and surrounding area)



Implementation of verification testing related to convenience, etc., of “my route” MaaS app (November 6, 2020, to March 12, 2021) (Selected for the Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan)

[Details of major initiatives]

Providing one-stop service for route searches, ticket reservations/purchases, and regional information on “my route”

Transportation

- Transportation tickets: JR Kyushu passenger tickets, Miyako Bus tickets, Miyazaki Station Buildings shopping vouchers, etc.
- Reservation system cooperation: JR Kyushu Internet train reservations, high-speed buses, ANA
- Mobility cooperation: Taxi dispatching, Toyota car sharing/rental, Pippa! bicycle sharing, etc.

Lifestyle services, tourism

- Provision of coupons for commercial facilities, tourism facilities

Provision of various information

- Train delay information, bus location information, event information, etc.



[Verification results]

- As a result of a decline in mobility demand due to COVID-19, the number of downloads and the number of digital tickets sold did not reach targets.
- However, in a questionnaire-based survey, 71% of respondents said that the app service had played a role in their decision to go out. A certain degree of effectiveness can be expected in terms of increases in mobility utilizing transportation services.

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- I will discuss the strengthening of transportation service cooperation through MaaS. We believe that MaaS will play a major role in the establishment of sustainable mobility services, and moving forward we will continue to strengthen cooperation with other transportation companies. Specifically, we will cooperate with Nishi-Nippon Railroad in order to create a lively atmosphere in cities and to invigorate regional economies. In addition, working together with JR West, we will take steps to expand services, such as system collaboration.
- The verification testing in Miyazaki, which used “my route,” a MaaS app from the Toyota Group, was recently selected by the Ministry of Land, Infrastructure, Transport and Tourism as an enterprise that advances/supports MaaS in Japan. As a result of a decline in mobility demand due to COVID-19, the number of downloads and the number of digital tickets sold did not reach targets. However, in a questionnaire-based survey, approximately 70% of respondents said that the app service had played a role in their decision to go out. We think this represents a certain degree of effectiveness in terms of increases in mobility utilizing transportation services. Moving forward, we will consider expanding areas and services for the period after COVID-19.
- This concludes my presentation. Thank you for your attention.

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/