

FY22.3

Semi-Annual Investors Meeting

November 4, 2021

KYUSHU RAILWAY COMPANY

- I would like to thank everyone for taking the time to join us.
- I will discuss our results in the six-month period ended September 30, 2021, and our performance forecasts for the fiscal year ending March 31, 2022, as well as our understanding of the current business environment and our strategic direction.
- First, I will discuss the financial results for the six-month period. Please turn to slide 5.

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Highlights

Financial results for the first six months of FY22.3

- The COVID-19 infection had an influence, but consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all increased due to a gradual recovery in demand, etc.

Full-year performance forecasts and dividend forecasts for FY22.3

- Accompanying the re-spread of the COVID-19 infection, mobility demand declined, leading to sluggish revenues from railway transportation, etc., and the recovery in demand has been later than initially expected. As a result, we are anticipating lower revenues in the second half, and we have implemented downward revisions, centered on the railway, hotel, and retail and restaurant businesses.
- Despite cost reductions, centered on the railway business, we revised the full-year consolidated performance forecast to call for an operating loss.
- We have not revised the dividend forecast. We are planning an annual dividend of ¥93 per share (year-end dividend only).

Understanding of the current business environment and strategic direction

- Railway usage is currently increasing, but in the short term we do not expect a recovery to the level before COVID-19.
- We are working to strengthen our business portfolio, implement structural reforms in existing businesses, and further advance city-building around our bases.

I Financial Results for the First Six-Months of FY22.3

Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2021

	6 months ended September 30, 2020	6 months ended September 30, 2021	YoY	(¥bil)
Operating revenue	124.5	141.6	17.0	113.7%
Operating income	(20.5)	(4.0)	16.4	-
Ordinary income	(19.5)	(1.0)	18.4	-
Extraordinary gains and losses	2.9	(0.9)	(3.8)	-
Net income attributable to owners of the parent	(10.2)	(2.0)	8.2	-
EBITDA*	(7.3)	8.8	16.1	-

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

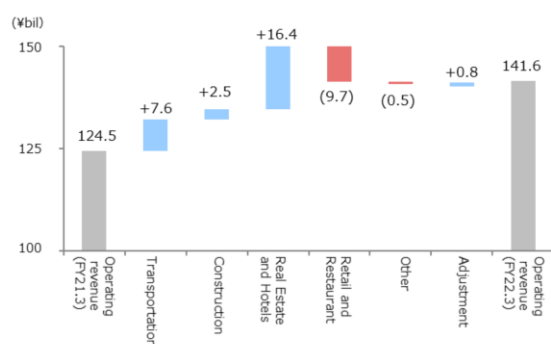
Operating revenue

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.

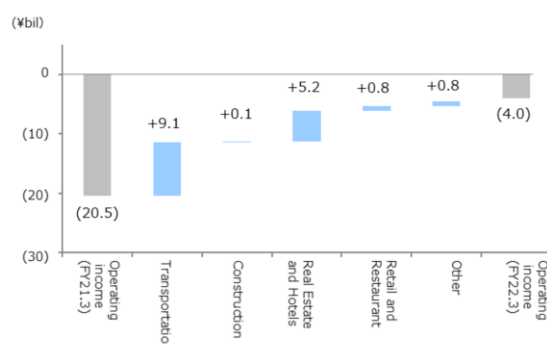
Operating income

Due to higher operating revenue and continued cost reduction efforts, operating results improved by ¥16.4 billion year on year. Nonetheless, due to the continued influence of the COVID-19 infection, we recorded an operating loss.

Change in operating revenue by segment



Change in operating income by segment



- Operating revenue increased ¥17.0 billion year on year, to ¥141.6 billion, as a result of higher condominium sales and a gradual recovery in demand in each business, despite such factors as the lengthening of the period of the state of emergency accompanying the spread of the COVID-19 infection. In May 2020, we transferred a 51% interest in JR Kyushu Drug Eleven. The figure for the first six months of the previous fiscal year includes ¥12.4 billion in operating revenue from JR Kyushu Drug Eleven.
- Due to such factors as the increase in operating revenue and continued cost reduction efforts, operating results improved by ¥16.4 billion year on year. Nonetheless, we recorded an operating loss of ¥4.0 billion. EBITDA improved by ¥16.1 billion year on year, resulting in positive EBITDA of ¥8.8 billion.
- Due to the receipt of subsidies for employment adjustment, etc., non-operating results improved. Nonetheless, net loss attributable to owners of the parent was ¥2.0 billion.
- Next, I will explain our full-year performance forecasts for FY2022.3. Please turn to slide 9.

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

	6 months ended September 30, 2020	6 months ended September 30, 2021	YoY		Major factors
Operating revenue	124.5	141.6	17.0	113.7%	
Transportation	41.3	48.9	7.6	118.4%	
Railway Business (non-consolidated)	38.9	46.2	7.3	118.8%	Increase due to moderate recovery in demand
Construction	36.1	38.6	2.5	106.9%	
Real Estate and Hotels	27.3	43.7	16.4	160.3%	
Real Estate Lease	22.9	28.3	5.3	123.2%	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.
Real Estate Sales	1.9	11.9	10.0	626.0%	Increase in revenue from sales of condominiums
Hotel Business	2.4	3.5	1.1	146.1%	Increase due to rebound from previous fiscal year's building closures
Retail and Restaurant	29.4	19.6	(9.7)	66.8%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	28.2	27.7	(0.5)	98.0%	
Operating income	(20.5)	(4.0)	16.4	-	
Transportation	(21.1)	(11.9)	9.1	-	
Railway Business (non-consolidated)	(20.3)	(11.6)	8.7	-	
Construction	1.0	1.1	0.1	111.8%	
Real Estate and Hotels	1.4	6.7	5.2	456.1%	
Real Estate Lease	5.0	7.3	2.3	146.4%	
Real Estate Sales	(0.3)	1.5	1.9	-	
Hotel Business	(3.1)	(2.1)	1.0	-	
Retail and Restaurant	(1.9)	(1.1)	0.8	-	
Other	0.4	1.2	0.8	295.2%	
EBITDA	(7.3)	8.8	16.1	-	
Transportation	(15.7)	(7.7)	8.0	-	
Railway Business (non-consolidated)	(15.4)	(7.8)	7.5	-	
Construction	1.5	1.6	0.1	108.2%	
Real Estate and Hotels	7.4	13.7	6.2	183.0%	
Real Estate Lease	9.8	13.1	3.3	134.1%	
Real Estate Sales	(0.3)	1.5	1.9	-	
Hotel Business	(2.0)	(1.0)	0.9	-	
Retail and Restaurant	(1.2)	(0.5)	0.6	-	
Other	1.2	2.1	0.8	167.0%	

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

(¥bil)

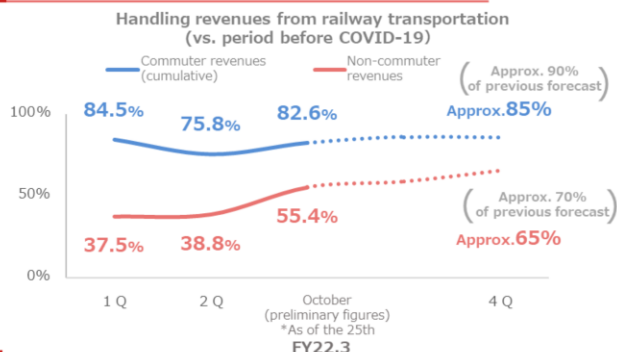
	6 months ended September 30,2020	6 months ended September 30,2021	YoY		Major Factors
Operating revenue	56.2	74.7	18.4	132.8%	
Railway transportation revenues	32.6	39.8	7.2	122.1%	Increase due to moderate recovery in demand
Shinkansen	9.0	11.3	2.2	125.4%	
Conventional Lines	23.6	28.5	4.9	120.8%	
Other revenue	23.6	34.8	11.2	147.5%	Increase in revenue from sales of condominiums
Operating expense	70.3	77.6	7.2	110.3%	
Personnel expense	19.7	20.6	0.9	104.8%	
Non-personnel expense	36.1	42.8	6.6	118.4%	
Energy cost	4.0	4.1	0.1	102.9%	
Maintenance cost	11.1	10.8	(0.2)	97.3%	
Other	21.0	27.8	6.8	132.6%	Increase in cost of sales due to increase in revenue from sales of condominiums
Taxes	5.9	6.2	0.2	104.0%	
Depreciation cost	8.4	7.8	(0.6)	92.6%	Decrease due to revision of depreciation method
Operating income	(14.1)	(2.8)	11.2	-	
Non-operating income and expense	9.0	3.0	(5.9)	34.2%	Decrease in dividend income
Ordinary income	(5.1)	0.1	5.2	-	
Extraordinary gain and losses	3.7	(0.8)	(4.5)	-	Rebound from the sale of a portion of holdings of the shares of JR Kyushu Drug Eleven Rebound from disaster expenses associated with heavy rains in July 2020 Rebound from increase in provision for loss on disaster related to restoration of Hitahikosan Line, etc.
Net income	3.9	(0.2)	(4.2)	-	

II Full-Year Performance Forecasts and Dividend Forecasts for FY22.3

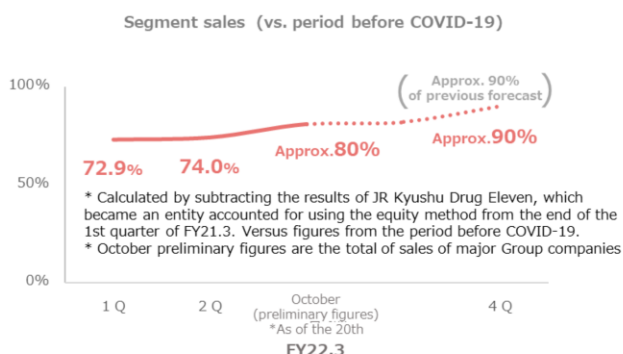
Performance Forecasts for FY22.3: Revision of Revenues Expectations in Each Business

With consideration for the influence of the lengthening of the customer restraint in going out / moving around due to the extension of the period of the state of emergency, we revised the assumptions for revenues expectations in each business.

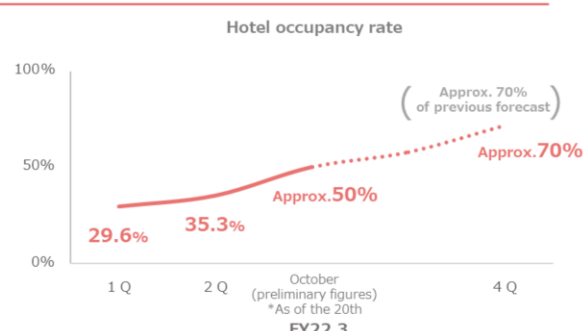
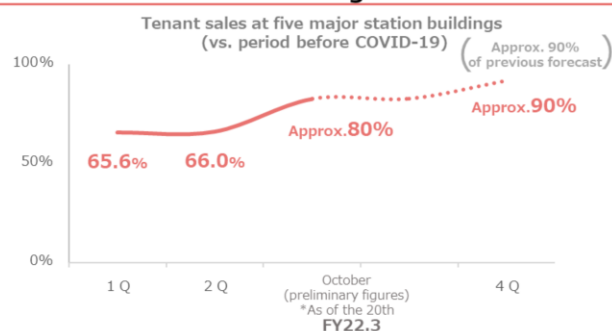
Transportation Segment



Retail and Restaurant segment



Real Estate and Hotels Segment



- Looking at our initial performance forecasts, we had expected that mobility demand and consumer spending would gradually recover due to progress with COVID-19 vaccinations and other factors. However, as a result of shortened operating hours, etc., accompanying the extension of the state of emergency in Fukuoka Prefecture, priority measures to prevent the spread of the infection in each prefecture in Kyushu, etc., demand continued to be very weak.
- As a result, the recovery in the railway business was delayed, centered on non-commuter revenues. Station buildings, retail stores and restaurants in areas surrounding stations, and hotel businesses, which are correlated with the railway business, were substantially below the levels before COVID-19. Conditions remained challenging.
- The future remains uncertain, but after the lifting of the state of emergency, etc., we are seeing signs of demand recovery in each business. Moving forward, we expect the current recovery trend to continue, and our expectations at the end of the period have not changed significantly from our initial expectations.
- Note that the reevaluation of revenues expectations in each business does not anticipate large-scale limitations on social activities, such as another declaration of a state of emergency.
- Please turn to the next slide.

Performance Forecasts for FY22.3:

Major Factors for Operating Revenue and Operating Income

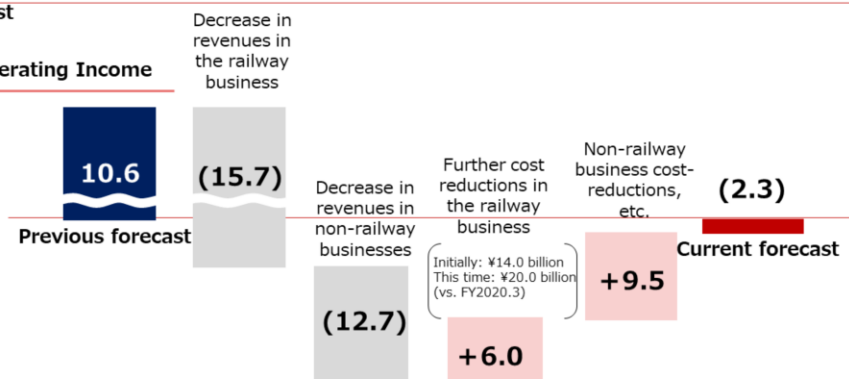
With consideration for first-half performance and current circumstances, we made downward revisions from the previous performance forecasts, centered on the railway business.

Despite cost reductions, centered on the railway business, we revised the full-year consolidated performance forecast to call for an operating loss.

Consolidated Operating Revenues



Consolidated Operating Income



- As a result of the reevaluation of our revenues expectations for each business, we revised our full-year consolidated operating revenues forecast to ¥315.8 billion, a reduction of ¥28.4 billion from our initial forecast.
- Looking at the forecast for consolidated operating income, we have increased this year's plan for cost reductions in the railway business by ¥6.0 billion. In addition, we will also implement additional cost reductions in non-railway businesses. However, we will be unable to cover the decline in operating revenue, and accordingly we have reduced our initial forecast for operating results by ¥12.9 billion, to an operating loss of ¥2.3 billion.
- Please turn to the next slide.

Consolidated Financial Highlights for FY22.3

	(¥bil)							
	Results FY21.3	FY22.3				YoY results		Difference from previous forecast
		Previous forecast (August 3)	Current forecast (November 2)	First-half results	(Reference) Second-half expectations			
Operating revenue	293.9	344.2	315.8	141.6	174.1	21.8	107.4%	(28.4)
Operating income	(22.8)	10.6	(2.3)	(4.0)	1.7	20.5	-	(12.9)
Ordinary income	(19.3)	10.6	0.8	(1.0)	1.8	20.1	-	(9.8)
Net income attributable to owners of the parent	(18.9)	12.9	3.4	(2.0)	5.4	22.3	-	(9.5)
EBITDA	4.6	37.9	24.7	8.8	15.8	20.0	532.4%	(13.2)

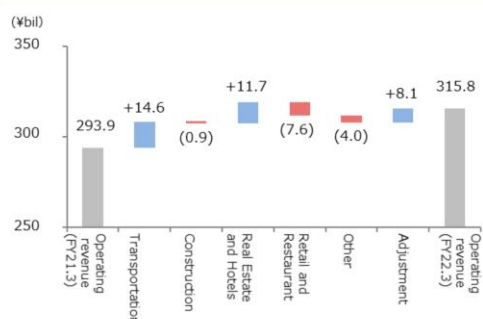
Operating revenue

Due to such factors as the decline in transportation revenues resulting from the extension of the period of the state of emergency, we made downward revisions to the performance forecasts.

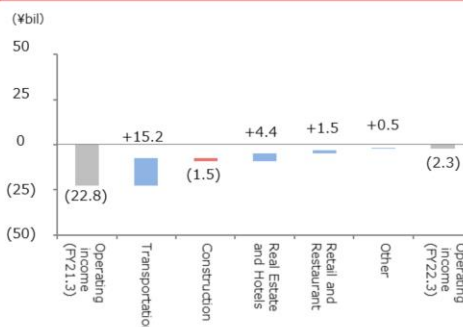
Operating income

Despite cost reductions, centered on the railway business, we revised the full-year consolidated performance forecast to call for an operating loss.

Change in operating revenue by segment



Change in operating income by segment



- These are the highlights for the full-year consolidated performance forecasts. Due to the receipt of subsidies for employment adjustment and other factors, we are forecasting profits at the positive ordinary income and net income.
- For the second half, we are forecasting profits at all levels due to such factors as a recovery in operating revenue and progress with cost reductions.
- Our dividend forecast remains unchanged from the announcement on August 3, 2021.
- Next, I will explain our understanding of the current business environment and our strategic direction. Please turn to slide 20.

Consolidated Financial Forecasts for FY22.3(by segment)

	Results FY21.3	FY22.3		YoY		Major factors	Difference from previous forecast
		Previous forecast (August 3)	Current forecast (November 2)				
Operating revenue	293.9	344.2	315.8	21.8	107.4%		(28.4)
Transportation	95.2	127.5	109.9	14.6	115.3%	Increase due to moderate recovery in demand in railway business	(17.6)
Railway Business (non-consolidated)	89.7	120.4	104.7	14.9	116.6%		(15.7)
Construction	96.5	94.9	95.6	(0.9)	99.0%	Decrease in railway construction orders from JR Kyushu	0.7
Real Estate and Hotels	80.1	97.9	91.9	11.7	114.7%		(6.0)
Real Estate Lease	49.7	59.4	57.6	7.8	115.8%	Increase due to opening of Kumamoto Station Building and Miyazaki Station Building, increase in revenues from leases due to moderate recovery in demand	(1.8)
Real Estate Sales	23.5	23.0	23.6	0.0	100.2%		0.6
Hotel Business	6.8	15.5	10.7	3.8	157.2%	Increase in number of guests due to moderate recovery in demand, increase due to Kumamoto hotel opening	(4.8)
Retail and Restaurant	51.4	47.3	43.8	(7.6)	85.1%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven	(3.5)
Other	63.6	57.5	59.6	(4.0)	93.6%	Decrease due to lower sales of construction materials	2.1
Operating income	(22.8)	10.6	(2.3)	20.5	-		(12.9)
Transportation	(37.6)	(12.3)	(22.4)	15.2	-		(10.1)
Railway Business (non-consolidated)	(36.6)	(12.5)	(21.8)	14.8	-		(9.3)
Construction	6.9	4.9	5.4	(1.5)	77.2%		0.5
Real Estate and Hotels	9.9	16.4	14.4	4.4	145.3%		(2.0)
Real Estate Lease	12.0	14.0	13.9	1.8	115.1%		(0.1)
Real Estate Sales	2.6	2.2	2.5	(0.1)	94.7%		0.3
Hotel Business	(4.7)	0.2	(2.0)	2.7	-		(2.2)
Retail and Restaurant	(2.5)	0.5	(1.0)	1.5	-		(1.5)
Other	1.7	2.1	2.3	0.5	131.3%		0.2
EBITDA	4.6	37.9	24.7	20.0	532.4%		(13.2)
Transportation	(26.5)	(3.4)	(13.5)	13.0	-		(10.1)
Railway Business (non-consolidated)	(26.4)	(3.9)	(13.3)	13.1	-		(9.4)
Construction	8.0	5.8	6.2	(1.8)	77.1%		0.4
Real Estate and Hotels	22.2	30.6	28.3	6.0	127.3%		(2.3)
Real Estate Lease	22.0	25.8	25.6	3.5	116.3%		(0.2)
Real Estate Sales	2.6	2.2	2.5	(0.1)	94.2%		0.3
Hotel Business	(2.4)	2.6	0.2	2.6	-		(2.4)
Retail and Restaurant	(1.1)	1.7	0.2	1.3	-		(1.5)
Other	3.7	4.6	4.8	1.0	129.5%		0.2

Non-consolidated Financial Forecasts for FY22.3

(¥bil)

	Results FY21.3	Forecasts FY22.3		YoY		Major factors	Difference from previous forecast
		Previous forecast (August 3)	Current forecast (November 2)				
Operating revenue	144.7	177.2	161.5	16.7	111.6%		(15.7)
Railway transportation revenues	76.3	106.0	91.0	14.6	119.2%	Increase due to moderate recovery in demand	(15.0)
Shinkansen	22.4	36.0	28.9	6.4	128.5%		(7.1)
Conventional Lines	53.8	70.0	62.1	8.2	115.4%		(7.9)
Other revenue	68.4	71.2	70.5	2.0	103.1%		(0.7)
Operating expense	165.3	173.7	166.6	1.2	100.8%		(7.1)
Personnel expense	39.3	42.1	41.4	2.0	105.2%	Increase due to results recovery	(0.7)
Non-personnel expense	97.5	103.5	97.7	0.1	100.1%		(5.8)
Energy cost	7.9	8.3	8.3	0.3	103.8%		-
Maintenance cost	29.0	31.7	30.5	1.4	105.0%		(1.2)
Other	60.5	63.5	58.9	(1.6)	97.3%		(4.6)
Taxes	10.8	11.4	11.2	0.3	103.6%		(0.2)
Depreciation cost	17.5	16.7	16.3	(1.2)	92.8%	Decrease due to revision of depreciation method	(0.4)
Operating income	(20.5)	3.5	(5.1)	15.4	-		(8.6)
Non-operating income and expense	9.7	1.1	1.9	(7.8)	19.5%	Decrease in dividend income	0.8
Ordinary income	(10.8)	4.6	(3.2)	7.6	-		(7.8)
Extraordinary gain and losses	(5.7)	-	(0.8)	4.9	-		(0.8)
Net income	(11.1)	10.1	1.7	12.8	-		(8.4)

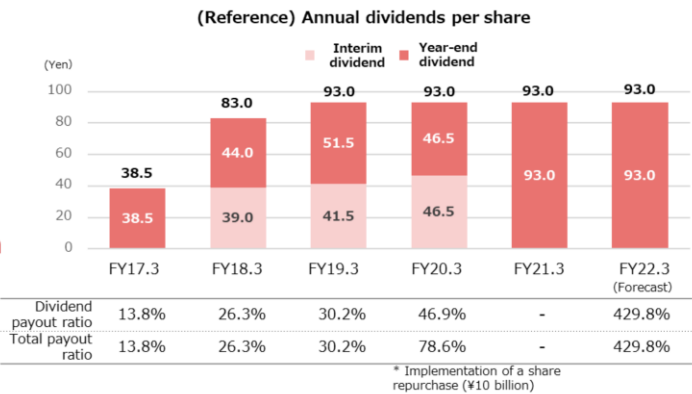
FY22.3 dividend forecasts

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.



(Reference) Transportation Segment

[Results]

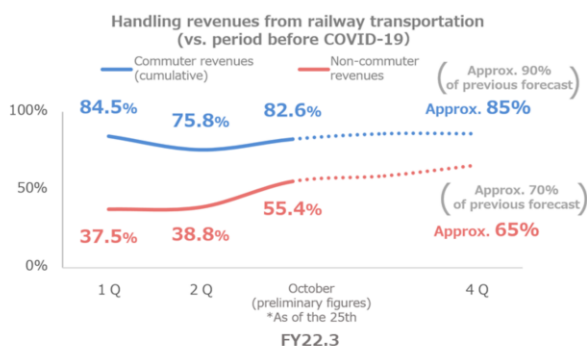
	6 months ended September 30,2020	6 months ended September 30,2021	YoY	(¥bil)
Operating revenue	41.3	48.9	7.6	118.4%
Railway Business (non-consolidated)	38.9	46.2	7.3	118.8%
Railway transportation revenues	32.6	39.8	7.2	122.1%
Operating income	(21.1)	(11.9)	9.1	-
Railway Business (non-consolidated)	(20.3)	(11.6)	8.7	-
EBITDA	(15.7)	(7.7)	8.0	-
Railway Business (non-consolidated)	(15.4)	(7.8)	7.5	-

[Forecasts]

	Results FY21.3	FY22.3 Previous forecast (August 3)	Current forecast (November 2)	YoY results	Difference from previous forecast	(¥bil)
Operating revenue	95.2	127.5	109.9	14.6	115.3%	(17.6)
Railway Business (non-consolidated)	89.7	120.4	104.7	14.9	116.6%	(15.7)
Railway transportation revenues	76.3	106.0	91.0	14.6	119.2%	(15.0)
Operating income	(37.6)	(12.3)	(22.4)	15.2	-	(10.1)
Railway Business (non-consolidated)	(36.6)	(12.5)	(21.8)	14.8	-	(9.3)
EBITDA	(26.5)	(3.4)	(13.5)	13.0	-	(10.1)
Railway Business (non-consolidated)	(26.4)	(3.9)	(13.3)	13.1	-	(9.4)

Railway Business

Quarterly trend / Results forecast assumptions



Overview

(Results)

- Due to the influence of customer restraint in going out / moving around resulting from the extension of the period of the state of emergency, the circumstances remain challenging, centered on non-commuter revenues.
- Operating loss, despite continued cost reduction initiatives in the railway business.

(Performance forecasts)

- Based on first-half results and current circumstances, we revised the second-half outlook and revised the performance forecasts.
- Revised cost reduction plan for railway business from -¥14.0 billion to -¥20.0 billion, in comparison with FY2020.3.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Going forward, we expect mobility demand and consumer spending to gradually recover.

(Reference) Real Estate and Hotels Segment (1)

Real estate leasing business

[Results]

(¥bil)

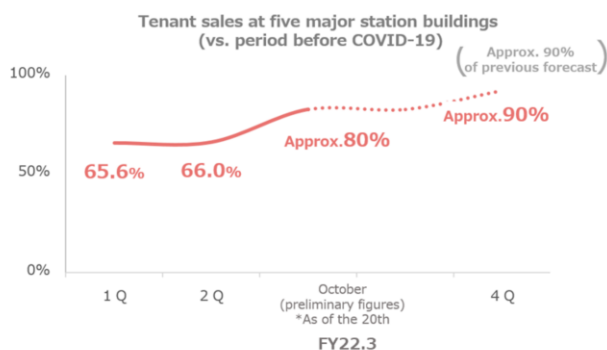
	6 months ended September 30,2020	6 months ended September 30,2021	YoY	
Operating revenue	22.9	28.3	5.3	123.2%
Operating income	5.0	7.3	2.3	146.4%
EBITDA	9.8	13.1	3.3	134.1%

[Forecasts]

(¥bil)

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (August 3)	Current forecast (November 2)		
49.7	59.4	57.6	7.8	115.8% (1.8)
12.0	14.0	13.9	1.8	115.1% (0.1)
22.0	25.8	25.6	3.5	116.3% (0.2)

Quarterly trend / Results forecast assumptions



Overview

(Results)

- Despite contributions from the opening of the station buildings in Kumamoto and Miyazaki, due to the influence of customer restraint in going out / moving around resulting from the extension of the period of the state of emergency, tenant sales were sluggish.
- Uniform tenant support measures that were implemented from April to July in the previous fiscal year, such as closures and rent/sales promotion expense reductions (approximately ¥1.9 billion), are not being implemented this year.
- In office buildings and rental apartments, results are solid, with no sign of major changes in vacancy rates at existing properties.

(Performance forecasts)

- Revised outlook for station building tenant sales, revised performance forecasts.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Going forward, we expect mobility demand and consumer spending to gradually recover.

(Reference) Real Estate and Hotels Segment (2)

Real Estate sales business

[Results]

(¥bil)

	6 months ended September 30,2020	6 months ended September 30,2021	YoY	
Operating revenue	1.9	11.9	10.0	626.0%
Operating income	(0.3)	1.5	1.9	-
EBITDA	(0.3)	1.5	1.9	-

[Forecasts]

(¥bil)

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (August 3)	Current forecast (November 2)		
23.5	23.0	23.6	0.0	100.2%
2.6	2.2	2.5	(0.1)	94.7%
2.6	2.2	2.5	(0.1)	94.2%

Hotel business

[Results]

(¥bil)

	6 months ended September 30,2020	6 months ended September 30,2021	YoY	
Operating revenue	2.4	3.5	1.1	146.1%
Operating income	(3.1)	(2.1)	1.0	-
EBITDA	(2.0)	(1.0)	0.9	-

[Forecasts]

(¥bil)

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (August 3)	Current forecast (November 2)		
6.8	15.5	10.7	3.8	157.2%
(4.7)	0.2	(2.0)	2.7	-
(2.4)	2.6	0.2	2.6	-

Quarterly trend / Results forecast assumptions



Overview

- Real estate sales business: firm trend
- (Results: Hotel business)
- We continued to implement cost reductions, but due to the influence of customer restraint in going out / moving around resulting from the extension of the period of the state of emergency, occupancy rates were sluggish.
- (Performance forecasts: Hotel business)
- Reevaluated outlook for occupancy rates, revised performance forecasts
- Currently, due to the lifting of the state of emergency, etc., there are signs of a recovery in demand.
- Going forward, we expect mobility demand and consumer spending to gradually recover.

(Reference) Retail and Restaurant segment

[Results]

(¥bil)

	6 months ended September 30,2020	6 months ended September 30,2021	YoY	
Operating revenue	29.4	19.6	(9.7)	66.8%
Operating income	(1.9)	(1.1)	0.8	-
EBITDA	(1.2)	(0.5)	0.6	-

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

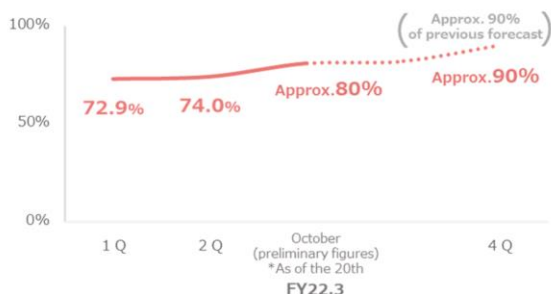
[Forecasts]

(¥bil)

Results FY21.3	FY22.3		YoY results		Difference from previous forecast
	Previous forecast (August 3)	Current forecast (November 2)			
51.4	47.3	43.8	(7.6)	85.1%	(3.5)
(2.5)	0.5	(1.0)	1.5	-	(1.5)
(1.1)	1.7	0.2	1.3	-	(1.5)

Quarterly trend / Results forecast assumptions

Segment sales (vs. period 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.

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

Overview

(Results)

- Due to the influence of customer restraint in going out / moving around resulting from the extension of the period of the state of emergency, etc., operating hours were shortened at certain stores. Circumstances remain challenging, especially for stores in areas surrounding stations.
- On the other hand, favorable results for takeout at fast food stores. In certain business formats, existing store sales higher than two years ago.

(Performance forecasts)

- Reevaluated outlook for earnings, revised performance forecasts
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Going forward, we expect mobility demand and consumer spending to gradually recover.

III Understanding of the Current Business Environment and Strategic Direction

Understanding of the Current Business Environment

Dramatic change in the Group's business environment due to COVID-19. In the current period, the Group is advancing initiatives to address its structural issues.

Understanding of the current business environment

Ongoing issues

- ✓ Progression of the declining and aging of the population in Kyushu
- ✓ Natural disasters of increased severity

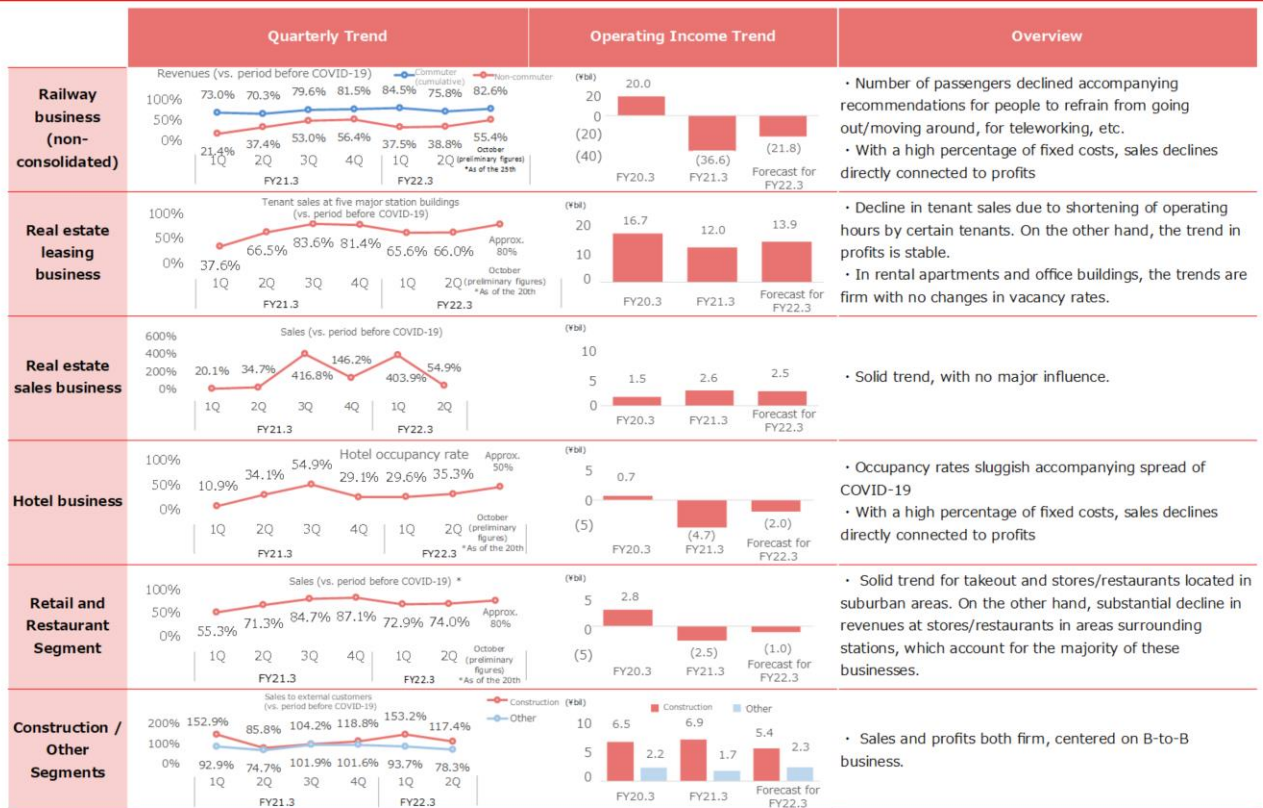
Impact of COVID-19

- ✓ **Dramatic changes in consumer behavior**
 - Increasing demand for safe and secure products, services, and facilities
 - Adoption of remote working styles (teleworking, on-line meetings, staggered commuting, etc.)
 - Style of consumption that does not involve going out (expansion of e-commerce, delivery, etc.)
 - Tourism demand that is influenced by the infection trend

Railway usage is currently gradually recovering, but in the short term we do not expect a return to the level before COVID-19.

- In addition to ongoing issues, such as the progression of the declining and aging of the population in Kyushu and natural disasters of increased severity, new issues faced by the Group include dramatic changes in consumer behavior due to the spread of the COVID-19 infection.
- In addition, railway usage is currently gradually recovering, but in the short term we do not expect a return to the level before COVID-19.
- Please turn to the next slide.

Influence of COVID-19 on Each Business



* 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. October. Preliminary figures are the total of sales of major Group companies

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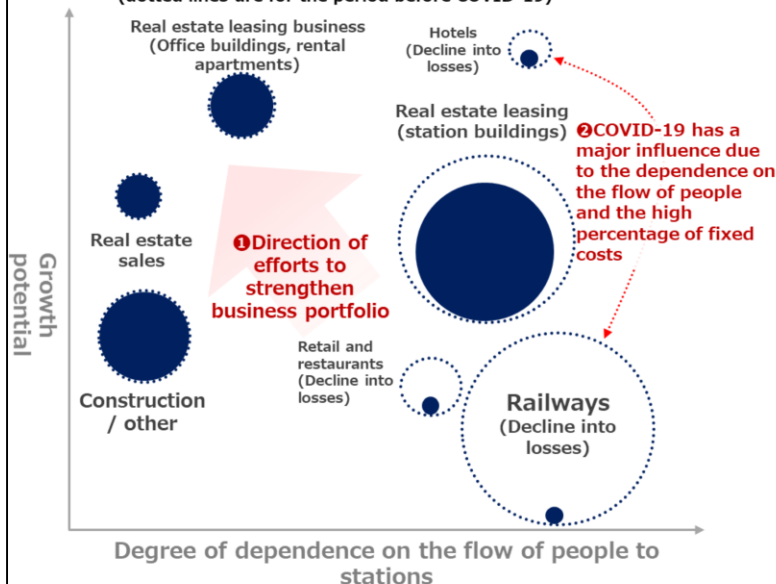
- The influence of the COVID 19 infection varies by business.
- There was an especially large influence on the railway and hotel businesses, which depend on the flow of people and have high percentages of fixed costs. In these businesses, the large declines in revenues led to reduced profits and the recording of substantial operating losses.
- In the real estate leasing business, looking at the station building business, there was a decline in tenant sales accompanying a decrease in the flow of people to stations. However, the market undertone was firm, and fixed rents also made a contribution. As a result, the effect on profits was limited in comparison with the railway and hotel businesses.
- In the Retail and Restaurant Segment, results were solid for stores and restaurants in suburban areas and for takeout business. However, stores and restaurants in areas surrounding stations were affected by the decrease in the flow of people as well as by such factors as shorter operating hours. Consequently, an operating loss was recorded.
- On the other hand, in addition to the real estate sales business, in B-to-B businesses, which are included in the Construction and Other segments, COVID-19 had practically no effect, and results were firm.
- Please turn to the next slide.

Business Structure and Strategic Direction

With consideration for our business structure, we will further advance city-building initiatives, centered on mobility services in Kyushu, while strengthening our business portfolio and advancing reforms of existing businesses in preparation for the post COVID-19 period.

Current business structure

*The size of the circles indicates operating income (dotted lines are for the period before COVID-19)



Strategic Direction

① Strengthening business portfolio

Introducing businesses that do not depend on the flow of people and have high growth potential, strengthening resistance to volatility, such as pandemics

② Structural reform in existing businesses

In businesses damaged by COVID-19, such as railways and hotels, converting to an efficient business structure through cost structure reforms, etc.

③ Further advancing city-building around our bases

Continuing to allocate capital to development related to city-building, expanding the resident and nonresident populations, creating employment

- With consideration for these changes in the business environment and for the differences in how COVID-19 has influenced each business, our future strategic direction is composed of the following three points.
- The first is strengthening our business portfolio. The Group has recorded growth by focusing its businesses on the areas surrounding stations, centered on the railway business. However, we believe that we need to strengthen our resistance to volatility, such as from pandemics, by establishing a portfolio that is not excessively dependent on the flow of people.
- The second is structural reform in existing businesses. In particular, structural reforms, centered on cost reductions, are an urgent task in the railway and hotel businesses, which have high percentages of fixed costs and have recorded significant losses.
- The third is further advancing city-building around our bases. Stations 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. However, we must further increase the appeal of stations while addressing new lifestyles.
- Please turn to the next slide.

① Strengthening the Business Portfolio: New Businesses That Do Not Depend on the Flow of People

We will take on the challenge of making full use of the Group's strengths and management resources in order to move forward in new business fields that do not depend on the flow of people.

Participating in cargo transport using railways

- Started cargo transport service using the Kyushu Shinkansen from May 2021
- Together with West Japan Railway Company and Sagawa Express Co., Ltd., implementing verification testing targeting commercialization of cargo transport between Shin-Osaka Station and Hakata Station
- Starting service enabling customers to order fresh Japanese sweets with short shelf lives and fresh-baked bread that are popular in Fukuoka. Customers can order them on a JR Kyushu e-commerce site and then pick up the orders at Kagoshima-Chuo Station

<p>Commercializing Shinkansen cargo transport</p> <p>Transporting cargo on the Shinkansen, pick up at ticket offices</p>  <p>Logistics using the Shinkansen</p> 	<p>Collaboration with West Japan Railway Company / Sagawa Express Co., Ltd.</p> <p>Selling Kyushu local specialties in Kansai area</p>  	<p>E-commerce site x Shinkansen cargo transport</p> <p>Same-day delivery, even for freshly made products and products with short shelf lives (pick-up at ticket offices)</p> <p>つばめマルシェ</p> <p>お取り寄せっ!便</p>  <p>Suzukake AMAMDACOTAN DACOMECCA</p>
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Participating in logistics through real estate

Aiming for diversification of risk through business portfolio reevaluation and for growth into a new source of earnings in the real estate business, contributing to the sustainable development of Kyushu.

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

- Scheme: Land: lease; building: acquire and lease to tenants
- Tenant: NIPPON ACCESS, INC. (comprehensive food wholesale company in the ITOCHU Group)

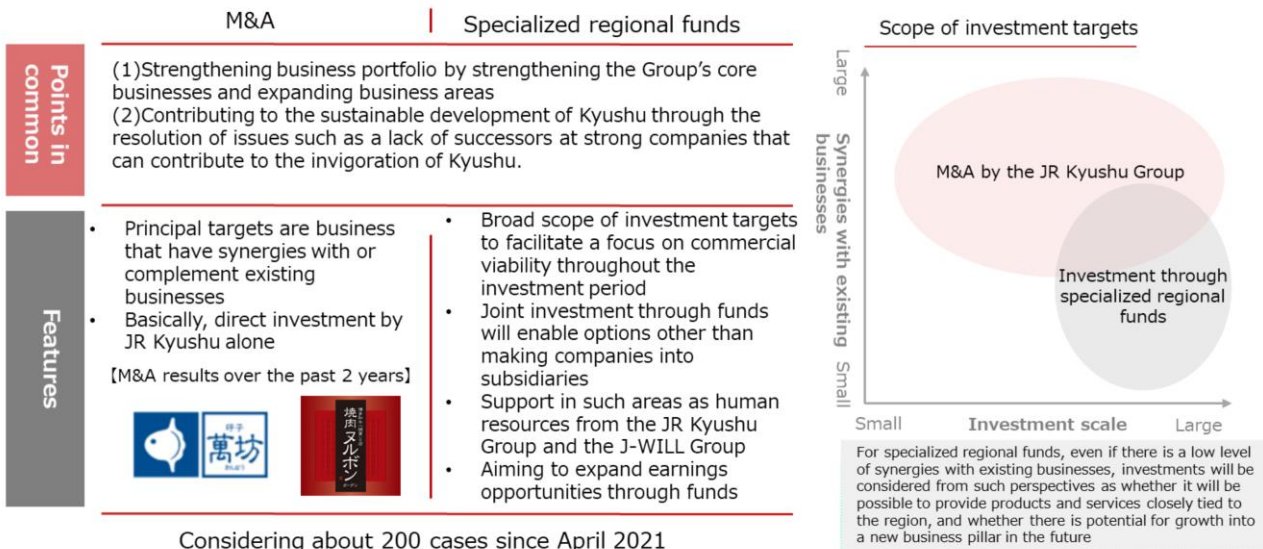


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- As one part of measures to strengthen our business portfolio, we are leveraging the Group's strengths and management resources to enter the logistics business through railways and real estate.
- In regard to cargo transport through railways, we have started services utilizing the Kyushu Shinkansen. Currently, together with West Japan Railway Company and Sagawa Express Co., Ltd., we are implementing verification testing targeting commercialization of cargo transport between Shin-Osaka Station and Hakata Station.
- Also, on a JR Kyushu Group e-commerce site, we started a new type of ordering service utilizing Shinkansen cargo transport.
- We are also conducting verification testing of cargo transport on conventional lines. Although the operational scale is currently small, we will steadily expand it going forward.
- Looking at logistics through real estate, as a developer with strong ties to local communities, we have decided to commence the leasing of logistics facilities leveraging the Group's strengths — such as our comprehensive city-building experience and our base of customers, including station building tenants.
- Please turn to the next slide.

② Strengthening Business Portfolio: Utilizing M&A and Specialized Regional Funds

In addition to conventional M&A, we will implement flexible, agile investment through specialized regional funds. In this way, we will rapidly strengthen the Group's business portfolio and contribute to the sustained development of Kyushu.



- To strengthen our business portfolio, we will utilize not only conventional M&A but also specialized regional funds, which we have started from this year. Through investments in companies that can make a contribution to the invigoration of Kyushu, we will strengthen the Group's core businesses, expand our business fields, and contribute to the sustainable development of Kyushu with a focus on the sustainable growth of the JR Kyushu Group.
- In investing, we make decisions based on whether the acquisition cost is appropriate, with consideration for the cost of capital, and whether a contribution to increased corporate value will be possible over the medium to long term. Since April, we have considered about 200 cases.
- Please turn to the next slide.

② Existing Business Structural Reforms: Railway Business Cost Structure Reform

Advancing BPR* initiatives to reduce fixed costs by ¥14.0 billion or more during the period of the next Medium-Term Business Plan.

* Business Process Re-engineering

Principal BPR initiatives to increase efficiency

Aiming to generate stable profits even though revenues from railway transportation do not return to the level before COVID-19, we will re-establish operational processes and systems.

① Provision of services in line with demand

- Reevaluating station administration systems (Reducing number of ticket offices and ticket sales machines)

Spring 2021:

Reduced number of ticket offices by 7



② Streamlining rolling stock/facilities

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

FY22.3: Planning to introduce long seats on 26 railcars



③ Optimizing inspection/maintenance levels

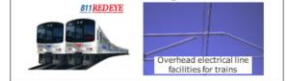
- Reevaluating inspection standards by increasing efficiency of equipment inspection work and enhancing inspection accuracy

Inspection cycle: Revision from once every year to once every two years

Visual inspections



Inspections through on-board 4K camera images

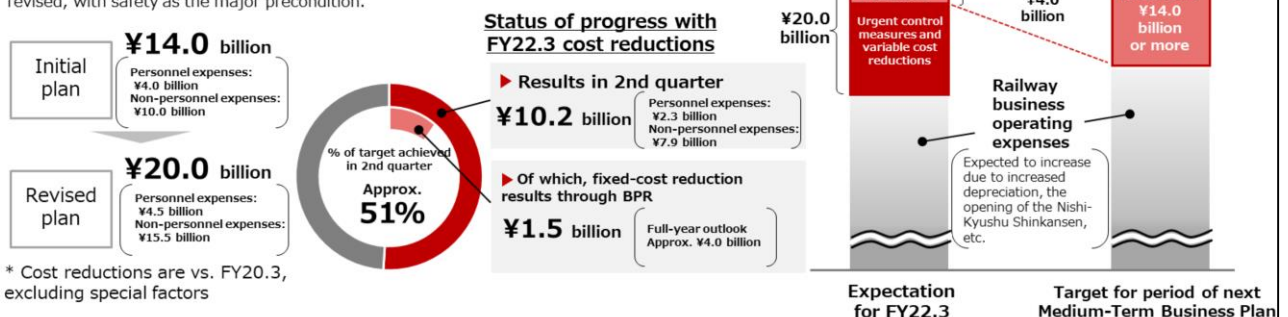


FY22.3 Cost reductions

Cost reductions this period are principally urgent control measures.

Achieved a portion of BPR fixed-cost reductions ahead of schedule.

Accompanying the downward revision of transportation revenues, etc., the current year's plan has been revised, with safety as the major precondition.

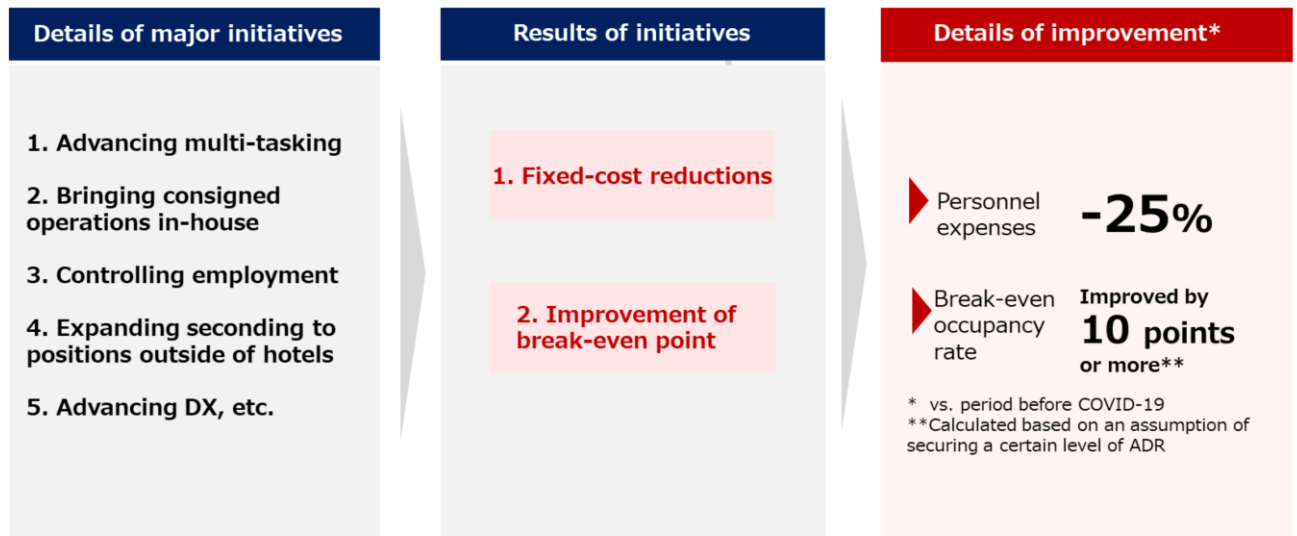


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- Next, I will explain structural reform in existing businesses. From the previous fiscal year, we worked to implement BPR initiatives to rebuild business processes and systems in the railway business, aiming to reduce fixed costs by ¥14.0 billion or more per year in the period of the next medium-term business plan.
- This fiscal year, we were aiming to reduce railway operating costs by ¥14.0 billion in comparison with FY2020.3, principally through urgent control measures and variable cost reductions. However, accompanying the downward revision in the forecast for transportation revenues, we have revised that plan to ¥20.0 billion. In regard to the new target of ¥20.0 billion, as of the end of the first six months of the fiscal year, the amount of cost reductions was ¥10.2 billion, about 51% of the new reduction plan.
- Due to the achievement ahead of schedule of certain BPR measures that had been scheduled for completion in the next period, of the ¥10.2 billion in cost reductions as of the end of the first six months, the level of fixed cost reductions through BPR was ¥1.5 billion. This year, we are forecasting fixed-cost reductions through BPR of approximately ¥4.0 billion for the fiscal year.
- Please turn to the next slide.

② Existing Business Structural Reforms: Hotel Business Cost Structure Reforms

Lowering the break-even point by advancing cost-structure reforms, centered on fixed costs



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- We are also advancing cost structure reforms in the hotel business. By advancing multi-tasking, bringing consigned operations in-house, expanding seconding, and other measures, we are working to reduce fixed costs and improve the break-even occupancy rate.
- As a result of these initiatives, compared to the period before COVID-19, we have reduced personnel costs by 25% and improved the break-even occupancy rate by more than 10 points.
- Please turn to the next slide.

② Existing Business Structural Reforms: Advancing the Shift to On-Line Sales

Existing Business Structural Reforms: Advancing the Shift to On-Line Sales

Finished reevaluation of tickets for which the shift can be rapidly implemented

Moving forward, we will further strengthen yield management in line with the introduction of EX-IC, while advancing yield control.

Details of major initiatives

① Discount ticket reevaluation, etc.

- Increasing discount ticket prices (on-line, ticket counters)
- Discontinued discount tickets sold at counters (Complete discontinuance for Shinkansen / substantial discontinuance for conventional lines)
- Discontinuance of sets of tickets for multiple rides

From April 1, 2021

② Reevaluating limited express surcharges on conventional lines

- Reevaluating 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

From April 1, 2022

③ Considering reevaluation of tickets in line with introduction of EX-IC*



From spring 2022

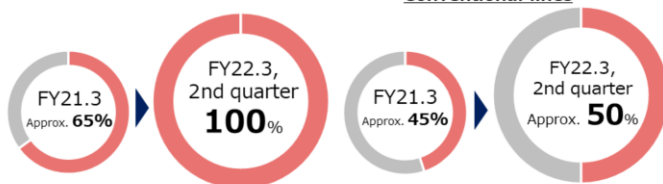
*Increased revenue effect is calculated for a full year based on revenue in the period before COVID-19

* With Central Japan Railway Company and West Japan Railway Company, planning to extend EX Service area to the Kyushu Shinkansen

Discount ticket on-line sales ratio for travel that starts and ends on our network

Accompanying complete discontinuance of discount Shinkansen tickets sold at counters, achieving 100% on-line sales ratio for discount Shinkansen tickets

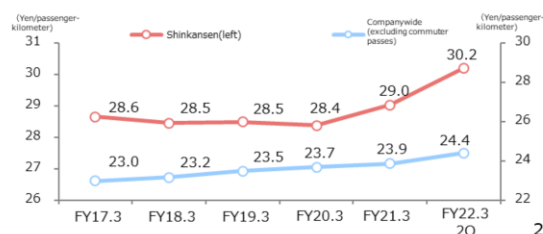
Shinkansen



Conventional lines

Reference: Yield results

Unit price per passenger-kilometer showing increasing trend from FY20.3

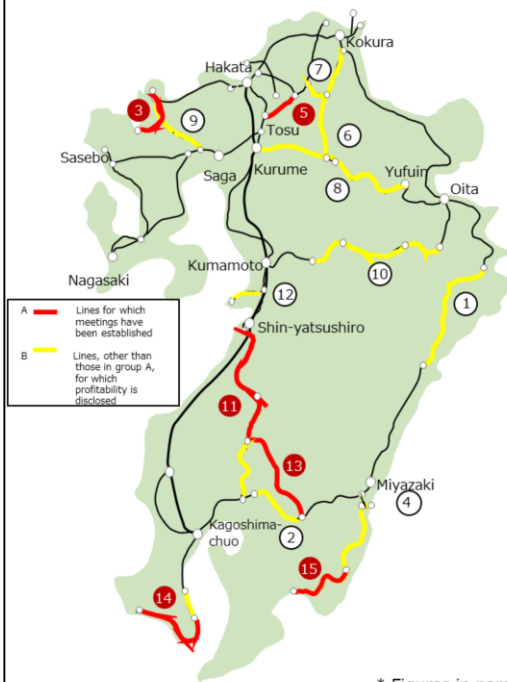


- As one railway business structural reform, we are working to advance the shift to on-line sales of tickets.
- The revision of the fare system is a matter that requires approval, and time is required for discussions. Accordingly, since the COVID-19 crisis, we have rapidly implemented revisions for types of tickets that we can revise on our own.
- As a result, we have made progress with the shift to on-line sales. For example, the on-line sales ratio for discount Shinkansen tickets for travel that starts and ends on our network has reached 100%. Through the shift to on-line sales, we have advanced yield control, and as a result of this and other factors our yield results are following an increasing trend.
- Note that we are forecasting that discount ticket price increases and discontinuation measures, the reevaluation of conventional-line limited-express surcharges, etc., will have the effect of increasing revenue by about ¥2.0 billion annually, based on the level of revenue before COVID-19.
- Moving forward, in conjunction with the introduction of EX-IC next spring, we will work to implement further ticket revisions.
- Please turn to the next slide.

Disclosing profitability by train line and holding meetings to consider issues related to the utilization of train lines

Disclosing profitability for train lines with an average of less than 2,000 passengers per day

Of these, in regard to those lines on which the average number of passengers has declined by 70% or more in comparison with the point at which the JR companies were established, in collaboration with local governments in the areas around our train lines, we have established meetings to consider issues related to the utilization of train lines, and are discussing utilization measures to make the lines sustainable.



No.	Name of line	Segment	Operating kilometers (km)	Operating profit (loss) in FY2020.3 (¥ million)	Average number of passengers (passengers/day)		
					FY1988	FY2021*	% decline
①	Nippo Main Line	Saiki - Nobeoka	58.4	-787	3,428	353	-90%
②		Miyakonojō - Kokubu	42.2	-436	2,029	728	-64%
③	Chikuhi Line	Imari - Karatsu	33.1	-152	728	180	-75%
④	Miyazaki Airport Line	Tayoshi - Miyazaki Airport	1.4	-47	—	627	—
⑤	Chikuho Main Line	Keisen - Haruda	20.8	-114	2,981	297	-90%
⑥	Hitahikosan Line	Jōno - Tagawa-Gotōji	30.0	-517	3,287	1,694(2,595)	-48%
		Tagawa-Gotōji - Yoake	38.7	—	1,103	— (299)	—
⑦	Gotoji Line	Shin-Iizuka - Tagawa-Gotōji	13.3	-170	1,728	890	-48%
⑧	Kyudai Main Line	Kurume - Hita	47.6	-783	3,040	1,677(3,475)	-45%
		Hita - Yufuin	51.5	—	2,564	— (1,756)	—
⑨	Karatsu Line	Kubota - Karatsu	40.3	-314	3,649	1,704	-53%
		Karatsu - Nishi-Karatsu	2.2	-141	1,315	766	-42%
⑩	Hohi Main Line	Higo-Ozu - Miyaji	30.8	—	2,711	— (1,854)	—
		Miyaji - Bungo-Taketa	34.6	-343	1,028	109(463)	-89%
		Bungo-Taketa - Miemachi	23.9	-196	2,384	853(1,331)	-64%
⑪	Hisatsu Line	Yatsushiro - Hitoyoshi	51.8	—	2,171	— (414)	—
		Hitoyoshi - Yoshimatsu	35.0	—	569	— (106)	—
		Yoshimatsu - Hayato	37.4	-294	1,109	480(605)	-57%
⑫	Misumi Line	Uto - Misumi	25.6	-284	2,415	775	-68%
⑬	Kitto Line	Yoshimatsu - Miyakonojō	61.6	-340	1,518	408	-73%
⑭	Ibusuki Makurazaki Line	Kiire - Ibusuki	19.1	-248	3,687	1,661	-55%
		Ibusuki - Makurazaki	42.1	-522	942	255	-73%
⑮	Nichinan Line	Tayoshi - Aburatsu	44.0	-569	2,129	934	-56%
		Aburatsu - Shibushi	42.9	-398	669	171	-74%

* Figures in parentheses show the average number of passengers in the fiscal year before the disaster occurred. 28

- In addition to in-house initiatives, such as cost reductions and the shift to on-line sales in the railway business, in collaboration with local governments and residents in the areas around our railway lines we have established meetings to consider issues related to the utilization of train lines. In these meetings, we will advance the consideration of initiatives linked to increasing usage on each line and aim to build a sustainable transportation network.
- This year, we have held discussions three times about each of four train lines. We shared summaries and analyses of the surveys of residents in areas around our railway lines, which we conducted in the previous year. In addition, it was confirmed that related parties would further bolster cooperation, and opinions were shared regarding the status of initiatives and measures for next year.
- Next, I will explain our initiatives to further advance city-building around our bases. Please turn to slide 30.

Strengthening Mobility Services Through MaaS

To invigorate the region, we will work to advance MaaS as new regional infrastructure and to achieve the “creation of mobility demand” and the “building of sustainable public transportation networks.”

Strengthening cooperation among transportation companies

Advancing collaboration regional transportation companies, etc.

Strengthening collaboration with Group companies

Collaborating with commercial facilities, accommodations, restaurants

Promoting tourism, invigorating regional economies

Enhancing convenience for community residents/tourists, increasing suitability for excursions

Advancing DX

Shifting to ticketless service

Collaborating with DAIICHI KOUTSU SANGYO Co., Ltd., Nishi-Nippon Railroad Co., Ltd.

(1) Selling digital tickets (sets) on my route

- Railway/bus transportation tickets
- Taxi coupons
- Tourism facility tour passports



(2) Support for shopping by senior citizens

- Picking up and dropping off senior citizens who are traveling between their homes and stores operated by cooperating companies
- Drivers also support shopping
- Reporting to families regarding appearance and state of health on that day



Collaborating with Miyazaki Kotsu Co., Ltd.

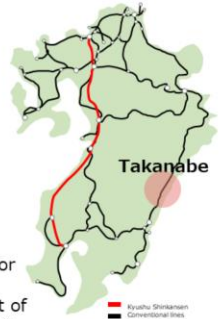
Starting transport service collaboration with Miyazaki Kotsu buses at Takanabe Station

Before

- Railway and buses operated in parallel
- Neither company considered connections

After

- Relocating bus stops to in front of station, changing bus routes
- Revising schedules with consideration for connections
- Enhancing station waiting environment
- Selling convenient my route digital tickets for connections
- Installing Toyota car sharing station in front of station (installation completed in June 2021)

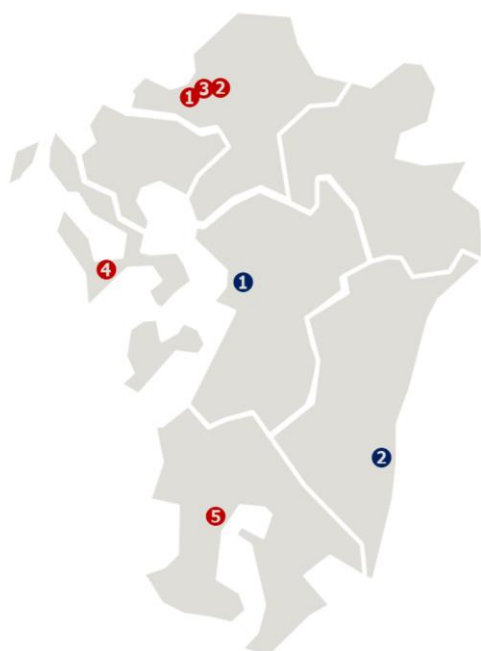


③ Further Advancing City-Building Around Our Bases: City-Building Throughout Kyushu

Favorable progress with pipeline development even in period before COVID-19

This year, we are planning the largest capital investment projects in our history, such as development in the areas surrounding stations (Kumamoto Station area development, Nagasaki Station area development, Kagoshima-Chuo Station west entrance development).

For sustained growth, we will continue to consider investment, centered on the Kyushu region



- Future development projects in areas around our bases
- Projects for which development is completed

① Project to utilize the former site of Sunoko elementary school

- Joint project with Sakurajyuji Co., Ltd., and other companies
- Uses: Private retirement home, commercial facilities, etc.
- Opening: January 2024



① Kumamoto Station area development (JR Kumamoto Station Building)

- Uses: Commercial facilities, offices
- Opening: April 2021



Amu Plaza Kumamoto

② Project for effective use of site of Fukuoka east government building

- Joint project with FUKUOKA JISHO CO.,LTD., and ASO CORPORATION
- Uses: Commercial facilities, offices
- Opening: Spring 2024



② Miyazaki Station west entrance development

- Joint development with Miyazaki Kotsu
- Uses: Commercial facilities, offices
- Opening: November 2020



JR Miyako Twin Building

③ 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



④ Nagasaki Station area development

- Opening of stores under elevated railway tracks (spring 2022)
- Full opening of new station building (fall 2023*)

* Moved forward from plan of FY2026.3



Illustration of new Nagasaki Station building

⑤ Development at the west entrance of Kagoshima-Chuo Station

- Uses: Commercial facilities, offices, multi-story parking garage (Phase 1 development, opening spring 2023)
- Residences, etc. (phase 2 development, time of opening not yet determined)



Illustration of phase 1 development



Illustration of pedestrian space

- In regard to city-building initiatives in regions around our bases, we will strive to increase the value of cities, centered on stations. With the objective of expanding the resident population, the non-resident population, and employment in Kyushu, where the population is declining, we will continue to advance these initiatives going forward.
- Despite COVID-19, pipeline development is making favorable progress, and this year, in addition to a project in Kumamoto that has already opened, we are planning to investment in development in the areas around our bases, such as in Nagasaki and Kagoshima.
- For sustained growth, we will continue to implement investment, centered on the Kyushu region.
- Next, I will explain the establishment of a cyclical investment model through consideration of private REIT formation. Please turn to slide 32.

③ Further Advancing City-Building Around Our Bases: Initiatives in the Hotel Business

With a focus on the recovery of travel demand in the future, we will advance development to capture domestic leisure demand and inbound demand.

Major future development projects

Hotel development by overseas companies

- Capturing future inbound demand through global membership organization
- Differentiation from other hotels through the provision of value not available with in-house brands
- Acquiring global chain management know-how, enhancing profitability and service level

Collaboration with Marriott International at the Nagasaki Station area development (hotel development) (currently under discussion)



Scheduled opening: Fall 2023

New Japanese-style inn development

- Development with domestic leisure demand as main target
- Increasing value of property acquired in line with regional requests and collaboration
- Enhancing convenience through the use of smart technologies in operations and service

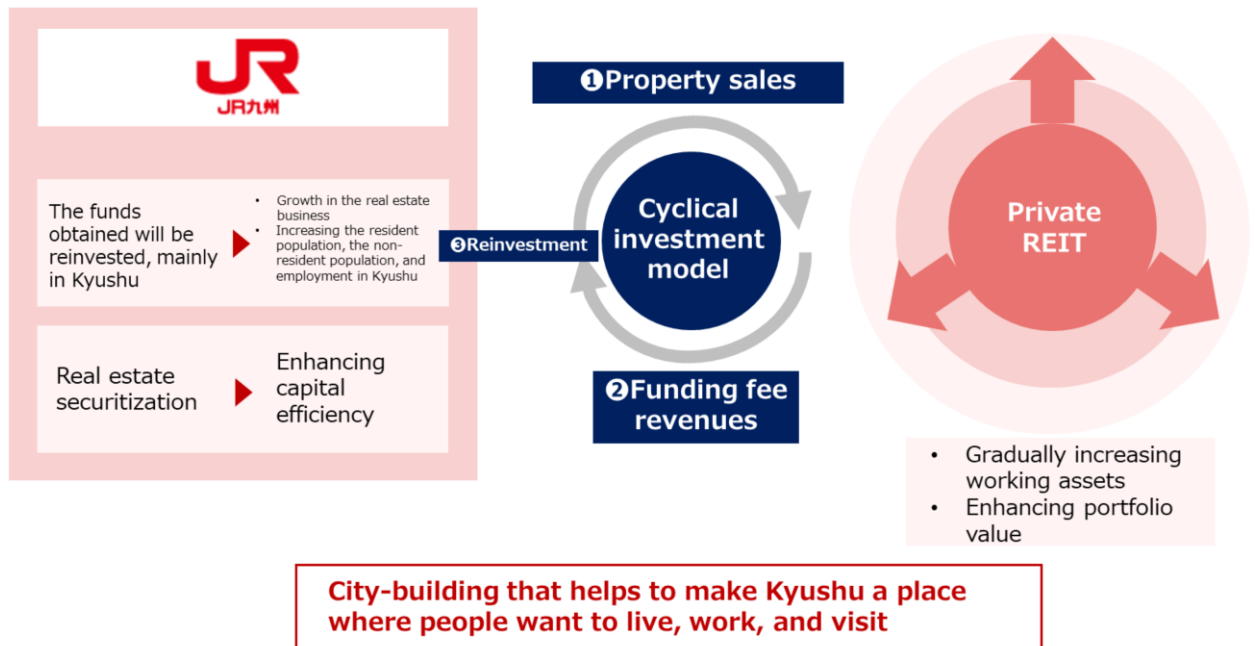
Development of Japanese-style inn in Ureshino, Saga Prefecture, aiming for synergies with the opening of the Nishi-Kyushu Shinkansen



Scheduled opening: FY2024.3

③ Further Advancing City-Building Around Our Bases: Cyclical Investment Model Through Private REITs

Through re-investment via a cyclical investment model utilizing private REITs, we will aim for the sustainable development of Kyushu and for further growth in the real estate business.



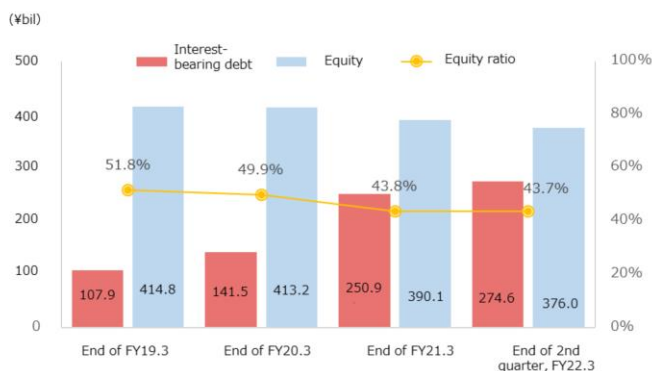
32

- We will further advance city-building in the areas around our bases, and we will establish private REITs, with the objective of supporting the sustained development of Kyushu.
- By selling properties and reinvesting the funds obtained thereby, centered on Kyushu, we will work to achieve further growth in the real estate business and to expand the resident population, the non-resident population, and employment in Kyushu, and in addition we will work to increase capital efficiency through real estate securitization.
- We are steadily advancing preparations for the start of private REITs next spring.
- Please turn to the next slide.

Financial Strategies

- In FY21.3, with consideration for the rapid worsening of operating cash flow due to the influence of COVID-19, we implemented fund-raising with the highest priority on securing liquidity at hand. Challenging conditions continue this year, but at this point we have secured sufficient liquidity at hand.
- Equity ratio remains above 40%, and we maintain a solid financial position
- We will continue to pay attention to the status of operating cash flow, and at the same time we will also focus on generating cash through the sale of real estate to private REITs in the future, and we will consider raising funds at the appropriate time by drawing on our borrowing ability, as needed.

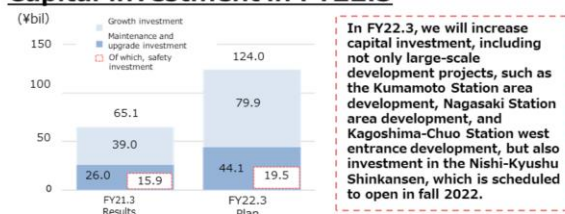
Balance sheet status



Status of principal fund-raising since COVID-19

New borrowing	1Q FY21.3	¥100.0 billion
Bond issuance	June 2020	¥40.0 billion
Green bond issuance	April 2021	¥20.0 billion

Capital investment in FY22.3



In FY22.3, we will increase capital investment, including not only large-scale development projects, such as the Kumamoto Station area development, Nagasaki Station area development, and Kagoshima-Chuo Station west entrance development, but also investment in the Nishi-Kyushu Shinkansen, which is scheduled to open in fall 2022.

- Finally, I will explain our financial strategies.
- In the previous fiscal year, with consideration for the rapid worsening of operating cash flow due to the influence of COVID-19, we implemented fund-raising with the highest priority on securing liquidity at hand.
- Under the influence of COVID-19, challenging conditions continue this year, but at this point we have secured sufficient liquidity at hand. In addition, our equity ratio remains above 40%, and we maintain a solid financial position.
- We will continue to pay attention to the recovery of operating cash flow, and at the same time we will also focus on generating cash through the sale of real estate to private REITs in the future, and we will consider raising funds at the appropriate time by drawing on our borrowing ability, as needed.
- This concludes my presentation. Thank you for your attention.

APPENDIX

Balance Sheet and Cash Flow Statement

Balance Sheet

(¥bil)

	Results FY21.3	6 months ended September 30,2021	YoY	Major factors
Total Assets	891.3	861.2	(30.1)	
Cash and time deposits	22.9	32.8	9.9	
Securities	42.0	8.0	(34.0)	Decrease in negotiable certificates of deposit
Property, plant and equipment	532.0	568.4	36.4	Increase due to Kumamoto Station Building opening
Railway business assets	98.0	99.6	1.6	
Interest-bearing debt	250.9	274.6	23.6	Increase in bonds
Net assets	395.4	378.1	(17.2)	Decrease due to payment of dividends
Capital and paid-in capital	240.0	240.9	0.8	
Retained earnings	150.0	132.6	(17.3)	

Cash flow statement

(¥bil)

	6 months ended September 30,2021	6 months ended September 30,2021	YoY	Major factors
Cash flows from operating activities	(15.1)	21.6	36.8	Increase due to improvement in loss before income taxes
Depreciation expense	14.1	13.9	(0.1)	
Cash flows from investing activities	(19.4)	(52.0)	(32.5)	Decrease due to rebound from transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Capital expenditures	(57.3)	(59.5)	(2.1)	
Free cash flow	(34.6)	(30.3)	4.2	
Cash flows from financing activities	125.2	5.9	(119.3)	Decrease due to loans and issuance of bonds
Cash and cash equivalents	114.4	40.8	(73.5)	

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	6 months ended September 30, 2020	6 months ended September 30, 2021	YoY		Major Factors
Total	32.6	39.8	7.2	122.1%	
Commuter pass	13.0	14.2	1.1	109.0%	
Non-commuter pass	19.5	25.6	6.0	130.8%	
Cargo	0.0	0.0	0.0	-	
Shinkansen	9.0	11.3	2.2	125.4%	
Commuter pass	1.2	1.2	0.0	101.0%	Increase due to gradual recovery in demand
Non-commuter pass	7.7	10.0	2.2	129.3%	
Conventional Lines	23.6	28.5	4.9	120.8%	
Commuter pass	11.8	12.9	1.1	109.9%	Increase due to gradual recovery in demand
Non-commuter pass	11.8	15.5	3.7	131.7%	

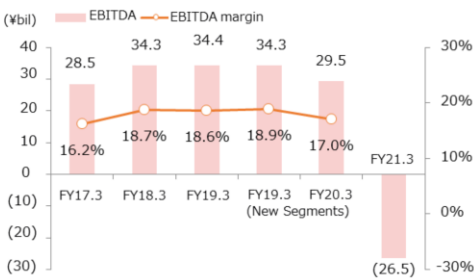
Passenger-Kilometers

(Millions of passenger-kilometer)

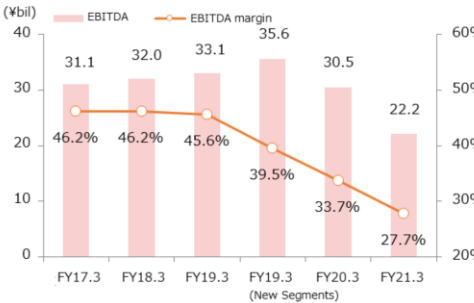
	6 months ended September 30, 2020	6 months ended September 30, 2021	YoY	
Total	2,626	2,952	325	112.4%
Commuter pass	1,792	1,900	107	106.0%
Non-commuter pass	834	1,052	217	126.1%
Shinkansen	360	425	64	117.9%
Commuter pass	91	92	0	100.2%
Non-commuter pass	268	333	64	124.0%
Conventional Lines	2,266	2,527	261	111.5%
Commuter pass	1,700	1,808	107	106.3%
Non-commuter pass	565	719	153	127.1%

EBITDA by Segment

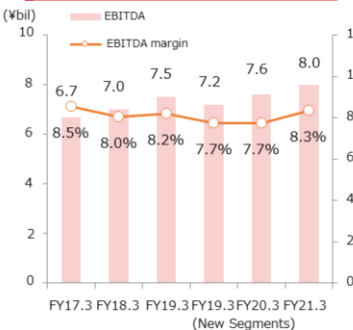
Transportation



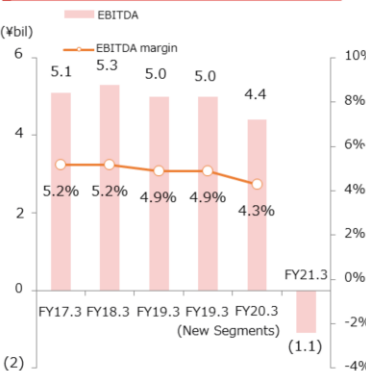
Real Estate and Hotels



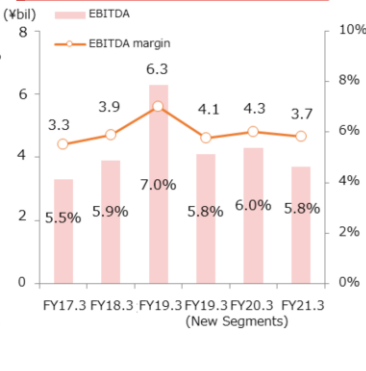
Construction



Retail and Restaurant

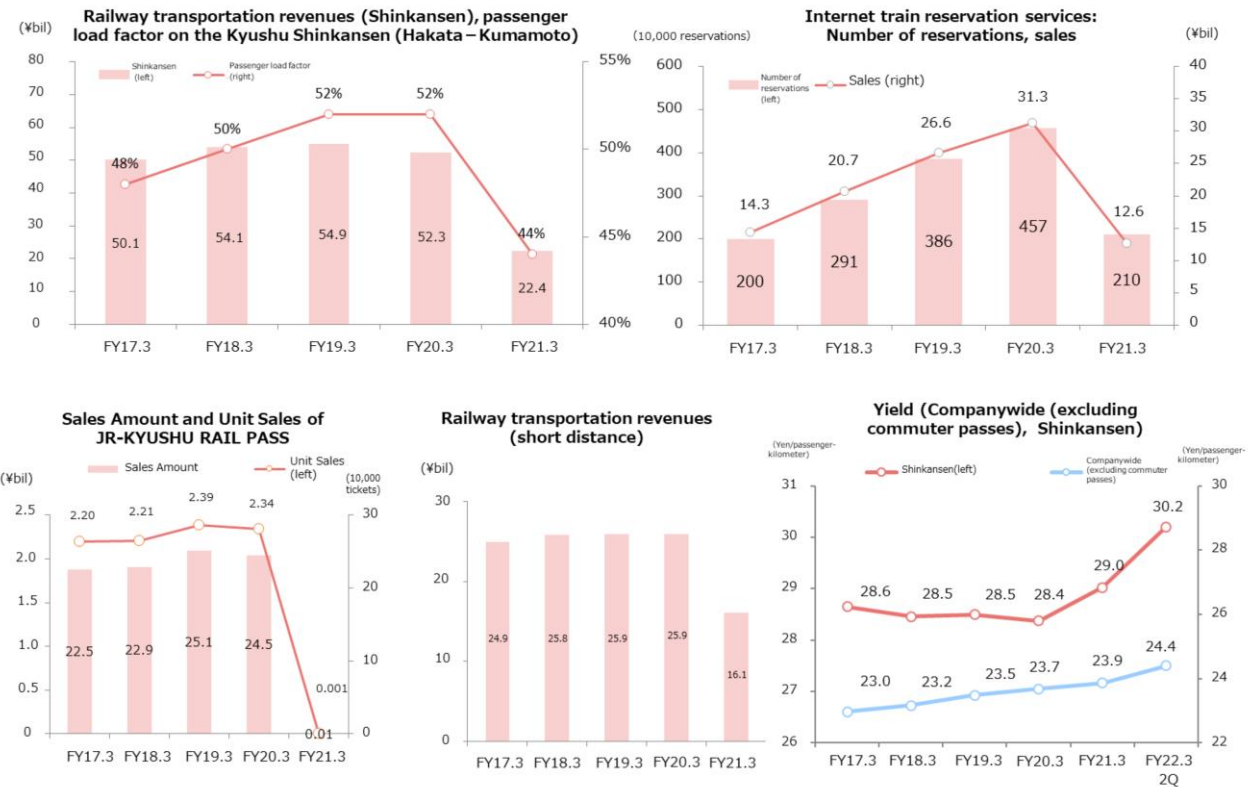


Other



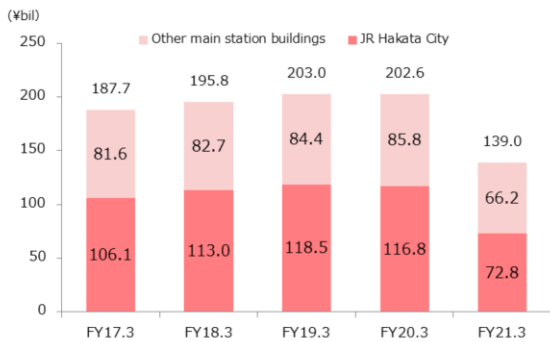
* Figures by segment are prior to eliminating intersegment transactions.

Trends in the Railway Business

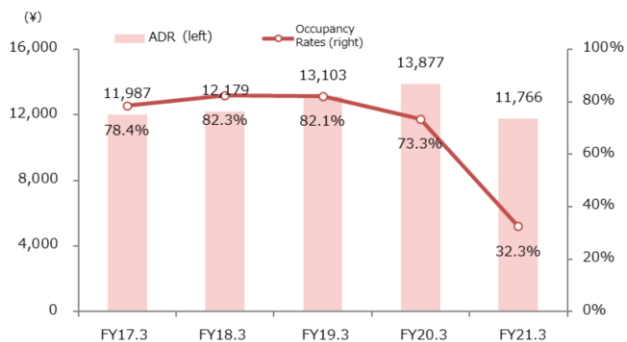


Trends in the Real Estate and Hotel Businesses

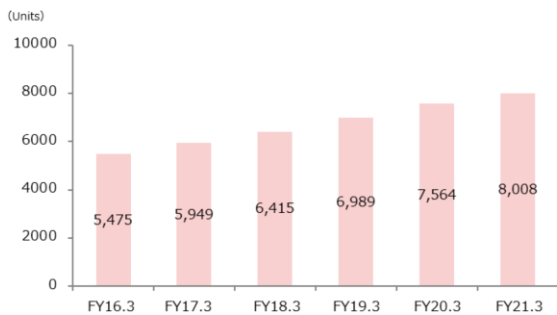
Station building tenant sales



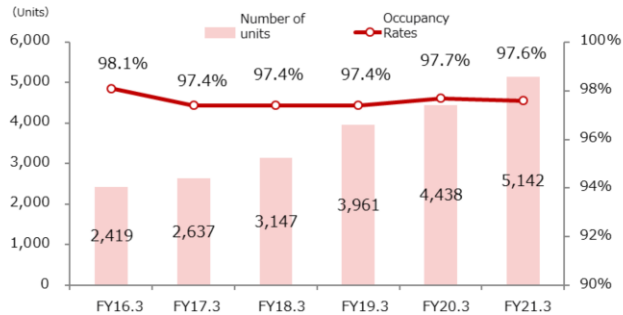
Hotel occupancy rates and average unit prices



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)

Natural Disasters

(influence of heavy rains in August 2021, heavy rains from typhoon No. 14)

	Damage from heavy rains in August 2021
Time of occurrence	August 2021
Overview	Damage on multiple lines, including the Kyudai Main Line and the Sasebo Line [Kyudai Main Line] <ul style="list-style-type: none"> • Deformation of tracks over bridges • Damage to tracks due to slope collapse, washout, etc. • Revetment damage around bridge piers [Sasebo Line] • Damage to signal equipment and other electrical equipment due to flooding. • Damage to crossing equipment due to flooding. • Damage to tracks due to ballast washout, etc.
Influence on results	Recorded extraordinary loss of approximately ¥0.9 billion (2nd quarter, FY22.3)
Segments that are currently suspended	None * Kyudai Main Line restarted operation on September 17, 2021

Deformation of tracks over bridges



Damage to crossing equipment due to flooding

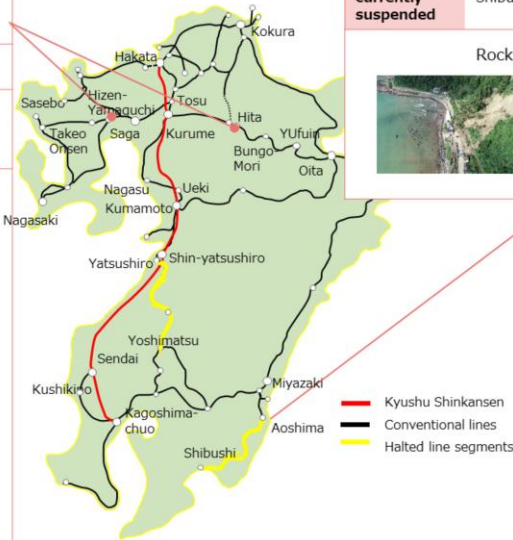


Equipment room flooding above the floor level



	Damage from typhoon No. 14 (2021)
Time of occurrence	September 2021
Overview	Rock and debris influx in multiple locations on Nichinan Line from Uchiumi Station and Ibii Station
Influence on results	Unknown
Segments that are currently suspended	Nichinan Line, Aoshima Station to Shibushi Station

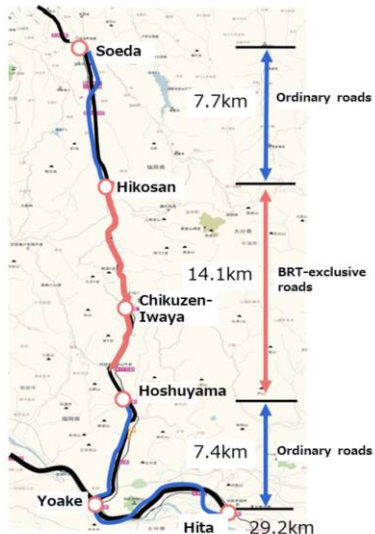
Rock and debris influx



Pursuit of New Mobility Service with Bus Rapid Transit

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

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

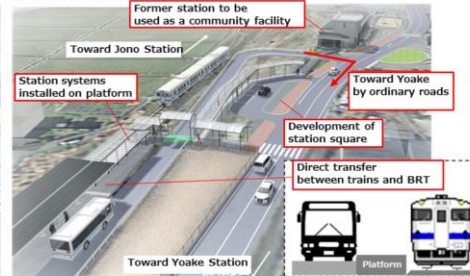


Development of station building and surrounding area (Soeda Station)

Before restoration



After restoration

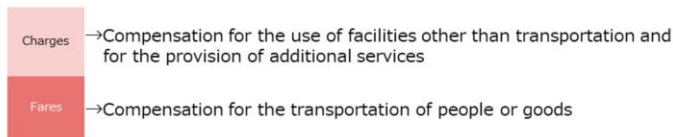


The above image may be subject to change.

Railway Business

— Outline of Fares/Charges and Measures to Increase Revenues

● Fares/charges



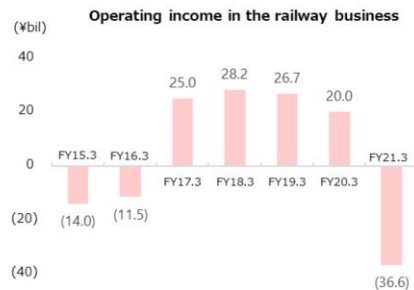
● Procedures for establishing and adjusting fares/charges

- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting conventional line express charges, etc., can be handled by notification to the Minister of the MLIT.

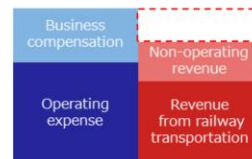
● Examination standards for upper limit fares/charges

- Prior to giving approval for establishing/adjusting the upper limit on fares, the Minister of the MLIT must confirm that the new upper limit does not exceed "total cost," which is the sum of the proper operating costs if it were to carry out efficient management and the proper profit calculated pursuant to specified methods.

(The Company implemented a substantial fare revision, other than consumption tax revision, in 1996)

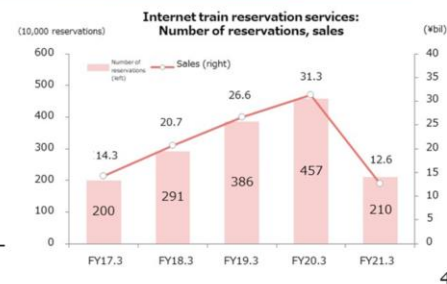
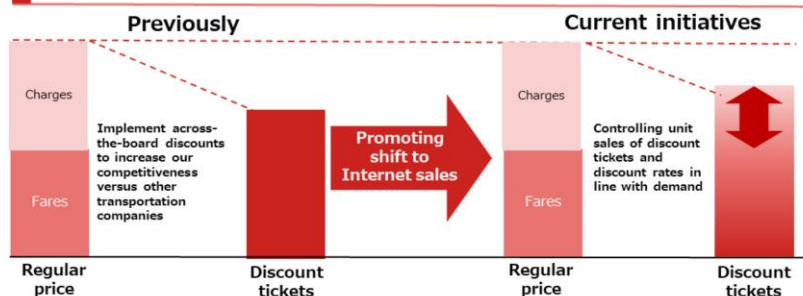


If examination standards are met (illustration)



Expense > Revenue
(Reference) MLIT web site

Advancing measures to increase sales using Internet sales



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 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.
Ureshino Onsen accommodation facility	Ureshino City, Saga Prefecture	FY2024.3: Planned opening:	Lot area: Approx. 9,600㎡	
Hotel development in Shimogyo-ku, Kyoto City	Shimogyo-ku, 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-ku, 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

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/