FY22.3
Financial Results Overview, Third Quarter

February 8, 2022

KYUSHU RAILWAY COMPANY

- I would like to thank everyone for taking the time to join us.

- I will discuss the financial results for the third quarter, our performance forecasts for the fiscal year ending March 31, 2022, and the status of progress with strategies during the COVID-19 pandemic.

- First, I will discuss the financial results for the third quarter. Please turn to slide 4.

Contents

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

Consolidated Financial Highlights for the Nine-Month Period Ended December 31, 2021

(¥bil)

	9 months ended December 31, 2020	9 months ended December 31, 2021	YoY	
Operating revenue	202.4	222.7	20.3	110.0%
Operating income	(18.6)	2.7	21.3	-
Ordinary income	(16.1)	6.9	23.1	-
Extraordinary gains and losses	2.5	(0.9)	(3.4)	-
Net income attributable to owners of the parent	(11.6)	9.2	20.8	-
EBITDA※	1.7	22.6	20.9	-

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

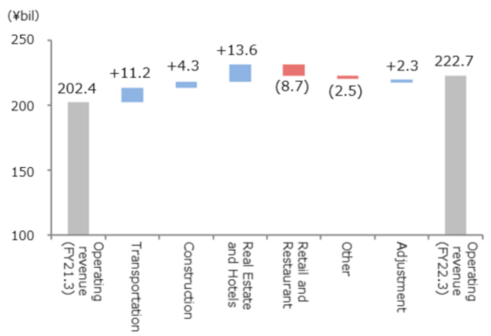
Operating revenue

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 a moderate recovery in demand in each business and condominium sales.

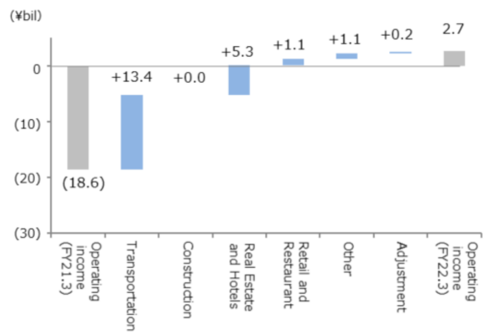
Operating income

Achieved profitability at the operating level due to the increase in operating revenues; continued cost reductions, centered on the railway business; etc.

Change in operating revenue by segment



Change in operating income by segment



- Consolidated operating revenue increased ¥20.3 billion year on year, to ¥222.7 billion, as a result of a gradual recovery in demand in each business and higher condominium sales, 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 cumulative figures for the third quarter of the previous fiscal year include ¥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 centered on the railway business, operating results improved by ¥21.3 billion year on year, resulting in the return to a positive income of ¥2.7 billion.

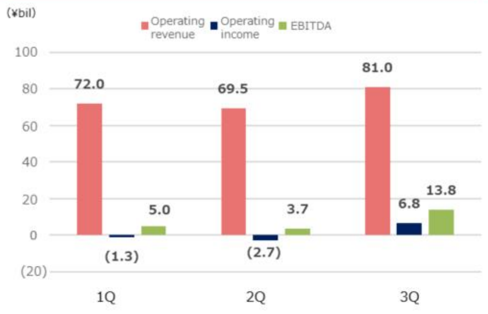
- As a result, net income attributable to owners of the parent amounted to ¥9.2 billion, and EBITDA improved ¥20.9 billion year on year, to ¥22.6 billion.

- Please turn to the next slide.

Quarterly Trend of FY22.3

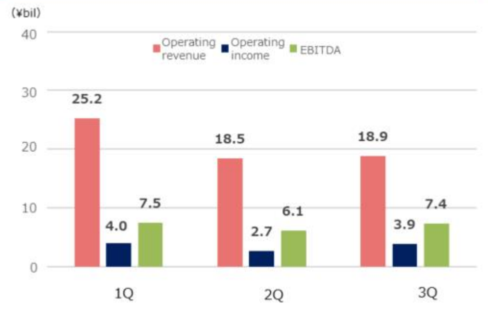
In the third quarter results were firm in each business due to a recovery in mobility demand resulting from the lifting of the state of emergency, etc., at the end of September 2021.

Consolidated



Railway Business (non-consolidated)

Real Estate and Hotels Segment



Retail and Restaurant segment

- This slide shows trends in performance by quarter.

- In the third quarter, each business was firm following the recovery by the lifting of the state of emergency at the end of September 2021. As a result, the railway business achieved profitability due to continued cost-reduction initiatives. The retail and restaurant segment also achieved profitability, thanks to a recovery in demand for stores near stations.

- Next, I will explain our full year performance forecasts for the fiscal year ending March 31, 2022. Please turn to slide 9.

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

(¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY		Major factors
Operating revenue	202.4	222.7	20.3	110.0%	
Transportation	70.2	81.4	11.2	115.9%	
Railway Business (non-consolidated)	66.3	77.1	10.8	116.3%	Increase due to moderate recovery in demand
Construction	58.2	62.6	4.3	107.4%	
Real Estate and Hotels	49.0	62.7	13.6	127.9%	
Real Estate Lease	36.4	43.2	6.8	118.9%	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	7.3	12.7	5.4	174.6%	Increase in revenue from sales of condominiums
Hotel Business	5.3	6.7	1.3	125.1%	Increase due to rebound from previous fiscal year's building closures
Retail and Restaurant	41.1	32.4	(8.7)	78.8%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	44.3	41.7	(2.5)	94.2%	
Operating income	(18.6)	2.7	21.3	-	
Transportation	(24.8)	(11.3)	13.4	-	
Railway Business (non-consolidated)	(23.8)	(11.0)	12.8	-	
Construction	2.6	2.6	0.0	101.6%	
Real Estate and Hotels	5.4	10.7	5.3	197.8%	
Real Estate Lease	8.8	11.6	2.8	132.5%	
Real Estate Sales	0.0	1.2	1.1	-	
Hotel Business	(3.4)	(2.2)	1.2	-	
Retail and Restaurant	(1.9)	(0.7)	1.1	-	
Other	0.8	2.0	1.1	234.5%	
EBITDA	1.7	22.6	20.9	-	
Transportation	(16.5)	(5.0)	11.5	-	
Railway Business (non-consolidated)	(16.3)	(5.2)	11.0	-	
Construction	3.4	3.4	0.0	100.6%	
Real Estate and Hotels	14.5	21.1	6.5	145.3%	
Real Estate Lease	16.1	20.4	4.2	126.5%	
Real Estate Sales	0.1	1.3	1.1	-	
Hotel Business	(1.7)	(0.6)	1.1	-	
Retail and Restaurant	(0.9)	0.1	1.0	-	
Other	2.2	3.7	1.5	166.5%	

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

(¥bil)

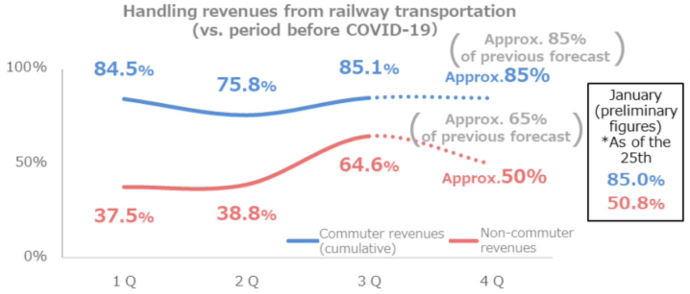
	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY		Major Factors
Operating revenue	97.0	115.0	18.0	118.6%	
Railway transportation revenues	56.6	67.2	10.6	118.8%	Increase due to moderate recovery in demand
Shinkansen	16.7	20.8	4.0	124.4%	
Conventional Lines	39.8	46.4	6.5	116.5%	
Other revenue	40.4	47.7	7.3	118.2%	Increase in revenue from sales of condominiums
Operating expense	111.0	113.7	2.6	102.4%	
Personnel expense	29.5	30.3	0.7	102.6%	
Non-personnel expense	59.6	62.4	2.8	104.8%	
Energy cost	6.0	6.2	0.2	104.6%	
Maintenance cost	17.4	17.6	0.2	101.5%	
Other	36.1	38.4	2.3	106.4%	Increase in cost of sales due to increase in revenue from sales of condominiums
Taxes	8.7	9.0	0.2	102.8%	
Depreciation cost	13.0	11.8	(1.1)	91.0%	Decrease due to revision of depreciation method
Operating income	(14.0)	1.3	15.3	-	
Non-operating income and expense	9.5	3.3	(6.1)	35.3%	Decrease in dividend income
Ordinary income	(4.4)	4.6	9.1	-	
Extraordinary gain and losses	3.4	(0.7)	(4.1)	-	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	1.1	8.3	7.2	722.3%	

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

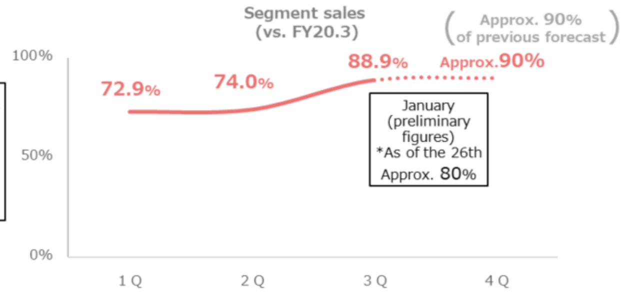
Performance Forecasts for FY22.3: Revision of revenue forecast

Following the lifting of the state of emergency, etc., there was an underlying trend of recovery in the third quarter. However, with consideration for the re-spread of COVID-19 and the implementation of infection prevention and other priority measures, we revised the forecasts for revenues.

Transportation Segment

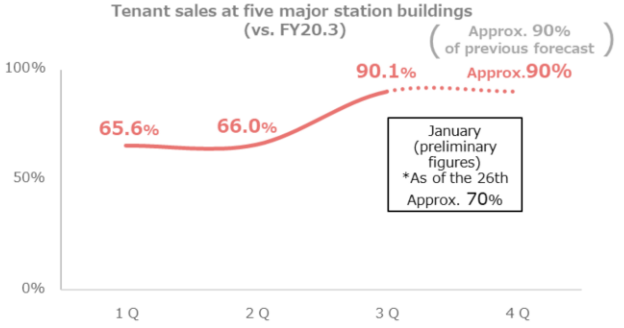


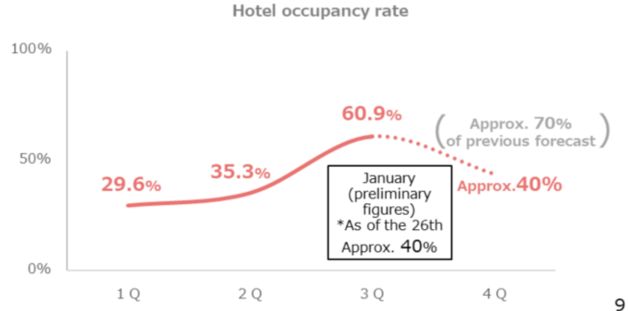
Retail and Restaurant segment



* 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 first quarter of FY21.3, and of Nurubon Inc., which was acquired in October 2021. Versus figures from FY20.3.
* January preliminary figures are the total of sales of major Group companies

Real Estate and Hotels Segment





- Although there was an underlying trend of recovery in the third quarter, the re-spread of COVID-19 and the implementation of infection prevention and other priority measures in each prefecture of Kyushu mid-way through January 2022 caused people to refrain from going out or moving around. This has led to a drop in customers, particularly in the railway business.

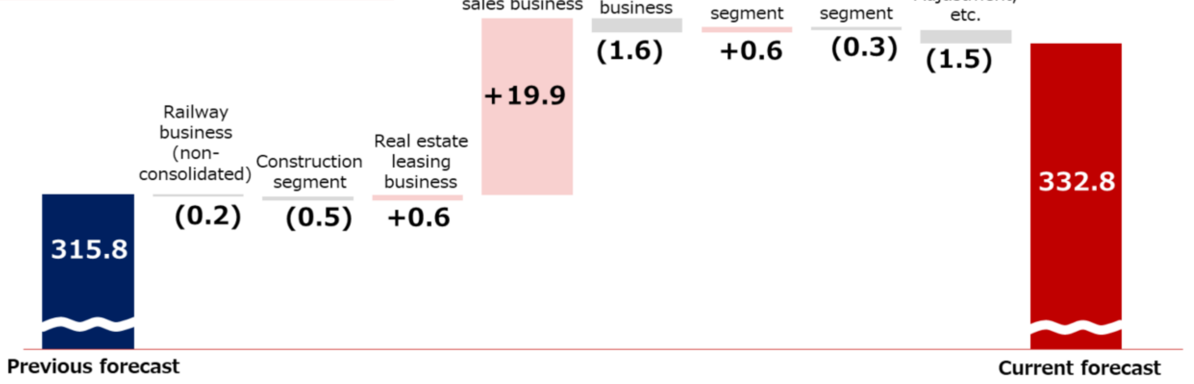
- In light of this change, we have revised our fourth quarter forecasts for non-commuter pass revenue in the railway business, for hotel occupancy rates, etc.

- Please turn to the next slide.

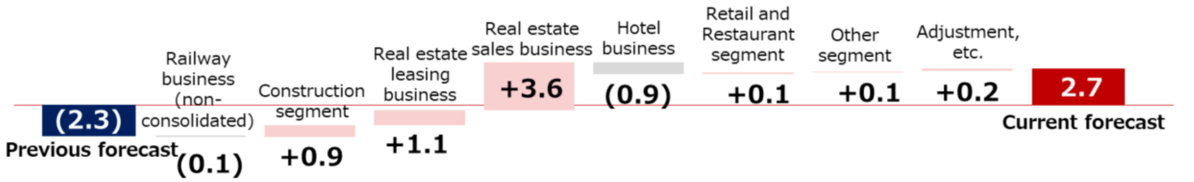
Performance Forecasts for FY22.3: Major Factors for Operating Revenue and Operating Income

Demand is expected to remain sluggish for the time being. Nonetheless, with consideration for the sale of properties held by the Company to a private REIT (recorded in operating revenues), and for results in the third quarter, we increased the forecasts for both operating revenues and operating income (achievement of profitability at the operating level).

Consolidated Operating Revenues



Consolidated Operating Income



- We reviewed revenue forecasts based on our performance in the third quarter and the current situation. We also newly recorded potential sales of company properties to a private REIT as operating revenue for the real estate business.
- Therefore, we are forecasting a full-year consolidated operating revenue of ¥332.8 billion, up ¥17.0 billion from our previous forecast, and a consolidated operating income of ¥2.7 billion, which is a ¥5.0 billion increase from the previous forecast.
- Please turn to the next slide.

Consolidated Financial Forecast Highlights for FY22.3

(¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY results		Difference from previous forecast
Operating revenue	293.9	315.8	332.8	38.8	113.2%	17.0
Operating income	(22.8)	(2.3)	2.7	25.5	-	5.0
Ordinary income	(19.3)	0.8	6.9	26.2	-	6.1
Net income attributable to owners of the parent	(18.9)	3.4	9.8	28.7	-	6.4
EBITDA	4.6	24.7	29.9	25.2	644.5%	5.2

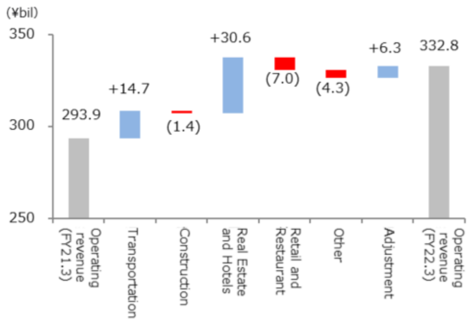
Operating revenue

Due to the re-spread of COVID-19, demand is expected to be sluggish. However, with consideration for results in the third quarter and for the sale of properties to a private REIT, we increased the forecast.

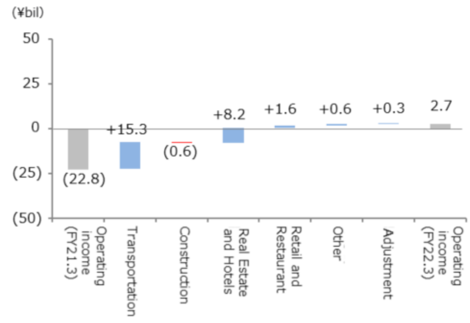
Operating income

Changed the operating results forecast from a loss to a profit due to results in the third quarter, the sale of properties to a private REIT, etc.

Change in operating revenue by segment



Change in operating income by segment



- These are the highlights for the full-year consolidated performance forecasts. We are expecting increases for ordinary and net income than previous forecasts due to upward revisions to operating income.

- Our dividend forecast remains unchanged from the announcement made on November 2, 2021.

- Next, I will explain the status of progress with strategies during the COVID-19 pandemic. Please turn to slide 21.

Consolidated Financial Forecasts for FY22.3 (by segment)

(¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY		Major factors	Difference from previous forecast
Operating revenue	293.9	315.8	332.8	38.8	113.2%		17.0
Transportation	95.2	109.9	110.0	14.7	115.4%	Increase due to moderate recovery in demand in railway business	0.1
Railway Business (non-consolidated)	89.7	104.7	104.5	14.7	116.4%		(0.2)
Construction	96.5	95.6	95.1	(1.4)	98.5%	Decrease in railway construction orders from JR Kyushu	(0.5)
Real Estate and Hotels	80.1	91.9	110.8	30.6	138.3%		18.9
Real Estate Lease	49.7	57.6	58.2	8.4	117.0%	Increase due to opening of Kumamoto Station Building and Miyazaki Station Building, increase in revenues from leases due to moderate recovery in demand	0.6
Real Estate Sales	23.5	23.6	43.5	19.9	184.6%	Increase due to sale of properties to a private REIT	19.9
Hotel Business	6.8	10.7	9.1	2.2	133.7%	Increase due to moderate recovery in demand, increase due to Kumamoto hotel opening	(1.6)
Retail and Restaurant	51.4	43.8	44.4	(7.0)	86.2%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven	0.6
Other	63.6	59.6	59.3	(4.3)	93.2%	Decrease due to lower sales of construction materials	(0.3)
Operating income	(22.8)	(2.3)	2.7	25.5	-		5.0
Transportation	(37.6)	(22.4)	(22.3)	15.3	-		0.1
Railway Business (non-consolidated)	(36.6)	(21.8)	(21.9)	14.7	-		(0.1)
Construction	6.9	5.4	6.3	(0.6)	90.1%		0.9
Real Estate and Hotels	9.9	14.4	18.2	8.2	183.6%		3.8
Real Estate Lease	12.0	13.9	15.0	2.9	124.3%		1.1
Real Estate Sales	2.6	2.5	6.1	3.4	231.0%		3.6
Hotel Business	(4.7)	(2.0)	(2.9)	1.8	-		(0.9)
Retail and Restaurant	(2.5)	(1.0)	(0.9)	1.6	-		0.1
Other	1.7	2.3	2.4	0.6	137.0%		0.1
EBITDA	4.6	24.7	29.9	25.2	644.5%		5.2
Transportation	(26.5)	(13.5)	(13.4)	13.1	-		0.1
Railway Business (non-consolidated)	(26.4)	(13.3)	(13.4)	13.0	-		(0.1)
Construction	8.0	6.2	7.2	(0.8)	89.5%		1.0
Real Estate and Hotels	22.2	28.3	32.1	9.8	144.4%		3.8
Real Estate Lease	22.0	25.6	26.7	4.6	121.3%		1.1
Real Estate Sales	2.6	2.5	6.1	3.4	229.9%		3.6
Hotel Business	(2.4)	0.2	(0.7)	1.7	-		(0.9)
Retail and Restaurant	(1.1)	0.2	0.3	1.4	-		0.1
Other	3.7	4.8	4.9	1.1	132.2%		0.1

Non-consolidated Financial Forecasts for FY22.3

(¥bil)

	Results FY21.3	Forecasts FY22.3		YoY		Major factors	Difference from previous forecast
		Previous forecast (November 2)	Current forecast (February 8)				
Operating revenue	144.7	161.5	181.2	36.4	125.2%		19.7
Railway transportation revenues	76.3	91.0	91.0	14.6	119.2%	Increase due to moderate recovery in demand	-
Shinkansen	22.4	28.9	28.9	6.4	128.5%		-
Conventional Lines	53.8	62.1	62.1	8.2	115.4%		-
Other revenue	68.4	70.5	90.2	21.7	131.9%	Increase due to sale of properties to a private REIT	19.7
Operating expense	165.3	166.6	182.4	17.0	110.3%		15.8
Personnel expense	39.3	41.4	40.7	1.3	103.4%	Increase due to results recovery	(0.7)
Non-personnel expense	97.5	97.7	114.1	16.5	116.9%		16.4
Energy cost	7.9	8.3	8.5	0.5	106.3%		0.2
Maintenance cost	29.0	30.5	30.6	1.5	105.4%		0.1
Other	60.5	58.9	75.0	14.4	123.9%	Increase in cost due to sale of properties to a private REIT	16.1
Taxes	10.8	11.2	11.4	0.5	105.4%		0.2
Depreciation cost	17.5	16.3	16.2	(1.3)	92.2%	Decrease due to revision of depreciation method	(0.1)
Operating income	(20.5)	(5.1)	(1.2)	19.3	-		3.9
Non-operating income and expense	9.7	1.9	2.3	(7.4)	23.6%	Decrease in dividend income	0.4
Ordinary income	(10.8)	(3.2)	1.1	11.9	-		4.3
Extraordinary gain and losses	(5.7)	(0.8)	(0.7)	5.0	-		0.1
Net income	(11.1)	1.7	6.9	18.0	-		5.2

FY22.3 dividend forecasts

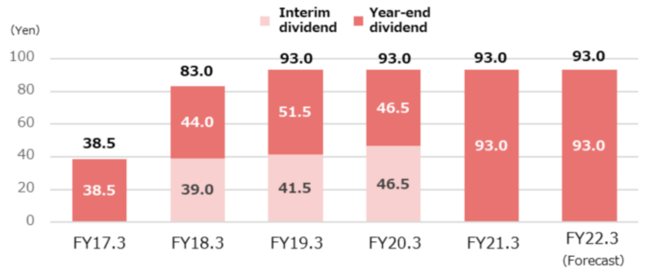
Shareholder return policy

- 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.** This is due to the need to carefully consider the influence on future results of matters such as the COVID-19 infection.

(Reference) Annual dividends per share



	FY17.3	FY18.3	FY19.3	FY20.3	FY21.3	FY22.3 (Forecast)
Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	149.1%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	149.1%

* Implementation of a share repurchase (¥10 billion)

(Reference) Transportation Segment

【Results】 (¥bil)

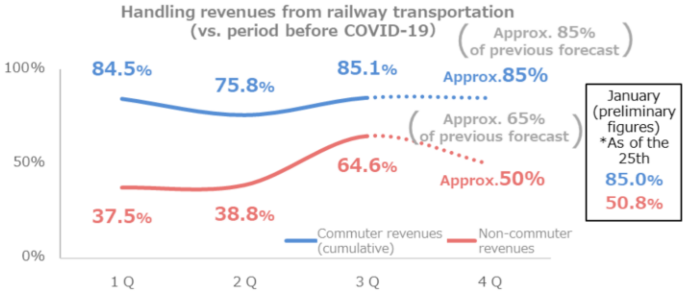
	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	70.2	81.4	11.2	115.9%
Railway Business (non-consolidated)	66.3	77.1	10.8	116.3%
Railway transportation revenues	56.6	67.2	10.6	118.8%
Operating income	(24.8)	(11.3)	13.4	-
Railway Business (non-consolidated)	(23.8)	(11.0)	12.8	-
EBITDA	(16.5)	(5.0)	11.5	-
Railway Business (non-consolidated)	(16.3)	(5.2)	11.0	-

【Forecasts】 (¥bil)

	FY22.3		YoY results		Difference from previous forecast
	Previous forecast (November 2)	Current forecast (February 8)			
Operating revenue	109.9	110.0	14.7	115.4%	0.1
Railway Business (non-consolidated)	104.7	104.5	14.7	116.4%	(0.2)
Railway transportation revenues	91.0	91.0	14.6	119.2%	-
Operating income	(22.4)	(22.3)	15.3	-	0.1
Railway Business (non-consolidated)	(21.8)	(21.9)	14.7	-	(0.1)
EBITDA	(13.5)	(13.4)	13.1	-	0.1
Railway Business (non-consolidated)	(13.3)	(13.4)	13.0	-	(0.1)

Railway Business

Quarterly trend / Results forecast assumptions



Overview

(Results)

- Due to the lifting of the state of emergency at the end of September 2021, mobility demand recovered gradually, but revenue circumstances remain challenging.
- Recorded a loss at the operating level despite continued advancement of cost reductions.

(Performance forecasts)
Results in the third quarter were firm. On the other hand, accompanying the re-spread of COVID-19, infection prevention and other priority measures have been implemented since mid-January 2022. Due to this and other factors, demand is expected to remain sluggish for the time being, and the forecast for railway transportation revenues is unchanged.

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY		Major Factors
Total	56.6	67.2	10.6	118.8%	
Commuter pass	19.9	21.4	1.4	107.3%	
Non-commuter pass	36.6	45.8	9.1	125.1%	
Cargo	0.0	0.0	0.0	-	
Shinkansen	16.7	20.8	4.0	124.4%	
Commuter pass	1.8	1.8	0.0	100.4%	Increase due to moderate recovery in demand
Non-commuter pass	14.8	18.9	4.0	127.4%	
Conventional Lines	39.8	46.4	6.5	116.5%	
Commuter pass	18.0	19.5	1.4	108.1%	Increase due to moderate recovery in demand
Non-commuter pass	21.7	26.8	5.1	123.4%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY	
Total	4,230	4,714	483	111.4%
Commuter pass	2,685	2,831	146	105.5%
Non-commuter pass	1,545	1,882	337	121.8%
Shinkansen	650	762	112	117.2%
Commuter pass	136	136	0	100.5%
Non-commuter pass	514	625	111	121.7%
Conventional Lines	3,580	3,952	371	110.4%
Commuter pass	2,549	2,694	145	105.7%
Non-commuter pass	1,031	1,257	226	121.9%

(Reference) Real Estate and Hotels Segment (1)

Real estate leasing business

【Results】

(¥bil)

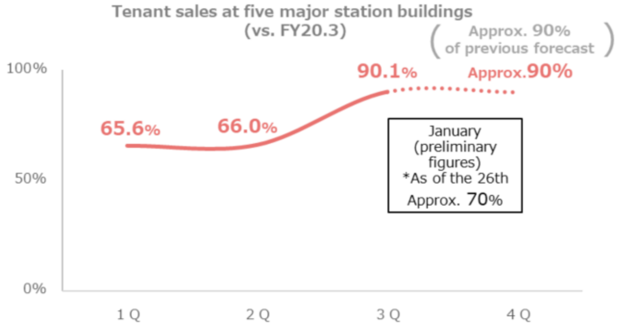
	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	36.4	43.2	6.8	118.9%
Operating income	8.8	11.6	2.8	132.5%
EBITDA	16.1	20.4	4.2	126.5%

【Forecasts】

(¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY results		Difference from previous forecast
Operating revenue	49.7	57.6	58.2	8.4	117.0%	0.6
Operating income	12.0	13.9	15.0	2.9	124.3%	1.1
EBITDA	22.0	25.6	26.7	4.6	121.3%	1.1

Quarterly trend / Results forecast assumptions



Overview

(Results)

- Due to the lifting of the state of emergency at the end of September 2021, station building tenant sales gradually recovered in the third quarter.
- 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)

In the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being. However, firm results are expected for station buildings, office buildings, and rental apartments

(Reference) Real Estate and Hotels Segment (2)

Real Estate sales business

【Results】 (¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	7.3	12.7	5.4	174.6%
Operating income	0.0	1.2	1.1	-
EBITDA	0.1	1.3	1.1	-

【Forecasts】 (¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY results		Difference from previous forecast
Operating revenue	23.5	23.6	43.5	19.9	184.6%	19.9
Operating income	2.6	2.5	6.1	3.4	231.0%	3.6
EBITDA	2.6	2.5	6.1	3.4	229.9%	3.6

Hotel business

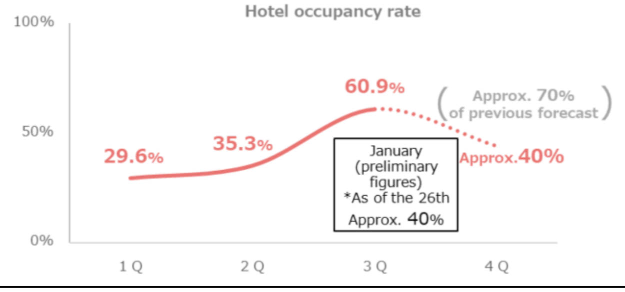
【Results】 (¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	5.3	6.7	1.3	125.1%
Operating income	(3.4)	(2.2)	1.2	-
EBITDA	(1.7)	(0.6)	1.1	-

【Forecasts】 (¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY results		Difference from previous forecast
Operating revenue	6.8	10.7	9.1	2.2	133.7%	(1.6)
Operating income	(4.7)	(2.0)	(2.9)	1.8	-	(0.9)
EBITDA	(2.4)	0.2	(0.7)	1.7	-	(0.9)

Quarterly trend / Results forecast assumptions



Overview

- Real estate sales business: firm trend
- Expecting to sell properties to a private REIT, revised results forecasts upward

(Results: Hotel business)
We worked to reduce the break-even occupancy rate through fixed-cost reductions, and we achieved break-even in the third quarter. Nonetheless, an operating loss was recorded for the nine-month period.

(Performance forecasts: Hotel business)
Results in the third quarter were firm. On the other hand, in the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being, and we revised the results forecasts.

(Reference) Retail and Restaurant segment

【Results】

(¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	41.1	32.4	(8.7)	78.8%
Operating income	(1.9)	(0.7)	1.1	-
EBITDA	(0.9)	0.1	1.0	-

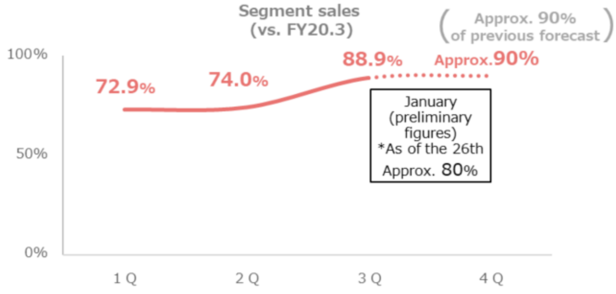
【Forecasts】

(¥bil)

	Results FY21.3	FY22.3 Previous forecast (November 2)	FY22.3 Current forecast (February 8)	YoY results		Difference from previous forecast
Operating revenue	51.4	43.8	44.4	(7.0)	86.2%	0.6
Operating income	(2.5)	(1.0)	(0.9)	1.6	-	0.1
EBITDA	(1.1)	0.2	0.3	1.4	-	0.1

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

Quarterly trend / Results forecast assumptions



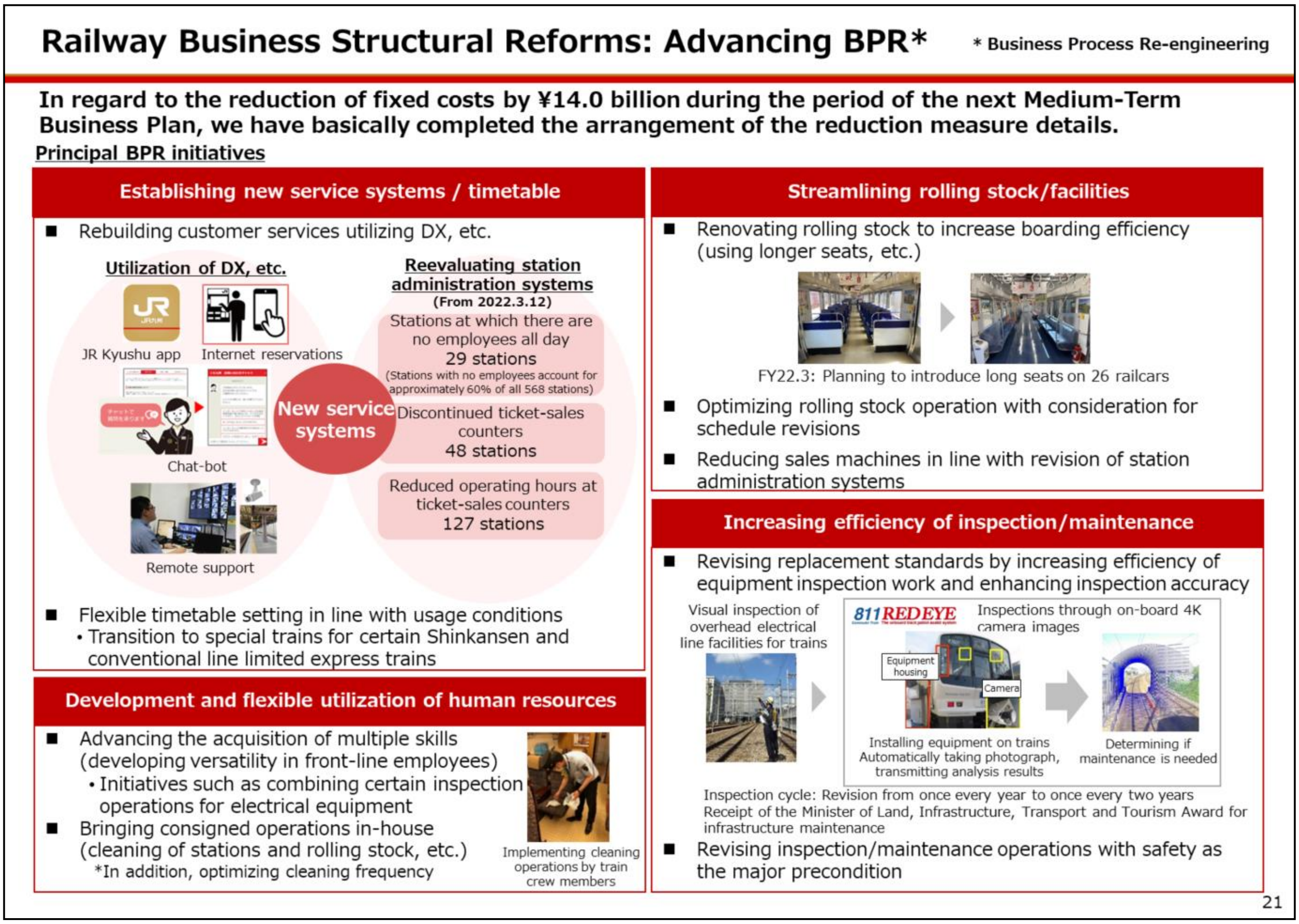
* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the first quarter of FY21.3, and of Nurubon Inc., which was acquired in October 2021. Versus figures from FY20.3.
* January preliminary figures are the total of sales of major Group companies

Overview

(Results)
Stores in areas surrounding stations, which were significantly affected by the decline in mobility demand accompanying the lifting of the state of emergency at the end of September 2021, registered a gradual recovery in sales. Stores in suburbs also recorded firm results. The segment reduced the scale of its loss.

(Performance forecasts)
In the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being. However, takeout at restaurants in suburbs and fast food restaurants is expected to continue to drive results.

Ⅲ Status of Progress with Strategies During the COVID-19 Pandemic



- First, I will explain the progress on railway business structural reforms.

- Our goal is to generate stable profits, even if usage does not return to pre-COVID-19 levels. To that end, we are working to realize fixed-cost reductions of more than ¥14.0 billion during the early part of the next medium-term business plan, which corresponds to a 10% reduction from operating expenses incurred during the fiscal year ended March 31, 2020.

- We are reviewing operations from a variety of perspectives, with measures that include utilizing DX in the form of shift to on-line sales and remote support, as well as streamlining rolling stock and facilities, and developing human resources with multiple skills. In regard to the reduction of fixed costs by more than ¥14.0 billion, we have basically completed the arrangement of the reduction measure details.

- Please turn to the next slide.

Railway Business Structural Reforms

Status of progress with FY22.3 cost reductions

Planning for ¥20.0 billion in cost reductions, centered on urgent control measures
Achieved a portion of BPR fixed-cost reductions ahead of schedule

▶ **Results in 3rd quarter**

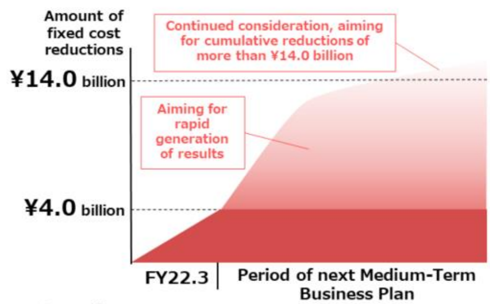
¥14.5 billion (Personnel expenses: ¥3.8 billion; Non-personnel expenses: ¥10.6 billion)

▶ **Of which, fixed-cost reduction results through BPR**

¥2.4 billion (Full-year outlook Approx. **¥4.0 billion**)

* Cost reductions are vs. FY20.3, excluding special factors

Cumulative future fixed cost reductions



Toward the establishment of a sustainable transportation network

Advancing human resources development through strategic seconding, etc., and accelerating initiatives to build a sustainable transportation network

Advancing development of human resources

- **Advancing strategic seconding**
  Advancing strategic seconding outside the Group, with a focus on leveraging the knowledge/skills of employees after they return
  (As of January 2022: 71 people)


Regional economy revitalization operations


Data analysis related operations


MaaS related operations

- **Advancing the acquisition of multiple skills and re-skilling**
- **Further cultivating a management mindset among employees**

Future initiatives

- **Further advancing DX (shift to on-line sales, etc.)**
- **Continued revision of discount tickets**
- **Introducing new technologies (self-driving, etc.)**
- **Establishing mobility services deeply rooted in local communities (MaaS, transition to BRT for Hitahikosan Line)**

- This fiscal year we plan to reduce costs by ¥20.0 billion, principally through urgent control measures and variable cost reductions implemented with safety as the major precondition. As of the end of the third quarter, we have steadily reduced costs by ¥14.5 billion.

- Of this amount, reduction due to Business Process Re-Engineering (BPR) totaled ¥2.4 billion. We are promoting efforts to achieve our goal of reducing fixed costs by ¥14.0 billion at an early stage, while also looking into reducing costs beyond this target.

- In the future, we will endeavor to establish a sustainable transportation network. This effort includes advancing DX further and introducing new technologies.

- We also believe that developing human resources is crucial, as they are the foundation for the efforts described above. Therefore, we are actively promoting such initiatives as strategic seconding outside the Group, with a focus on leveraging the knowledge/skills of employees after they return.

- Please turn to the next slide.

Strengthening Mobility Services Through MaaS

To create mobility demand and build sustainable public transportation networks, we are strengthening cooperation with regional transportation companies, etc., and expanding/enhancing initiatives in each region in Kyushu.

Status of MaaS initiatives

Strengthening cooperation among companies
- Cooperation with Nishi-Nippon Railroad Co., Ltd. and other regional transportation companies
- Cooperation with local tourism associations, commercial facilities, tourism facilities, and other businesses

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
【Initiatives】
Saga area: Providing new secondary modes of transportation and reducing excessive dependence on individual cars by expanding the introduction of Toyota car sharing stations to locations near Saga Station and Hizen-Hama Station.

Advancing DX
Shifting to ticketless service using digital tickets on "my route"
【my route】
MaaS app provided by the Toyota Group

【initiatives】
Tenjin/Hakata area: Selling digital tickets in sets that include passenger tickets and shopping coupons that can be used at 18 commercial facilities in the area
Yufuin area: Selling digital tickets in sets that include Yufuin-Oita-Beppu excursion tickets and coupons that can be used at area tourism facilities, stores, etc.

- We believe that mobility as a service (MaaS) will play a major role in the establishment of sustainable mobility services.

- The Group's MaaS initiatives started in Kitakyushu in May 2019, and have been expanding in each region of Kyushu. Going forward, we will continue to strengthen cooperation with other transportation companies, local tourism associations, local governments, tourist facilities, and other businesses with the aim of further expanding and enhancing our efforts in each region of Kyushu.

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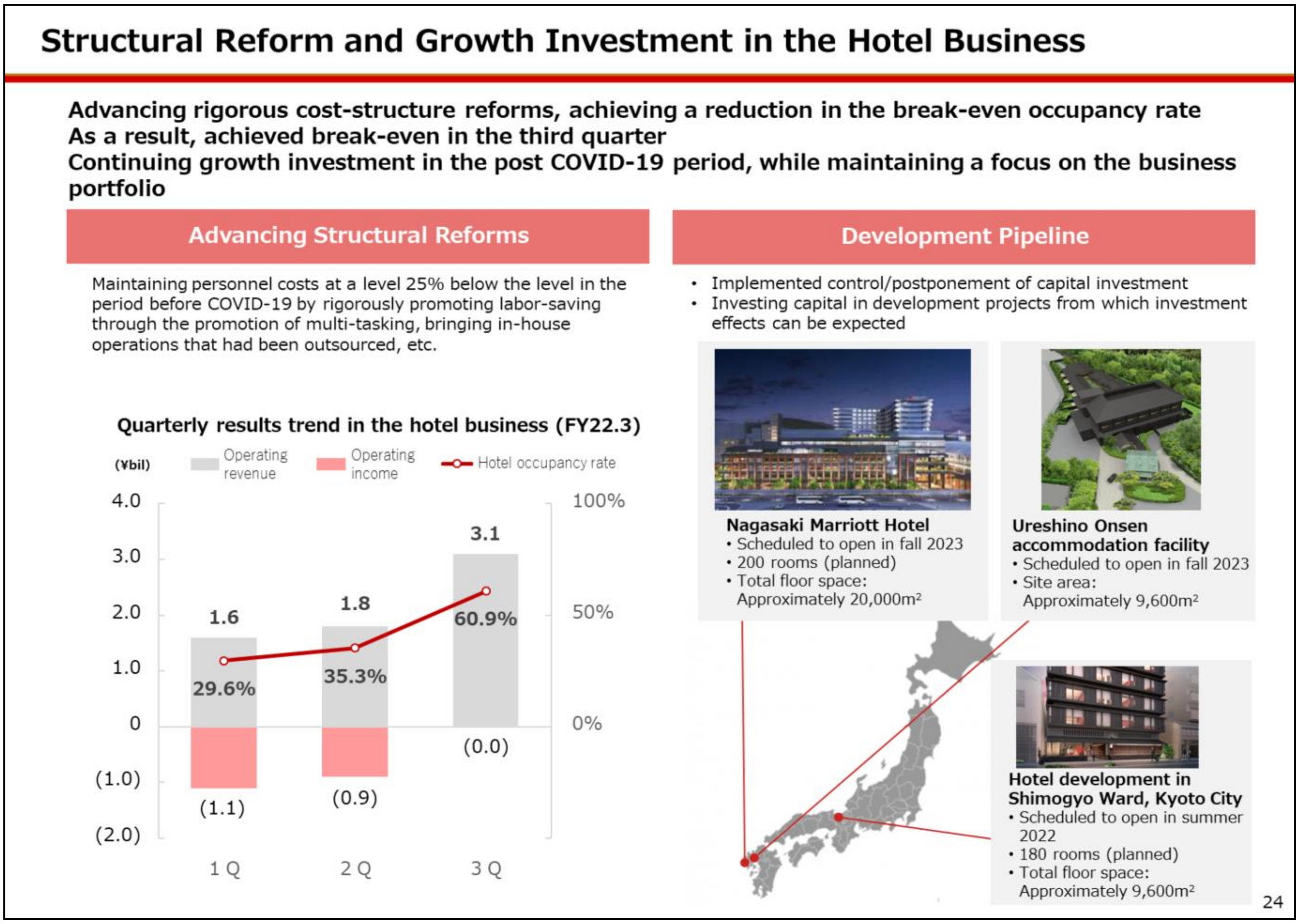

- We have also implemented structural reforms in the hotel business, such promoting multi-tasking and bringing operations that had been previously outsourced in-house. As a result of these reforms, we achieved break-even in the third quarter.

- With the re-spread of COVID-19, the current situation remains severe. However, we intend to continue with through cost reduction efforts while making a certain level of growth investments with our eyes focused on the post COVID-19 period.

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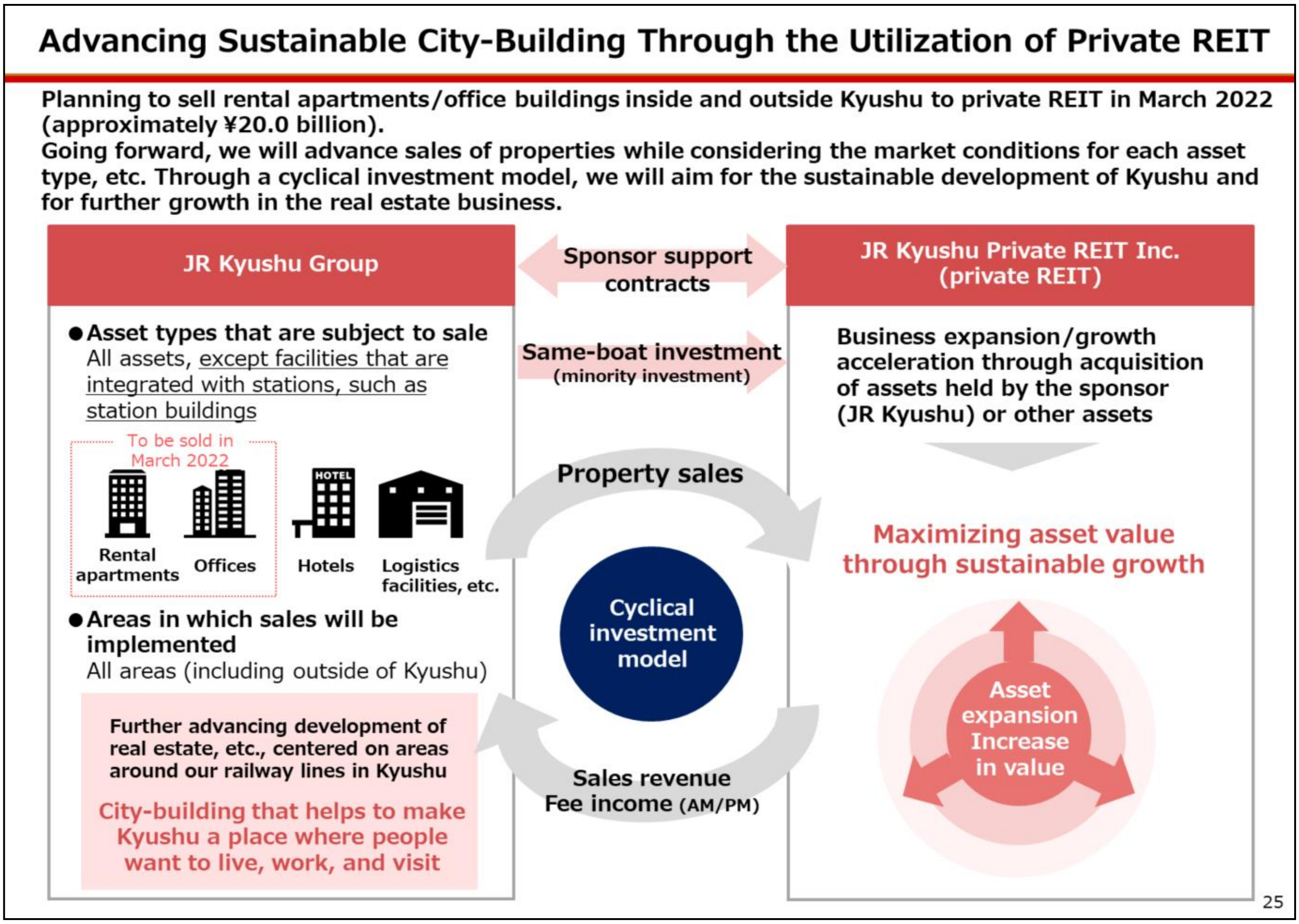

- I will discuss advancing sustainable city-building initiatives that utilize a private REIT.

- In March 2022 we plan to sell Company-owned rental apartment properties and office properties in Kyushu and other regions to a private REIT that was established in December 2021. We anticipate sales revenue of ¥20 billion.

- We will promote a cyclical investment model that involves looking at the market conditions of each asset type, then promoting property sales, then reinvesting sales revenue and fee income mainly into Kyushu.

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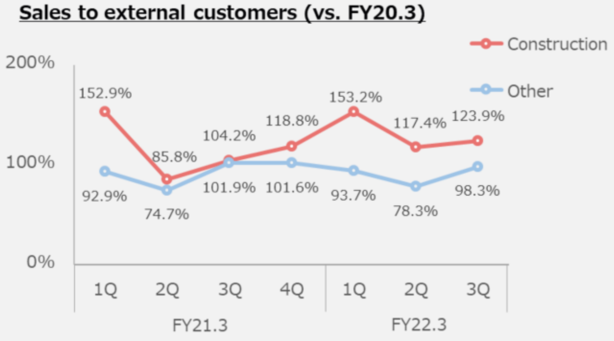
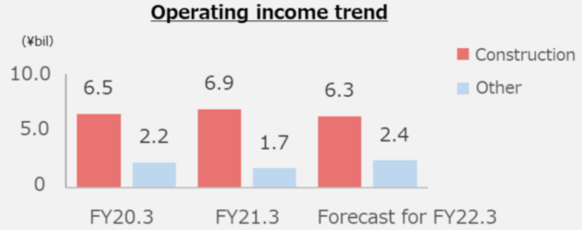
Strengthening Business Portfolio

Necessary to build a business portfolio that does not depend excessively on the flow of people to stations
B-to-B businesses recording solid results even during COVID-19 pandemic





- **Solid sales to external customers in the Construction and Other segments (principally B-to-B businesses), even during COVID-19 pandemic**
- **Expect to be able to secure FY22.3 operating income in a stable manner**

Group B-to-B businesses recording solid results

(Example) Caterpillar Kyushu (became a consolidated subsidiary in October 2017)

キャタピラー九州 CAT

- Stable growth in market
- High level of brand strength
- Sustainable, strong business model

×

JR Kyushu Group

- Sales network expansion, cross-selling with other Group companies, etc.
- Conversion of profit structure through cost management
- Dispatch of abundant management personnel

Considering entry into businesses that do not depend on the flow of people and have high growth potential, including B-to-B, while considering business characteristics, market growth potential, and synergies with the Group.

- Finally, I will explain the strengthening of our business portfolio.

- One important issue for the Group is strengthening its resistance to volatility caused by pandemics or other reasons by establishing a portfolio that does not depend excessively on the flow of people to stations.

- B-to-B businesses maintained solid results even during COVID-19 pandemic. For example, Caterpillar Kyushu, which was made a subsidiary in October 2017, has been performing well, thanks to its high level of brand strength and its sustainable and strong business model combined with the Group’s strengths, which include the Group’s sales network and the dispatch of its abundant management resources.

- Based on this example, we will considering entry into businesses that do not depend on the flow of people and have high growth potential while considering business characteristics, market growth potential, and synergies with the Group.

- 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/