

# **FY23.3**

# **Semi-Annual Investors Meeting**

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November 2, 2022

**KYUSHU RAILWAY COMPANY**

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# Highlights

## Financial results for the first six months of FY23.3

## Full-year performance forecasts and dividend forecasts for FY23.3

## Status of segments

## Progress on the three key strategies of the medium-term business plan

- The number of COVID-19 infections around Japan trended toward record levels, particularly in July and August. However, the impact on our business revenue was limited, compared with previous surges in COVID-19.
- Due to a gradual recovery in demand since September, the contribution of cost reductions and other factors, centered on the railway business, consolidated operating revenues increased and profits at all levels rose year on year.
- We revised our consolidated performance outlook, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains).
  - Operating revenues, operating income, ordinary income, EBITDA: Unchanged from figures announced on August 2
  - Net income attributable to owners of the parent: Revised upward ¥24.5 billion→¥26.6 billion
- Our dividend forecast remained unchanged, at annual dividends per share of ¥93 (year-end dividend only).
- Despite a temporary decline in revenues due to the spread of the infection, the railway business has been on the path to recovery since late September.
- Performance in the hotel business was problematic in Q2, but in 2H we anticipate a recovery in demand following the start of the nationwide travel support program and the easing of protection measures.
- In real estate lease and sales, performance was generally solid. In 2H, we anticipate the sale of properties to a private REIT.
- The effects of BPR (Business Process Re-engineering) in the railway business are steadily showing results. We launched a new project to create the “future of railways.”
- The opening of the Nishi-Kyushu Shinkansen on September 23 triggered city-building in the western Kyushu area. In addition, we promoted initiatives in the Fukuoka area, which continues to grow.
- We are taking part in three M&A projects with a view to expanding the BtoB business areas.

# **I Financial Results for the First Six-Months of FY23.3**

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# Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2022

	(¥bil)		
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY
Operating revenue	141.6	170.1	28.5 120.2%
Operating income	(4.0)	11.1	15.2 -
Ordinary income	(1.0)	11.8	12.9 -
Extraordinary gains and losses	(0.9)	1.9	2.9 -
Net income attributable to owners of the parent	(2.0)	12.0	14.0 -
EBITDA※	8.8	25.2	16.4 286.0%

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

The same applies hereafter

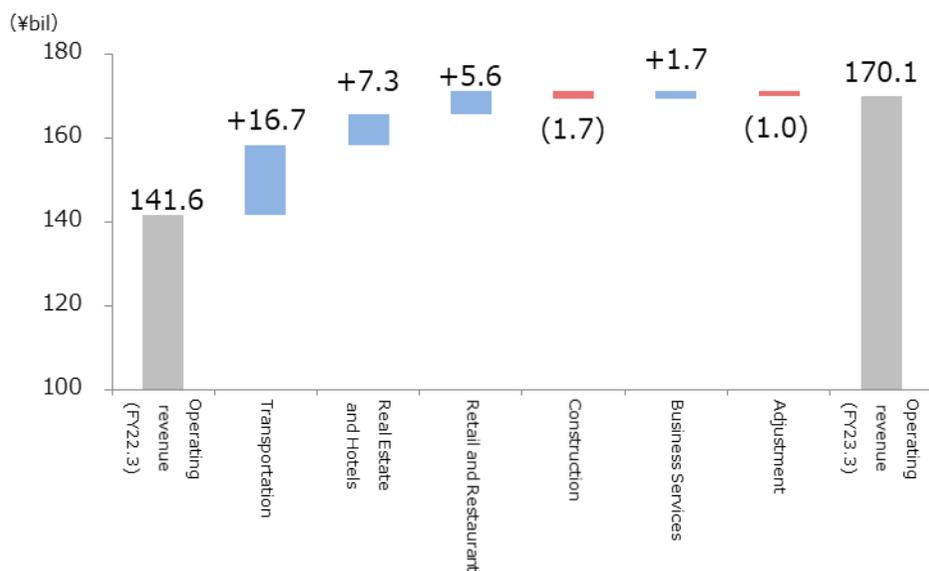
## Operating revenue

Although COVID-19 continued to affect performance, revenue increased thanks to a modest recovery in demand from the railway business and various other businesses, as well as from the sale of a property held by the Company to a third party.

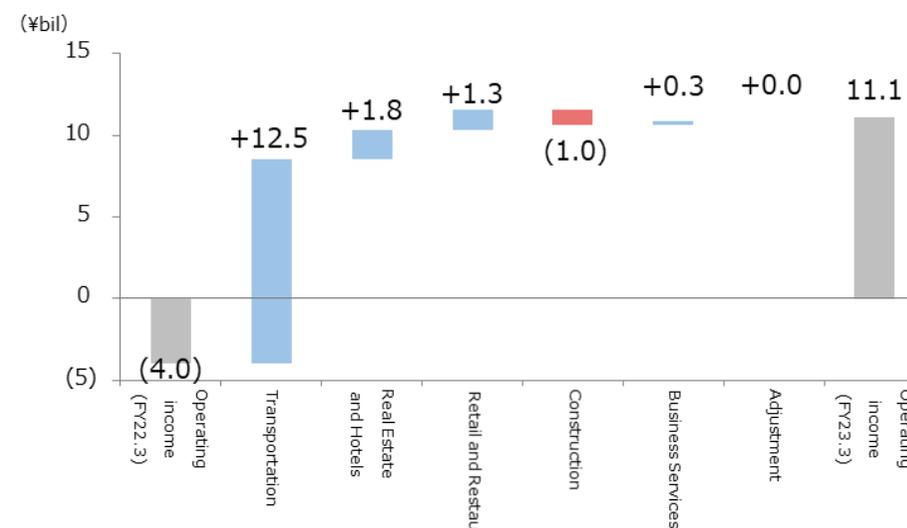
## Operating income

Operating income increased due to higher operating revenue and the effect of reducing fixed costs in the railway business, among other factors. (Moving into the black in Q2 for the first time since FY20.3)

## Change in operating revenue by segment\*



## Change in operating income by segment\*



\* New segment categorization

# Results for the First Six Months of FY23.3 (by segment)

## (Shown According to New Segments)

(¥bil)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY		Major factors
<b>Operating revenue</b>	141.6	170.1	28.5	120.2%	
<b>Transportation</b>	46.7	63.4	16.7	135.8%	
<b>Railway Business (non-consolidated)</b>	46.2	62.8	16.5	135.9%	Increase due to moderate recovery in demand
<b>Real Estate and Hotels</b>	45.2	52.6	7.3	116.3%	
<b>Real Estate Lease</b>	28.5	30.3	1.7	106.2%	
<b>Real Estate Sales</b>	13.1	15.4	2.3	117.6%	Increase from the sale of a property, decrease in revenue from sales of condominiums
<b>Hotel Business</b>	3.5	6.8	3.2	192.8%	Increase due to moderate recovery in demand
<b>Retail and Restaurant</b>	19.6	25.2	5.6	128.6%	Increase due to moderate recovery in demand
<b>Construction</b>	37.3	35.5	(1.7)	95.3%	Decrease in construction related to the Nishi-Kyushu Shinkansen
<b>Business Services</b>	32.4	34.1	1.7	105.3%	
<b>Operating income</b>	(4.0)	11.1	15.2	-	
<b>Transportation</b>	(12.2)	0.3	12.5	-	
<b>Railway Business (non-consolidated)</b>	(11.6)	0.8	12.4	-	
<b>Real Estate and Hotels</b>	6.6	8.4	1.8	127.7%	
<b>Real Estate Lease</b>	7.3	7.4	0.1	101.5%	
<b>Real Estate Sales</b>	1.4	1.3	(0.1)	91.6%	
<b>Hotel Business</b>	(2.1)	(0.2)	1.8	-	
<b>Retail and Restaurant</b>	(1.1)	0.2	1.3	-	
<b>Construction</b>	1.1	0.1	(1.0)	14.2%	
<b>Business Services</b>	1.5	1.9	0.3	126.1%	
<b>EBITDA</b>	8.8	25.2	16.4	286.0%	
<b>Transportation</b>	(8.0)	5.3	13.4	-	
<b>Railway Business (non-consolidated)</b>	(7.8)	5.7	13.5	-	
<b>Real Estate and Hotels</b>	13.6	15.4	1.7	113.1%	
<b>Real Estate Lease</b>	13.2	13.2	0.0	100.3%	
<b>Real Estate Sales</b>	1.4	1.3	(0.1)	91.6%	
<b>Hotel Business</b>	(1.0)	0.8	1.8	-	
<b>Retail and Restaurant</b>	(0.5)	0.8	1.4	-	
<b>Construction</b>	1.6	0.6	(0.9)	41.4%	
<b>Business Services</b>	2.3	3.0	0.7	129.7%	

# Results for the First Six Months of FY23.3 (non-consolidated)

(¥bil)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY		Major factors
<b>Operating revenue</b>	74.7	94.2	19.5	126.1%	
<b>Railway transportation revenues</b>	39.8	55.4	15.5	138.9%	Increase due to moderate recovery in demand
<b>Shinkansen</b>	11.3	18.7	7.4	165.5%	
<b>Conventional Lines</b>	28.5	36.6	8.0	128.3%	
<b>Other revenue</b>	34.8	38.8	4.0	111.5%	Increase due to the sale of a property, decrease in revenue from sales of condominiums
<b>Operating expense</b>	77.6	85.1	7.5	109.7%	
<b>Personnel expense</b>	20.6	19.8	(0.8)	95.8%	
<b>Non-personnel expense</b>	42.8	50.4	7.6	117.8%	
<b>Energy cost</b>	4.1	4.9	0.8	120.3%	Unit price increase due to soaring resource prices
<b>Maintenance cost</b>	10.8	11.8	1.0	109.4%	Increase in system modification costs related to the Nishi-Kyushu Shinkansen
<b>Other</b>	27.8	33.6	5.7	120.6%	Rise in cost of sales due to sale of a property, decline in cost of sales due to lower revenue from sales of condominiums
<b>Taxes</b>	6.2	6.2	0.0	100.8%	
<b>Depreciation cost</b>	7.8	8.6	0.7	109.3%	
<b>Operating income</b>	(2.8)	9.0	11.9	-	
<b>Non-operating income and expense</b>	3.0	4.0	0.9	131.9%	Increase in dividend income
<b>Ordinary income</b>	0.1	13.1	12.9	-	
<b>Extraordinary gain and losses</b>	(0.8)	2.2	3.0	-	Increase due to a gain on the sales of Huis Ten Bosch shares
<b>Net income</b>	(0.2)	14.3	14.6	-	

Results by business (non-consolidated) (included in above table)

(¥bil)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
<b>Railway business</b>				
<b>Operating revenue</b>	46.2	62.8	16.5	135.9%
<b>Operating income</b>	(11.6)	0.8	12.4	-
<b>Related businesses</b>				
<b>Operating revenue</b>	28.4	31.4	2.9	110.3%
<b>Operating income</b>	8.7	8.2	(0.4)	94.5%

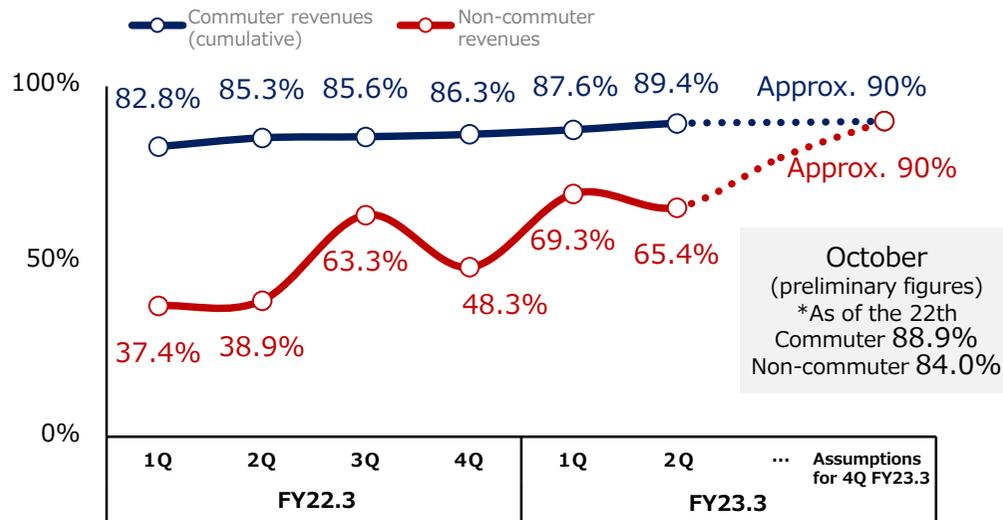
## **II Full-Year Performance Forecasts and Dividend Forecasts for FY23.3**

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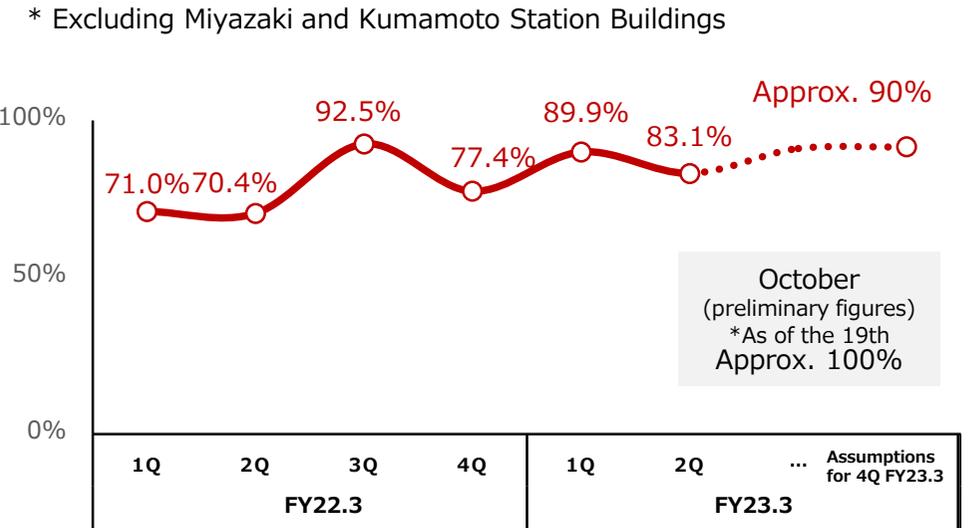
# Performance Forecasts for FY23.3: Current Conditions and Revenues Expectations in Major Businesses

- We continue to anticipate a gradual recovery in mobility demand and personal consumption due to the combination of efforts to suppress infections and consumer activity.
- While performance in all businesses was sluggish in Q2 due to the impact of the COVID-19 infection spreading from July, from late September to the present the number of infections has declined and nationwide travel support program was introduced, leading to a recovery trend.

## Railway Business | Handling revenues from railway transportation (vs. FY19.3)

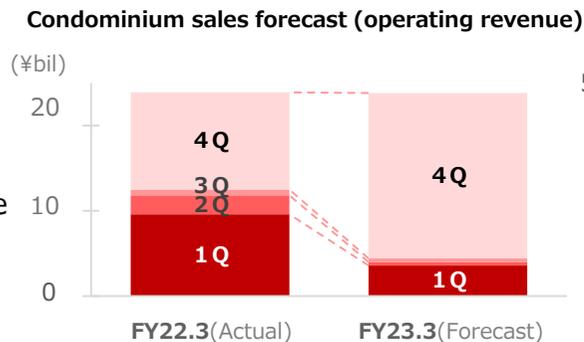


## Real Estate Leasing Business | Station building\* tenant sales (vs. FY19.3)

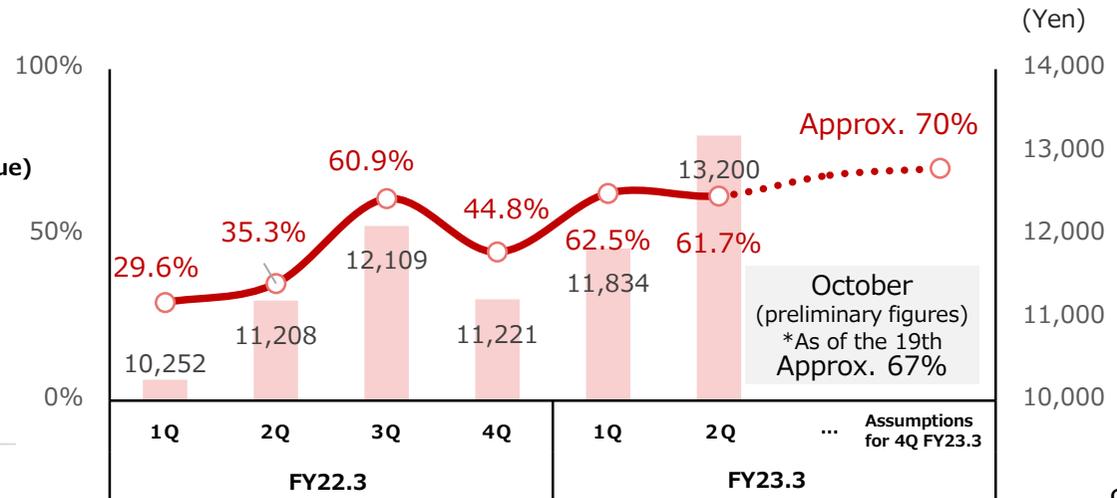


## Real Estate Sales Business

- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.
- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of rental apartments and other properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.



## Hotel business | Occupancy rate and ADR



# Consolidated Financial Forecast Highlights for FY23.3

	(¥bil)			
	Results FY22.3	Forecasts FY23.3	YoY	
Operating revenue	329.5	381.4	51.8	115.7%
Operating income	3.9	29.0	25.0	735.2%
Ordinary income	9.2	30.0	20.7	324.8%
Net income attributable to owners of the parent	13.2	26.6	13.3	200.7%
EBITDA	30.7	58.2	27.4	189.1%

## Operating revenue

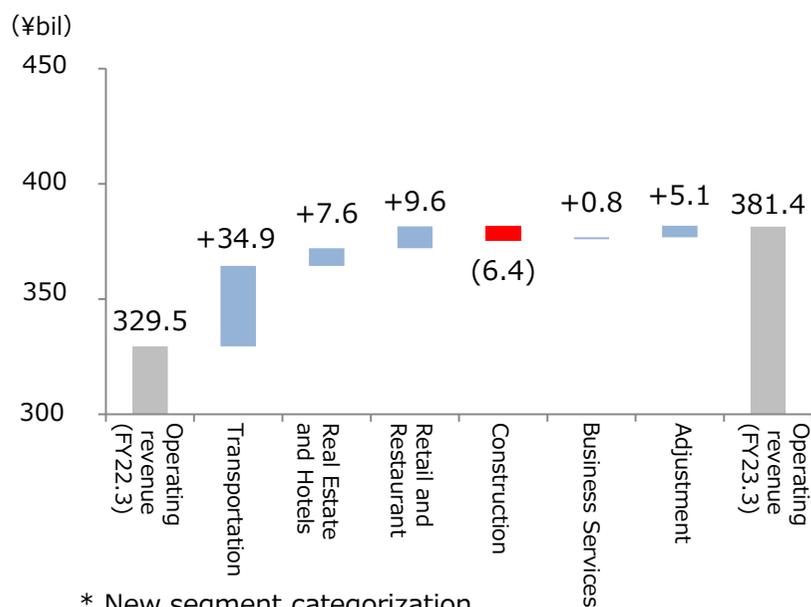
Despite the impact of COVID-19 and a downturn in the sale of properties, we expect operating revenues to increase due to gradual demand recovery in each segment and other factors.

## Operating income

We anticipate an increase in operating income due to the impact of higher operating revenues and expect to achieve a ¥14.0 billion/year reduction in fixed costs, despite an increase in depreciation costs and a rise in expenses associated with the conclusion of Shinkansen special measures (between Hakata and Shin-Yatsushiro).

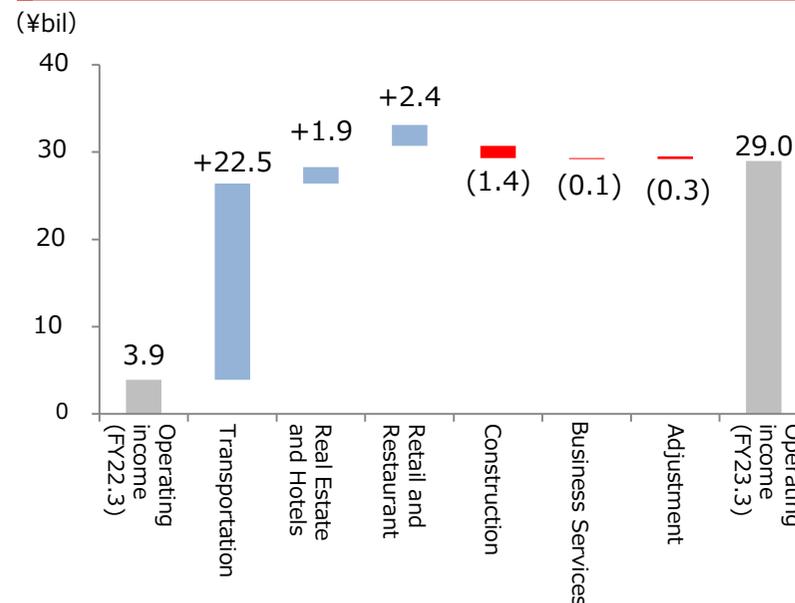
Revised upward, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains) in addition to the original forecast of ¥24.5 billion (which was announced August 2, 2022)

## Change in operating revenue by segment\*



\* New segment categorization

## Change in operating income by segment\*



# Consolidated Financial Forecasts for FY23.3 (by segment)

## (Shown According to New Segments)

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY	Major factors
<b>Operating revenue</b>	329.5	381.4	51.8	115.7%
<b>Transportation</b>	104.2	139.2	34.9	133.5% Increase due to moderate recovery in demand in railway business
<b>Railway Business (non-consolidated)</b>	102.9	136.9	33.9	133.0%
<b>Real Estate and Hotels</b>	113.7	121.4	7.6	106.8%
<b>Real Estate Lease</b>	58.5	61.6	3.0	105.2% Increase in revenues from leases due to moderate recovery in demand
<b>Real Estate Sales</b>	46.1	43.2	(2.9)	93.5% Decrease in the sale of properties
<b>Hotel Business</b>	8.9	16.6	7.6	184.6% Increase in the number of guests due to a moderate recovery in demand
<b>Retail and Restaurant</b>	43.6	53.3	9.6	122.1% Increase due to a moderate recovery in demand and Nurubon's full-year contribution to results
<b>Construction</b>	92.9	86.5	(6.4)	93.1% Decrease in construction related to the Nishi-Kyushu Shinkansen
<b>Business Services</b>	69.5	70.4	0.8	101.3%
<b>Operating income</b>	3.9	29.0	25.0	735.2%
<b>Transportation</b>	(22.7)	(0.2)	22.5	-
<b>Railway Business (non-consolidated)</b>	(22.0)	0.1	22.1	-
<b>Real Estate and Hotels</b>	18.0	20.0	1.9	111.0%
<b>Real Estate Lease</b>	14.7	13.9	(0.8)	94.2%
<b>Real Estate Sales</b>	6.2	5.4	(0.8)	86.7%
<b>Hotel Business</b>	(2.9)	0.7	3.6	-
<b>Retail and Restaurant</b>	(1.2)	1.2	2.4	-
<b>Construction</b>	7.0	5.6	(1.4)	79.4%
<b>Business Services</b>	3.3	3.2	(0.1)	95.9%
<b>EBITDA</b>	30.7	58.2	27.4	189.1%
<b>Transportation</b>	(14.1)	10.3	24.4	-
<b>Railway Business (non-consolidated)</b>	(13.7)	10.4	24.1	-
<b>Real Estate and Hotels</b>	31.9	34.2	2.2	107.0%
<b>Real Estate Lease</b>	26.5	25.8	(0.7)	97.3%
<b>Real Estate Sales</b>	6.2	5.4	(0.8)	86.4%
<b>Hotel Business</b>	(0.7)	3.0	3.7	-
<b>Retail and Restaurant</b>	0.0	2.5	2.4	-
<b>Construction</b>	8.0	6.7	(1.3)	83.2%
<b>Business Services</b>	5.7	5.6	(0.1)	98.0%

# Non-consolidated Financial Forecasts for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY		Major factors
Operating revenue	179.9	210.5	30.5	117.0%	
Railway transportation revenues	89.3	122.6	33.2	137.2%	Increase due to moderate recovery in demand
Shinkansen	27.4	43.8	16.3	159.5%	
Conventional Lines	61.9	78.8	16.8	127.3%	
Other revenue	90.6	87.9	(2.7)	97.0%	
Operating expense	181.3	192.3	10.9	106.1%	
Personnel expense	40.8	40.8	(0.0)	100.0%	
Non-personnel expense	113.2	121.2	7.9	107.0%	
Energy cost	8.6	10.1	1.4	116.4%	Unit price increases due to sharply higher crude oil prices
Maintenance cost	30.0	30.4	0.3	101.2%	
Other	74.5	80.7	6.1	108.3%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	12.2	0.8	107.6%	
Depreciation cost	15.9	18.1	2.1	113.6%	
Operating income	(1.3)	18.2	19.5	-	
Non-operating income and expense	3.5	4.5	0.9	125.7%	
Ordinary income	2.2	22.7	20.4	-	
Extraordinary gain and losses	(2.0)	2.4	4.4	-	
Net income	8.9	23.2	14.2	259.2%	

Results by business (non-consolidated) (included in above table)

		Results FY22.3	Forecasts FY23.3	YoY	
Railway business	Operating revenue	102.9	136.9	33.9	133.0%
	Operating income	(22.0)	0.1	22.1	-
Related businesses	Operating revenue	77.0	73.6	(3.4)	95.5%
	Operating income	20.7	18.1	(2.6)	87.4%

Net income forecast revised upward, taking into account a gain on sales of shares in Huis Ten Bosch (extraordinary gains) in addition to the original forecast of ¥21.1 billion (which was announced August 2, 2022)

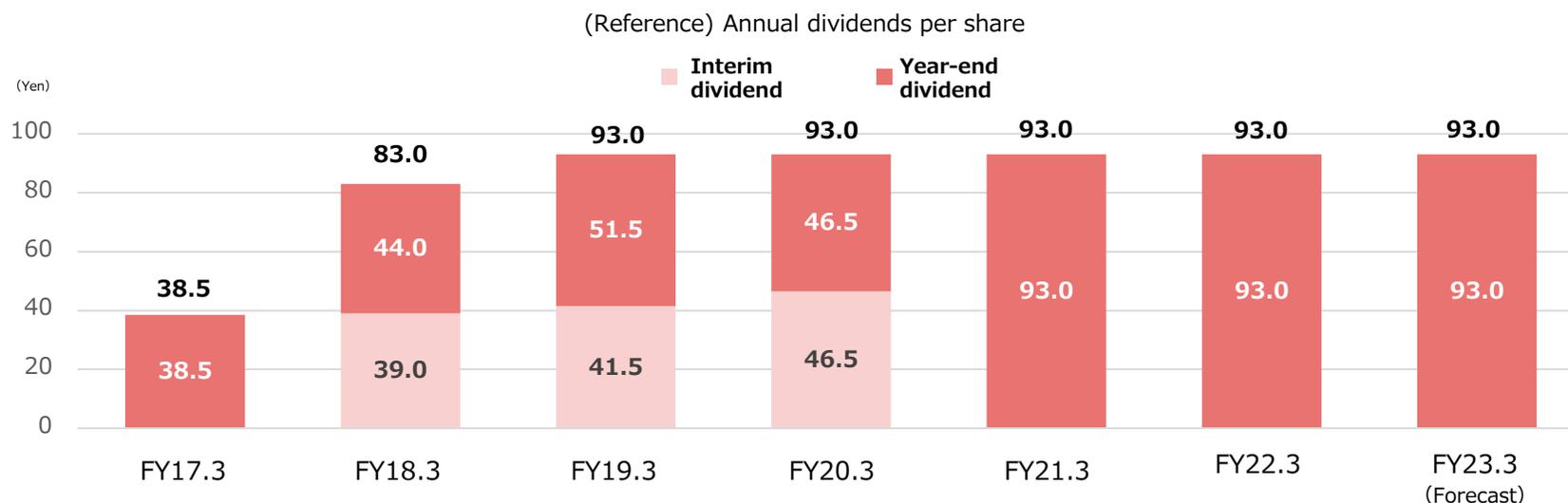
# FY23.3 dividend forecasts

## Shareholder return policy

- JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY25.3, we will **aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0.** We will **flexibly implement share repurchases as necessary.**

## FY23.3 dividend forecasts

- We are forecasting continued extremely severe results for FY23.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY23.3 is ¥93.0 per share.**
- In FY23.3 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.



Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	110.3%	54.9%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	110.3%	54.9%

\* Implementation of a share repurchase (¥10 billion)

## **III Status of Segments**

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# Transportation Segment

- The pace of recovery slowed in Q2, due to a surge in the number of COVID-19 infections. At present, however, a decrease in the number of infections and the introduction of the nationwide travel support program is prompting a recovery mainly in revenues from medium-to-long-distance travel.
- BPR in the railway business was favorable, and we expect to reduce fixed costs for the full year by ¥14.0 billion.

## 【Results】

			¥bil	
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Operating revenue	46.7	63.4	16.7	135.8%
Railway Business (non-consolidated)	46.2	62.8	16.5	135.9%
Railway transportation revenues	39.8	55.4	15.5	138.9%
Operating income	(12.2)	0.3	12.5	-
Railway Business (non-consolidated)	(11.6)	0.8	12.4	-
EBITDA	(8.0)	5.3	13.4	-
Railway Business (non-consolidated)	(7.8)	5.7	13.5	-

## 【Forecasts】

			¥bil	
	Results FY22.3	Forecasts FY23.3	YoY	
Operating revenue	104.2	139.2	34.9	133.5%
Railway Business (non-consolidated)	102.9	136.9	33.9	133.0%
Railway transportation revenues	89.3	122.6	33.2	137.2%
Operating income	(22.7)	(0.2)	22.5	-
Railway Business (non-consolidated)	(22.0)	0.1	22.1	-
EBITDA	(14.1)	10.3	24.4	-
Railway Business (non-consolidated)	(13.7)	10.4	24.1	-

## Assumptions behind performance forecasts

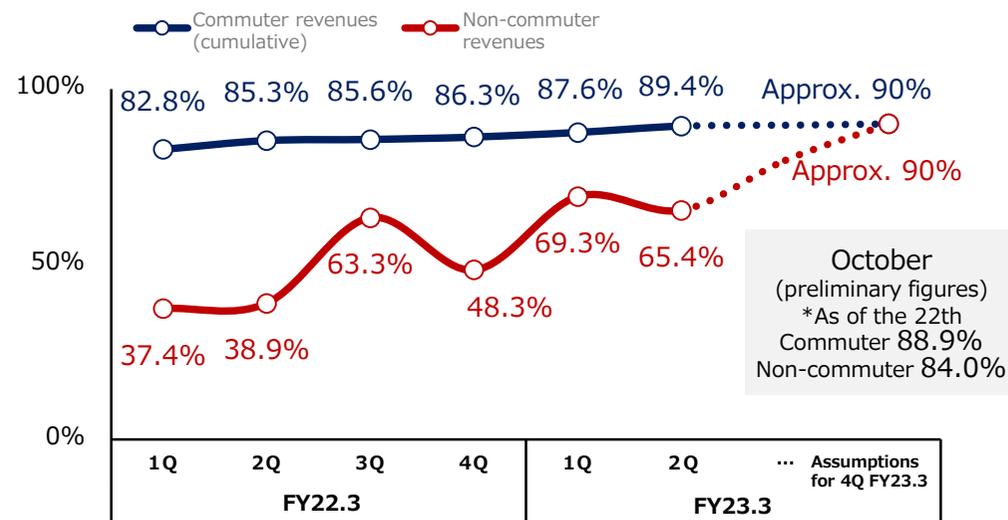
- Our performance forecasts for FY23.3 anticipate increased revenues due to the opening of the Nishi-Kyushu Shinkansen (September 2022).
- In Q4 FY23.3, we expect commuter revenues (cumulative) and non-commuter revenues to recover to around 90% of FY19.3 levels.
- We expect to achieve ¥14.0 billion in fixed cost reductions and ¥4.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.

## TOPIC

A decision was reached to recommence service on the Japan–South Korea route (Fukuoka–Busan), which has been suspended since March 9, 2020, on weekends only from November 4, 2022.



## Railway Business | Handling revenues from railway transportation (vs. FY19.3)



# Railway business (transportation data)

## Railway Transportation Revenues

(¥bil)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY		Major factors
<b>Total</b>	39.8	55.4	15.5	138.9%	
<b>Commuter pass</b>	14.2	14.8	0.6	104.2%	
<b>Non-commuter pass</b>	25.6	40.5	14.9	158.2%	
<b>Cargo</b>	0.0	0.0	0.0	186.1%	
<b>Shinkansen</b>	11.3	18.7	7.4	165.5%	
<b>Commuter pass</b>	1.2	1.3	0.0	105.7%	Increase due to gradual recovery in demand
<b>Non-commuter pass</b>	10.0	17.3	7.3	173.0%	
<b>Conventional Lines</b>	28.5	36.6	8.0	128.3%	
<b>Commuter pass</b>	12.9	13.5	0.5	104.1%	Increase due to gradual recovery in demand
<b>Non-commuter pass</b>	15.5	23.1	7.5	148.6%	

## Passenger-Kilometers

(Millions of passenger-kilometer)

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
<b>Total</b>	2,952	3,613	660	122.4%
<b>Commuter pass</b>	1,900	1,976	76	104.0%
<b>Non-commuter pass</b>	1,052	1,636	584	155.5%
<b>Shinkansen</b>	425	672	247	158.3%
<b>Commuter pass</b>	92	100	8	108.7%
<b>Non-commuter pass</b>	333	572	239	172.0%
<b>Conventional Lines</b>	2,527	2,940	413	116.3%
<b>Commuter pass</b>	1,808	1,876	68	103.8%
<b>Non-commuter pass</b>	719	1,063	344	147.9%

# Real Estate and Hotels Segment: Real estate leasing business

- As in the railway business, the pace of recovery in station building tenant sales slowed in Q2 but are now trending toward recovery.
- In office buildings and rental apartments, performance was affected by such factors as the sale of properties to a private REIT and other buyers since FY22.3. However, performance remained robust, with no major changes to vacancy rates at currently owned properties.

## 【Results】

	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Operating revenue	28.5	30.3	1.7	106.2%
Operating income	7.3	7.4	0.1	101.5%
EBITDA	13.2	13.2	0.0	100.3%

(¥bil)

## 【Forecasts】

	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	58.5	61.6	3.0	105.2%
Operating income	14.7	13.9	(0.8)	94.2%
EBITDA	26.5	25.8	(0.7)	97.3%

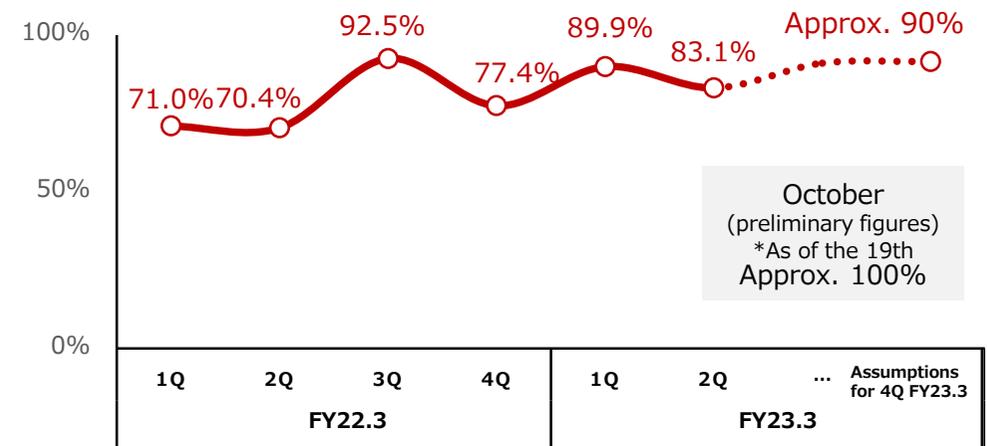
(¥bil)

## Assumptions behind performance forecasts

- In Q4 FY23.3, we expect tenant sales at five station buildings to recover to around 90% of FY19.3 levels.
- In office buildings and rental apartments, we anticipate solid performance, with no sign of major changes in vacancy rates at existing properties.
- Despite a decline in rents stemming from the sale of properties, we expect higher earnings from station buildings and other items.

## Station building\* tenant sales (vs. FY19.3)

\* Excluding Miyazaki and Kumamoto Station Buildings



# Real Estate and Hotels Segment: Real estate sales business

- Revenues rose year on year in Q2, due to the sale of an office building (Shinkawa East Building). However, income decreased as a result of lower sales of condominiums and other factors. (Full-year operating revenues are expected to be flat year on year.)
- We are making steady progress on contracts for condominium sales, which on a full-year basis are expected to be on a par with the previous year. However, revenues and income are forecast to be down year on year, reflecting a large property sale to a private REIT in the previous fiscal year.

## 【Results】

			(¥bil)	
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Operating revenue	13.1	15.4	2.3	117.6%
Operating income	1.4	1.3	(0.1)	91.6%
EBITDA	1.4	1.3	(0.1)	91.6%

## 【Forecasts】

			(¥bil)	
	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	46.1	43.2	(2.9)	93.5%
Operating income	6.2	5.4	(0.8)	86.7%
EBITDA	6.2	5.4	(0.8)	86.4%

## Assumptions behind performance forecasts

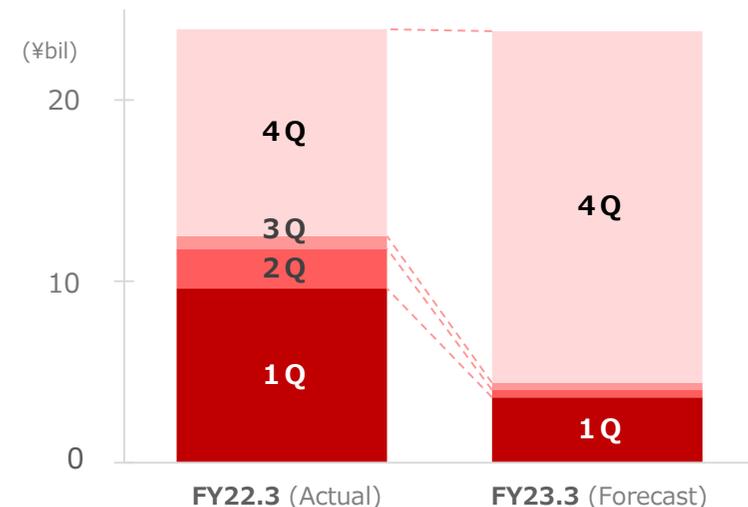
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.
- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of rental apartments and other properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.

### Shinkawa East Building



Date of acquisition : January 2019  
 Location: Chuo-ku, Tokyo  
 Structure: 14 aboveground floors, 1 belowground floor  
 Date of construction: August 1990  
 Floor space: Approx. 10,289㎡  
 Lot area: Approx. 1,249㎡

### Condominium sales forecast (operating revenue)



# Real Estate and Hotels Segment: Hotel business

- Conditions remained problematic in Q2, owing to an increase in COVID-19 infections, but as the result of thorough revenue management and other factors, the company posted ADR in the ¥13,000 level for the first time since Q3 of FY21.3, when the GoTo travel business was in operation.
- Although operations may be limited as a result of labor shortages, we will promote efforts to maximize earnings in light of the nationwide travel support program launched in October and increased demand due to the easing of protection measures.

## 【Results】

	(¥bil)			
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	
Operating revenue	3.5	6.8	3.2	192.8%
Operating income	(2.1)	(0.2)	1.8	-
EBITDA	(1.0)	0.8	1.8	-

## 【Forecasts】

	(¥bil)			
	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	8.9	16.6	7.6	184.6%
Operating income	(2.9)	0.7	3.6	-
EBITDA	(0.7)	3.0	3.7	-

## Assumptions behind performance forecasts

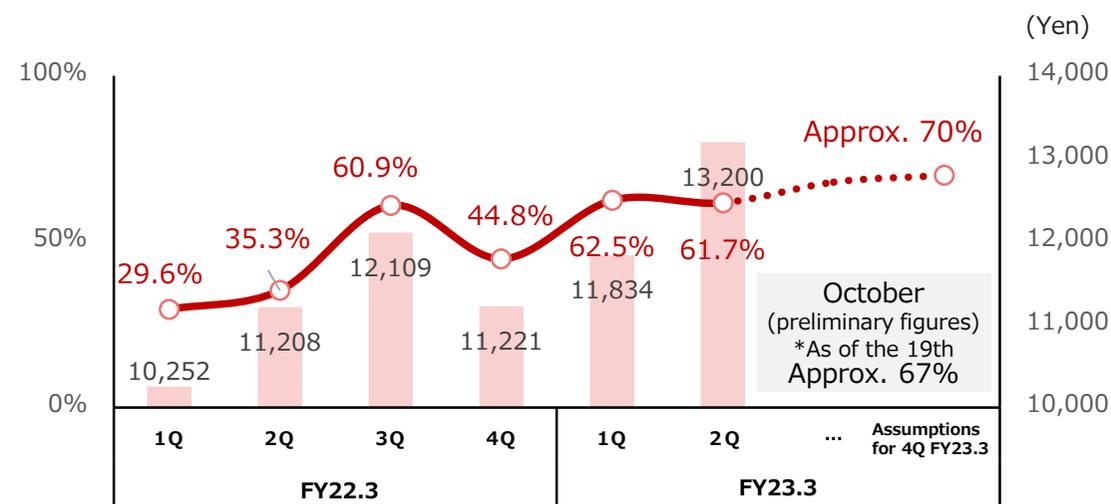
- THE BLOSSOM KYOTO was opened on 26th August
- In Q4 FY23.3, we expect occupancy rates to recover to around 70%.

### THE BLOSSOM KYOTO



Date of open: 26th August, 2022  
 Location: Shimogyo-ku, Kyoto City  
 Guest rooms: 180  
 Floor space : Approx. 9,600m<sup>2</sup>

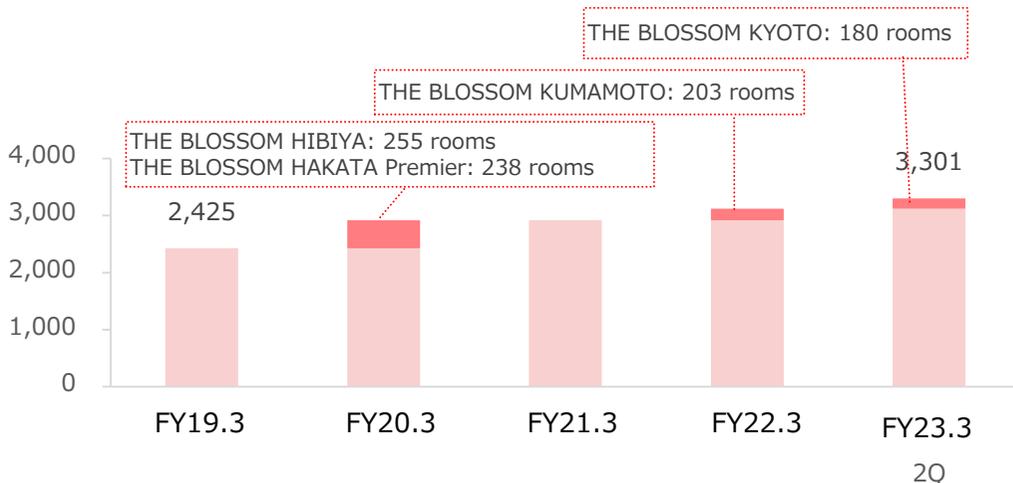
## Hotel business | Occupancy rate and ADR



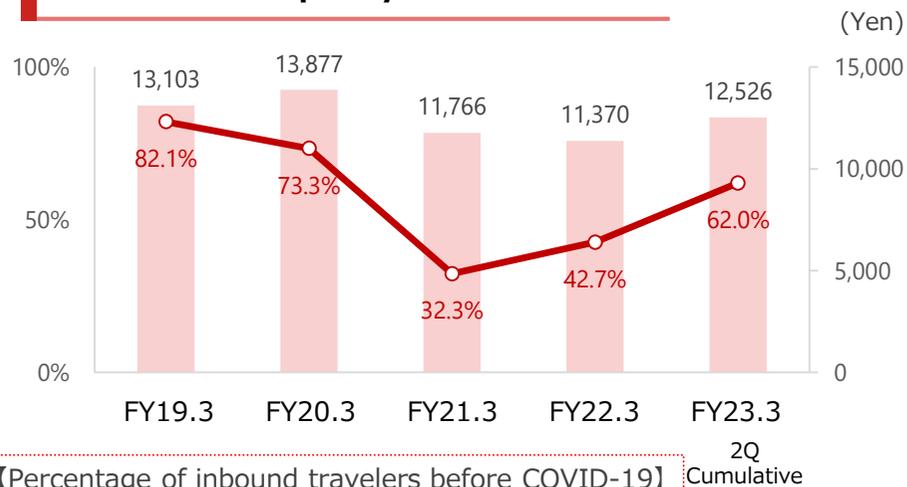
# Real Estate and Hotels Segment: Hotel business

- The total number of hotel rooms in Japan was up by around 880 rooms (approximately 36%) from FY19.3 due to the opening of a high-end brand, THE BLOSSOM series.

## Changes in total number of hotel rooms in Japan



## Trends in occupancy rate and ADR



[Percentage of inbound travelers before COVID-19]  
(As a percentage of total room sales)  
**Approximately 20%**

## Future development plans

### Nagasaki Marriott Hotel



- Opening date: Early 2024 (revised from fall 2023)
- Rooms: 200 (forecast)

The first Marriott hotel in Kyushu, in collaboration with Marriott International

### URESHINO YADOYA

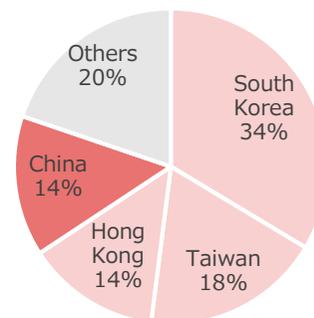


- Opening date: Fall 2023
- Rooms: 36

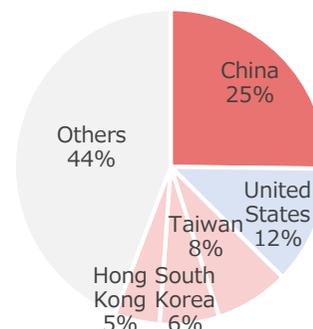
A Japanese-style inn based on the concept of "hot spring" and "tea," two major attractions of Ureshino, which is along the Nishi-Kyushu Shinkansen line

## <Reference> Ratios, by nationality, of foreign overnight guests (2019)

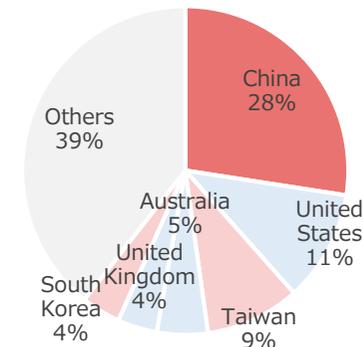
### Seven Kyushu prefectures



### Tokyo



### Kyoto



Source: Edited by JR Kyushu based on "Japan Tourism Statistics," Japan National Tourist Organization (JNTO)

# **IV Progress on the Three Key Strategies of the Medium-Term Business Plan**

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# JR Kyushu Group Medium-Term Business Plan 2022-2024

## Three key strategies of the medium-term business plan

Robustly promoting three key strategies during the stage for returning the Company to a growth track

### Completing business structural reforms

**Key strategy ①**

Railway business	Stabilizing profitability
Hotel business	Increasing competitiveness of existing hotels
Retail and Restaurant business	Increasing the competitiveness of brands and of stores/restaurants
Construction business	Implementing transition in primary focus from inside the Group to outside

### Key strategies for the realization of the long-term vision

**Key strategy ②**

**Creating a model for building cities that promote well-being**

**Key strategy ③**

**Developing businesses in new areas in which we can contribute**

**Developing human resources for the implementation and realization of strategies**

**Building foundations for advancing strategies on a Groupwide basis**

## 2030 Long-Term Vision

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

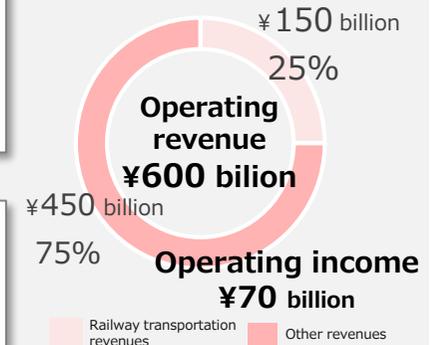
**Policy ①**

Implementing city-building initiatives for the realization of well-being, with consideration for changes in values

**Policy ②**

Expanding areas we work in that contribute to the sustainable development of Kyushu

FY31.3 (numerical targets)



## Numerical targets, etc. (FY25.3)

### [Consolidated]

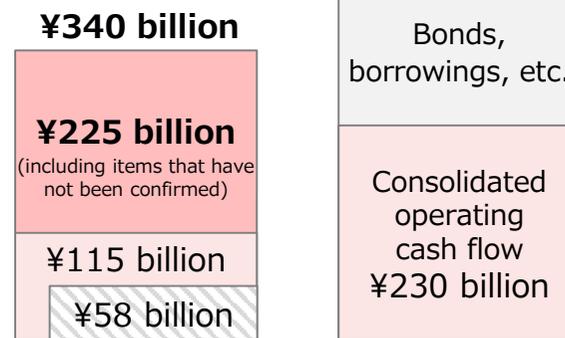
Operating revenue **¥440 billion**    Operating income **¥57 billion**  
 EBITDA **¥94 billion**    ROE [reference] **More than 8%**

### [By segment\*]

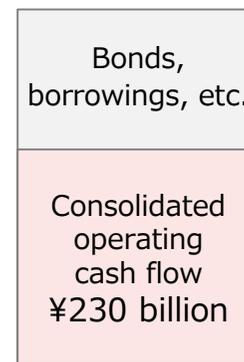
(¥bil)

Segment name	Operating revenue	Operating income
Transportation	<b>163</b>	<b>17</b>
Real Estate and Hotels	<b>133</b>	<b>27</b>
Retail and Restaurant	<b>65</b>	<b>3</b>
Construction	<b>95</b>	<b>7</b>
Business Services	<b>80</b>	<b>4</b>

### [Cumulative investment planned for 2022–2024]



Investment plan    (Reference) Fund-raising (plan)



### Financial soundness indicators (end-FY25.3)

D/EBITDA    Approx. **5 times**  
 Capital adequacy ratio    Approx. **40%**

■ : Growth investment (including M&A)  
 ■ : Maintenance and upgrade investment  
 ■ : Safety investment

### Shareholder return policy

JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY25.3, we will **aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0**. We will flexibly implement share repurchases as necessary.

\* Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

# Key strategy ① Completing business structural reforms: Reduce Costs in the Railway Business through BPR\*

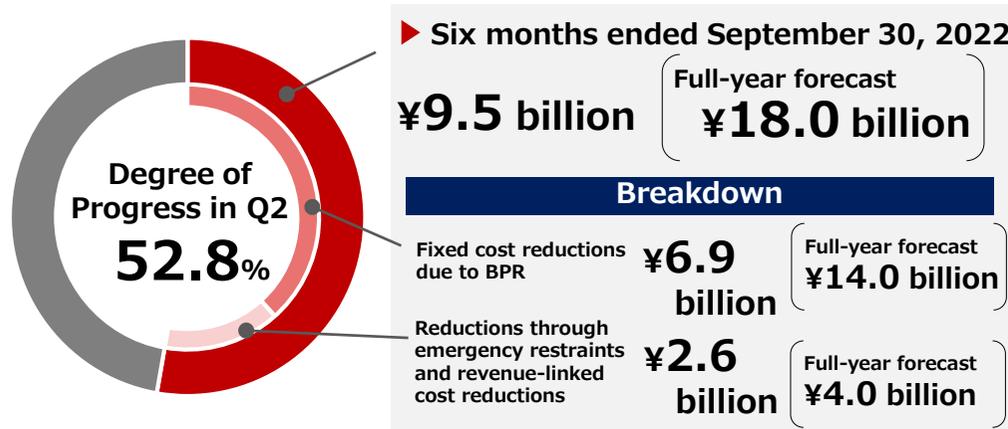
\* Business Process Re-engineering

We made further progress toward reducing fixed costs by ¥14.0 billion through BPR through fall 2022 timetable revisions and other moves.

We expect to complete the project in approximately two and a half years from startup.

## Progress on reducing costs (Q2 results)

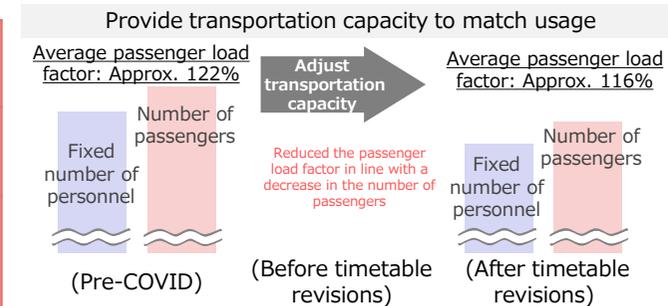
Note: Cost reductions are compared with FY20.3 and exclude extraordinary items.



## Fall 2022 timetable revisions

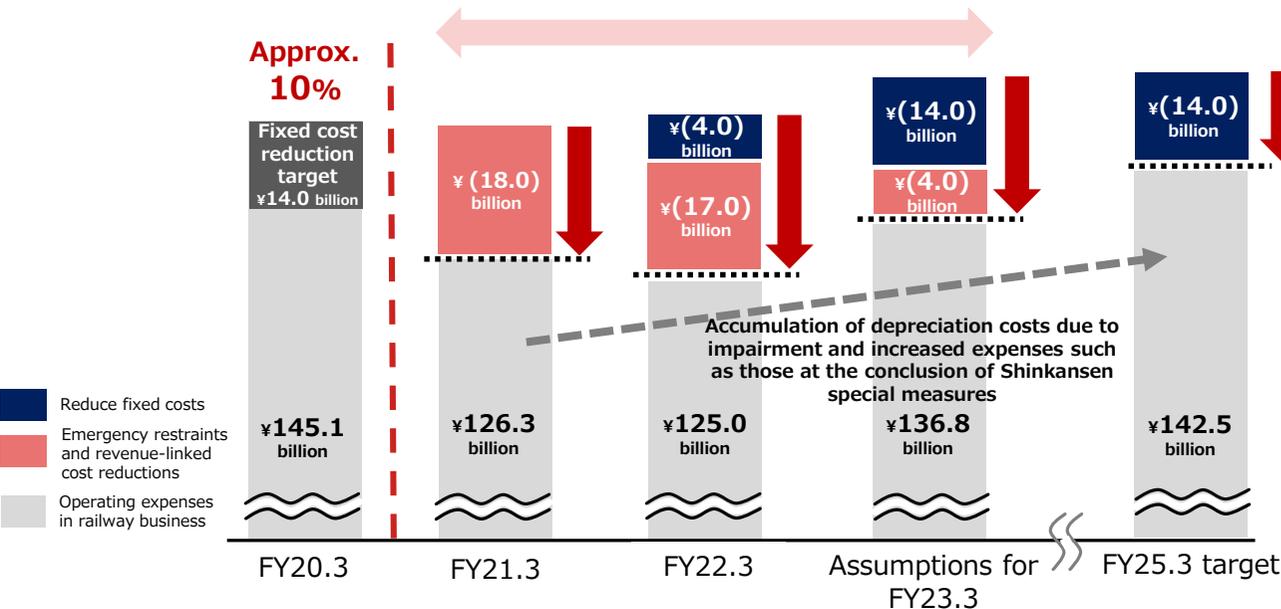
- In line with the opening of the Nishi-Kyushu Shinkansen, we configured the operating system to match passenger use.
- We revised the number of trains in the Fukuoka metro area, including during commuting times. We made renovations to ensure necessary transportation capacity by increasing boarding efficiency (using longer seats, etc.).
- After ensuring safety through the installation of train cameras, fixed platform gates, and other measures, we have increased the number of trains operated by a single conductor, expanded the number of single-person sections, and reduced the number of crew members required.

Train-kilometers	(2.3)%
Rolling stock owned	(7)%
Expected cost reductions (full year)	¥(0.8) billion



Note: The average passenger load factor is at Hakata Station during morning commuting hours (7:15–8:45).

We expect project completion to take approximately two and a half years from startup to the appearance of effects.



## Toward the realization of the 2030 Long-Term Vision

### The Future Railway Project

- Based on the railway business streamlined through BPR, we have established a new project with the aim of creating a “railway of the future” that will drive city-building in Kyushu by advancing mobility and reinforcing the capabilities of our business.
- Going beyond mere cost reductions, we will also set our sights on growth investments, promote studies by cross-organizational teams for initiatives that will reduce costs through technological innovation and lead to new income generation.

# Key strategy② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

The Nishi-Kyushu Shinkansen opened on September 23, and events were held at each station. The new D&S train, TWO STARS 4047, started operations, and we worked alongside the local residents to promote invigoration of the overall western Kyushu area.



Nishi-Kyushu Shinkansen  
"Kamome" departure ceremony

## About usage conditions and other factors

- **Situation on opening day**
  - With local residents, held events at Nishi-Kyushu Shinkansen stations to commemorate the opening
  - Even in the early morning, the passenger load factor exceeded 100% on both the incoming and outgoing routes.
  - There were major ripple effects in areas around the stations, such as a record number of visitors to the Nagasaki Station Building.
- **Usage conditions in the first month after opening**  
(usage between Takeo Onsen and Nagasaki, 9/23 to 10/22)

Total usage	Daily average	Compared with pre-COVID (Reference)	
Approx. <b>198,000 people</b>	Approx. <b>6,600 people</b>	Approx. <b>102%</b>	Kyushu Shinkansen (Hakata to Kumamoto) Approx. 77%

Note: Usage is in comparison with the Kamome express on conventional line between Isahaya and Nagasaki on the same day of 2018

The new D&S train, TWO STARS 4047



Each hospitality station bustled with locals welcoming visitors.



### Kamome Gakudan

Before the opening, various events were held, in which local residents participated, to welcome the Kamome at each Nishi-Kyushu Shinkansen station. A special movie of the day's events was aired.

<https://www.jrkyushu.co.jp/train/kamomegakudan/>

# Key strategy② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

We will seek to sustain and expand the effects of the Nishi-Kyushu Shinkansen opening through various initiatives to increase usage and enhance convenience.

## Initiatives aimed at increasing usage and enhancing convenience

- **Saga and Nagasaki destination campaigns (10/1 to 12/31/2022)**
  - The JR Group and Saga and Nagasaki prefectures hold large-scale tourism campaigns.
- **“Nishi-Kyushu Opening Shop” campaign**
  - We opened a dedicated campaign website to suggest “how to enjoy western Kyushu,” including the attractions of western Kyushu, using the entire western Kyushu area as a store.



- **Sales of various discount tickets to promote sightseeing tours**

- **Expanding the Nagasaki MaaS initiative**
  - Sales of digital admission tickets for tourist facilities and digital tickets in cooperation with other transportation operators and tourist facilities
  - Collaboration with taxi tourism plan reservation service
  - Sales of digital tickets for the Nagasaki Slow Line

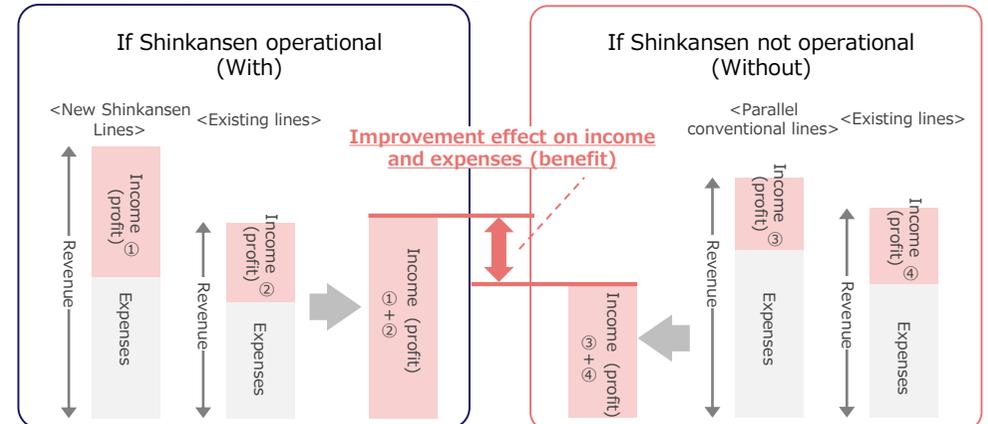


## About leasing and other fees for the Nishi-Kyushu Shinkansen

- We leases facilities from the Japan Railway Construction, Transport and Technology Agency, which owns the Shinkansen facilities, and pay certain leasing and other fees to operate the Nishi-Kyushu Shinkansen.
  - [Leasing and other fees]
  - Fixed leasing fee of ¥510 million + property tax and other equivalent and other fees
- Property tax and other equivalent fees fluctuate each year. As with the Kyushu Shinkansen, fees are paid after applying Shinkansen special measures. (See page 40.)
  - (Reference) Amount approved for construction of the Nishi-Kyushu Shinkansen: Approx. ¥619.7 billion

## Perspective on the basis for calculation leasing fees, etc. (concept)

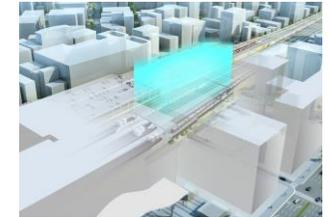
Leasing fees, etc., are based on the average benefit over the first 30 years of operation.



# Key strategy② Creating a model for building cities that promote well-being: City-Building in the Fukuoka Area

In the city of Fukuoka, where the amount and rate of population growth are the largest among ordinance-designated cities in Japan, in addition to real estate development we are promoting city-building across a wide domain, including outsourced property management business and the development and operation of outdoor facilities.

## Major projects in the Fukuoka area



	New project		New project			
Name	Acquisition of the i-PRO Building	Handling of outsourced property management for "VIORO," a commercial facility in Tenjin	Aburayama Shimin no Mori and other renewal projects Note: Joint development by nine companies, with Kyushu Railway as the representative company	Project to utilize the former site of Sunoko elementary school Note: Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company	Project for effective use of site of Fukuoka Prefecture east government building Note: Joint development by three companies, with Kyushu Railway as the representative company	Project utilizing the space above the tracks at Hakata Station
Details	Acquisition of office building	Outsourced property management of other companies' commercial facilities	Multi-faceted, experience type outdoor businesses	Multi-faceted development incorporating private retirement home, commercial facilities, etc.	Office building development (partly commercial stores)	Multi-faceted development incorporating offices, hotels, commercial facilities, squares, etc.
Opening	September 2022 (acquisition date)	November 2022 (date of contract start)	In FY24.3	January 2024	March 2024	End 2028
Lot area	Approximately 11,900㎡	—	Approximately 140ha	Approximately 8,560㎡	Approximately 2,700㎡	Approximately 5,200 ㎡
Floor space	Approximately 12,200㎡	Approximately 5,800㎡ (Leased area)	—	Approximately 27,000㎡	Approximately 22,000㎡	—

# Key strategy② Creating a model for building cities that promote well-being: Regional transportation initiatives

Since FY18.3, we have disclosed the necessary data to share the current situation with local governments and residents in the areas around our railway lines, and hold meetings with local governments to consider issues related to the utilization of train lines in order to make the railway business sustainable as regional transportation.

## Disclosure of data related to train lines

### ● Objectives

To provide more detailed information on the usage conditions of the railway business and to share the current status of the railway business with local governments and residents in areas around our railway lines

### ● Disclosed data

From FY18.3 (FY17.3 data)

- Number of passengers by station (top 300 stations, names of stations used by 100 or more people per day)
- Passenger transportation revenues by route (all routes)
- Average number of passengers by train line (all lines)

From FY21.3 (FY19.3 data)

- Income and expenditures by train line (lines with an average of 2,000 or fewer passengers per day)⇒See page 41 for details.

## Meetings to consider issues related to the utilization of train lines

### ● Objectives

To help local governments understand the current status of the lines, and to work together to develop and implement measures to utilize the lines to make them sustainable

### ● Participants

Local governments along our train lines, Ministry of Land, Infrastructure, Transport and Tourism's Kyushu District Transport Bureau, JR Kyushu

### ● Start of meetings

From 2019



Key examples of utilization measures in FY22.3



Illumination trains



Subsidies to promote use by elementary and junior high school students

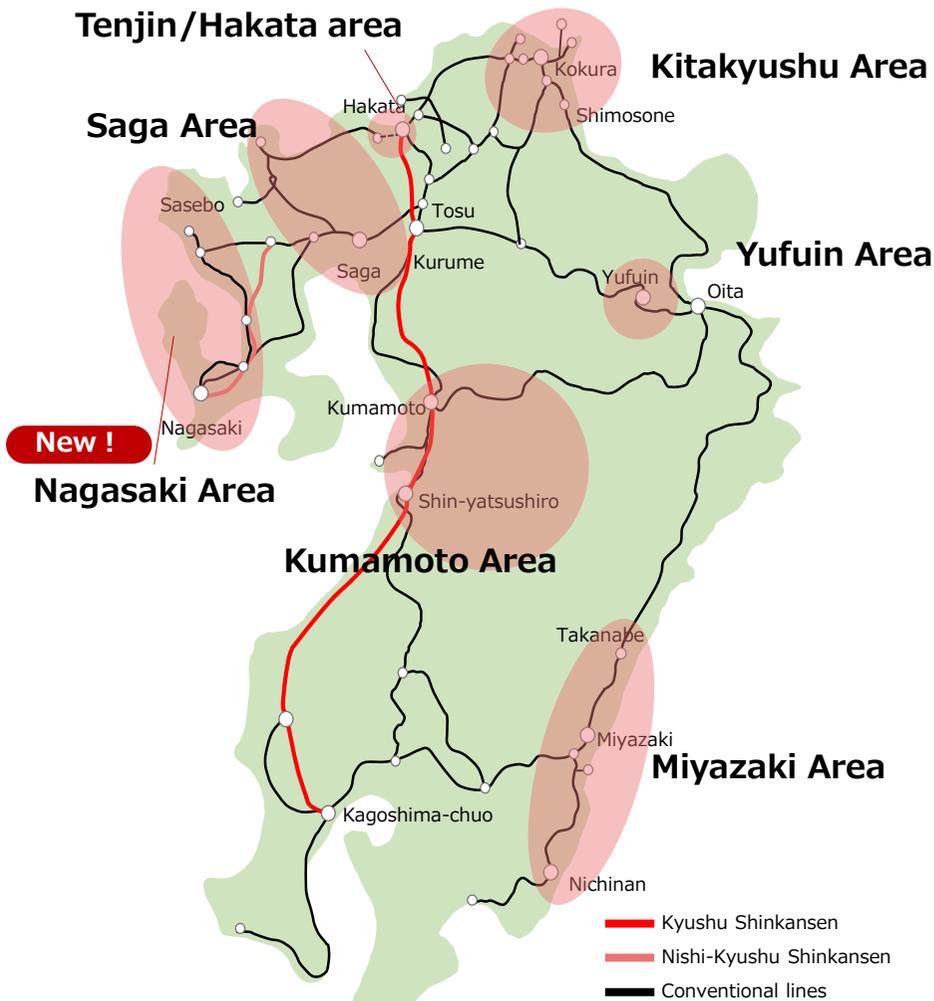


Public call for usage promotion events (Photo: Elementary school student trip along with high school students)

# Key strategy ② Creating a model for building cities that promote well-being: Promoting MaaS

Strengthen collaboration among regional transportation operators, local governments, economic organizations, and other bodies to further promote MaaS. In addition, expand and enhance initiatives throughout Kyushu.

## Status of MaaS initiatives



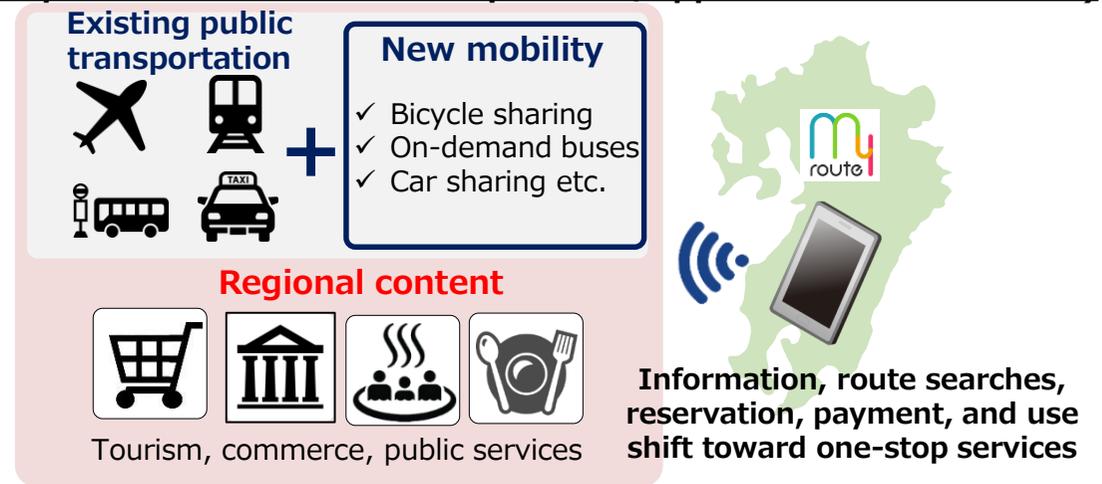
\* Area scopes are approximate illustrations.

## Future directions

- Expand MaaS initiatives throughout Kyushu, such as creating digital and seamless mobility services and providing services linked to local content, such as tourism. Promote initiatives that make local transportation more convenient and invigorate the local economy.

### Wide-area MaaS in Kyushu

(implementation of the same platform/application infrastructure)



- Make a unified regional effort to promote the implementation of MaaS throughout society in Kyushu.
- Improve convenience for local residents and visitors.
- Utilize MaaS to build a sustainable transportation network, with transportation operators working together.
- Improve convenience to tourists and competitiveness as society adapts to living with COVID-19.

### "Build a unified promotion system within Kyushu."

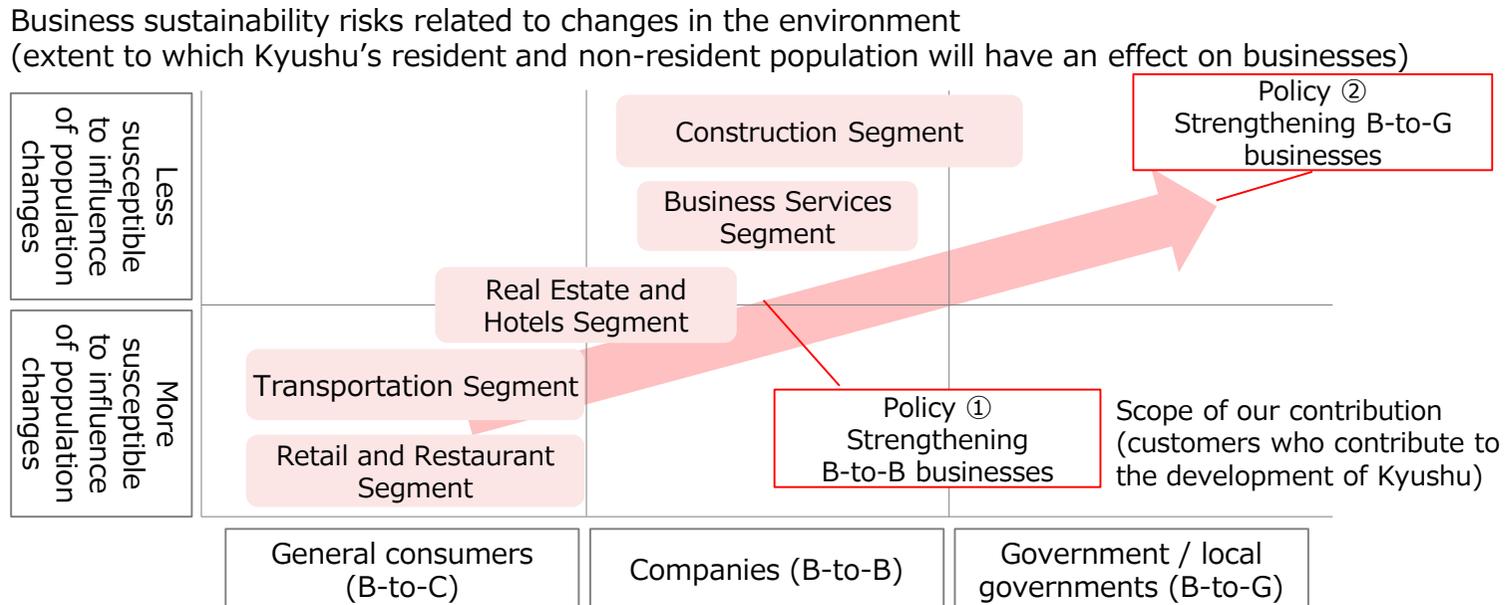
- Promote collaboration among a wide range of entities, including transportation operators, the public and private sectors, and economic organizations.
- Study the overarching design for MaaS, and promote the utilization of data.

# Key strategies ③ Developing businesses in new areas in which we can contribute: Course of action in business development

We will strengthen BtoB and BtoG businesses with an eye to expanding areas in which we can contribute and enhancing business sustainability.

## Course of action in business development

**The Group will work together to advance business development, with a focus on expanding the scope of our contribution and strengthening the sustainability of our businesses.**



### ① Strengthening B-to-B businesses

- ✓ We will strengthen B-to-B businesses, centered on the Construction Segment and Business Services Segment.
- ✓ We will aim to grow these businesses into a pillar of the Group's operations, along with B-to-C businesses, by actively strengthening M&A, expanding areas, etc.

### ② Strengthening B-to-G businesses

- ✓ Leveraging the strengths of the entire Group, which have been cultivated through multi-faceted strategies, we will search for business areas in which we can develop a competitive edge and expand our businesses.

# Key strategies ③ Developing businesses in new areas in which we can contribute: Strengthening BtoB businesses

Promote M&A with a view to expanding the BtoB business domain, which is less susceptible to the influence of population changes

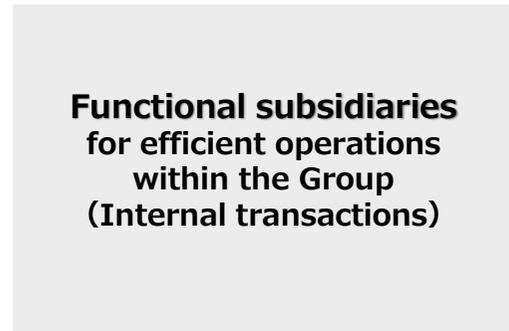
## Conceptual image of expanding the BtoB business (construction and business services segment) domain through M&A

- Based on Group strengths developed through existing businesses, expand areas that can contribute to the sustainable development of Kyushu, while being aware of synergies with the Company

Internal transactions
  External transactions

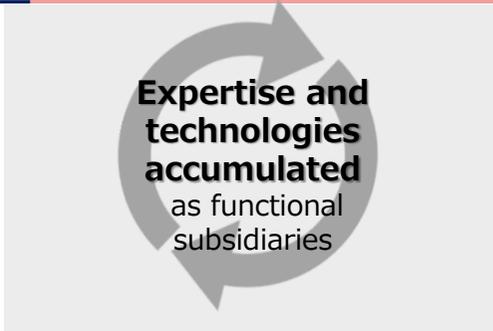
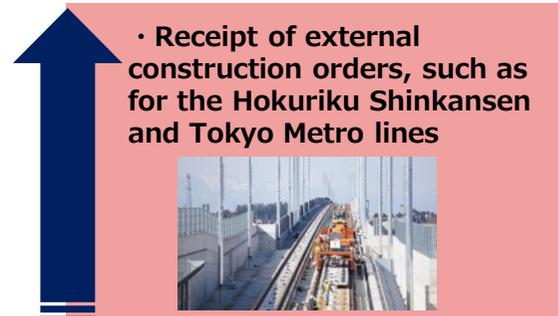
Percentage of external sales, by segment  
(calculated on the basis of former segments)

	FY17.3		FY22.3
Construction	29.4%	⇒	44.5%
Others	44.2%	⇒	57.9%

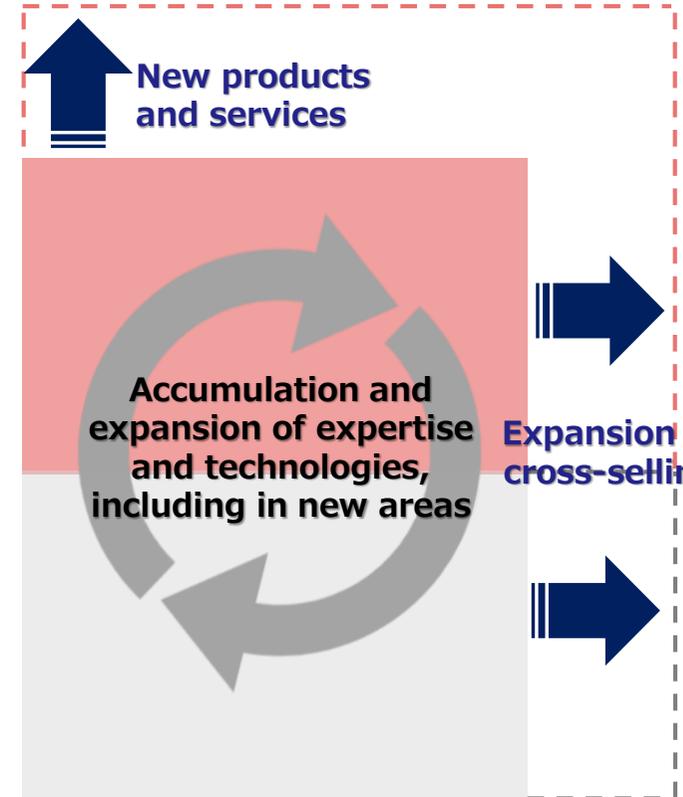


Group functional subsidiaries

Cultivate sales routes outside the Group



Increase in sales outside the Group due to expansion of sales channels



Acquire new areas of contribution and expand cross-selling through M&A

JR Kyushu Group strengths

Brand strength/  
Creditworthiness

Customer base

Railway network/  
Network

Human resources  
(technical capabilities,  
administrative  
capabilities)

Assets

Financial base

# Key strategies ③ Developing businesses in new areas in which we can contribute: M&A implementation

Acquired three companies this fiscal year, as a foothold for expanding the BtoB business area

	Construction Segment	Business Services Segment	
Purchaser	<p><b>JR Kyushu Engineering, Ltd.</b> (wholly owned Company subsidiary)</p> <p>Design, manufacture, inspection, and repair of rolling stock (Fukuoka Prefecture)</p>	<p><b>JR Kyushu System Solutions Inc.</b> (Company subsidiary)</p> <p>Development and contracted operation of information systems (Fukuoka Prefecture)</p>	<p><b>JR Kyushu Trading Co., Ltd.</b> (wholly owned Company subsidiary)</p> <p>Sales of rolling stock, construction materials, office equipment and other items, and general motor truck transportation (Fukuoka Prefecture)</p>
Companies acquired	 <p>Manufacturing and installation of architectural hardware (Kumamoto Prefecture)</p>	 <p>Contracted development and maintenance of medical and business systems (Fukuoka Prefecture)</p>	 <p>Transportation of heavy items such as precision equipment and pianos (Fukuoka Prefecture)</p>
Form	Conversion to wholly owned subsidiary through share transfer (April 15, 2022)	Conversion to wholly owned subsidiary through share transfer (June 30, 2022)	Conversion to wholly owned subsidiary through share transfer (October 12, 2022)
Objective	To reinforce the manufacturing function	To expand business in the field of medical systems	To make a full-fledged entry into the transportation business
Synergy	Cross-selling to acquired company's customers, cost reduction through in-house vehicle construction	Cross-selling to the purchasing company's customers, promotion of the acquisition of acquired company's human resources	Cross-selling to the purchasing company's customers, mutual utilization of both companies' bases

# APPENDIX

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# Balance Sheet and Cash Flow Statement

## Balance Sheet

(¥bil)

	Results FY22.3	6 months ended September, 30 2022	YoY	Major factors
<b>Total Assets</b>	951.9	938.8	(13.1)	
<b>Cash and time deposits</b>	39.7	31.6	(8.1)	
<b>Securities</b>	39.0	18.0	(21.0)	
<b>Property, plant and equipment</b>	575.3	602.9	27.6	Increase due to new production of rolling stock for the Shinkansen
<b>Railway business assets</b>	109.2	131.7	22.5	
<b>Interest-bearing debt</b>	323.1	334.2	11.1	Increase in long-term loans
<b>Net assets</b>	389.0	389.9	0.9	
<b>Capital and paid-in capital</b>	241.8	241.8	(0.0)	
<b>Retained earnings</b>	147.9	145.3	(2.6)	
<b>Equity ratio</b>	40.8%	41.4%		

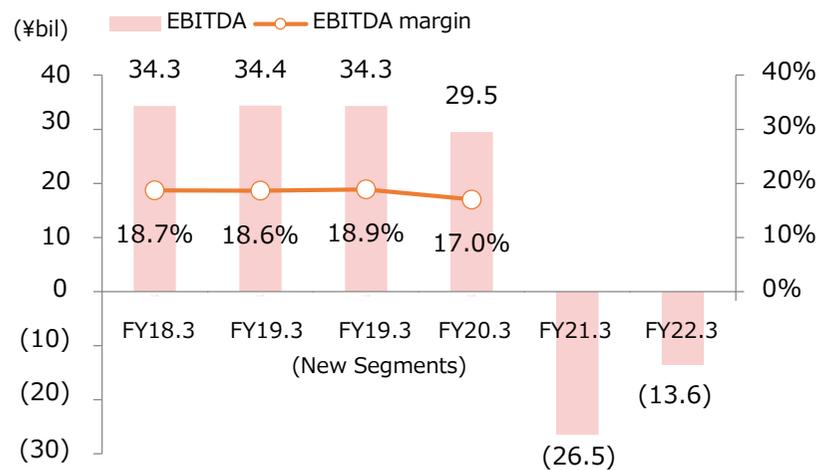
## Cash Flow Statement

(¥bil)

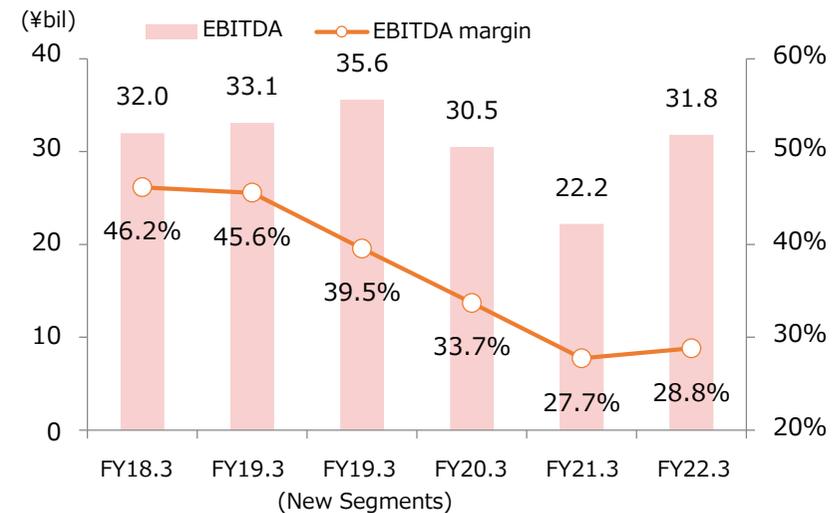
	6 months ended September, 30 2021	6 months ended September, 30 2022	YoY	Major factors
<b>Cash flows from operating activities</b>	21.6	26.7	5.1	Increase in income before income taxes
<b>Depreciation expense</b>	13.9	15.1	1.2	
<b>Cash flows from investing activities</b>	(52.0)	(49.6)	2.3	Decrease in purchases of fixed assets
<b>Capital expenditures</b>	(59.5)	(55.6)	3.8	
<b>Free cash flow</b>	(30.3)	(22.8)	7.4	
<b>Cash flows from financing activities</b>	5.9	(6.3)	(12.2)	Increase in payments due to the redemption of commercial paper
<b>Cash and cash equivalents</b>	40.8	49.6	8.7	

# EBITDA by Segment

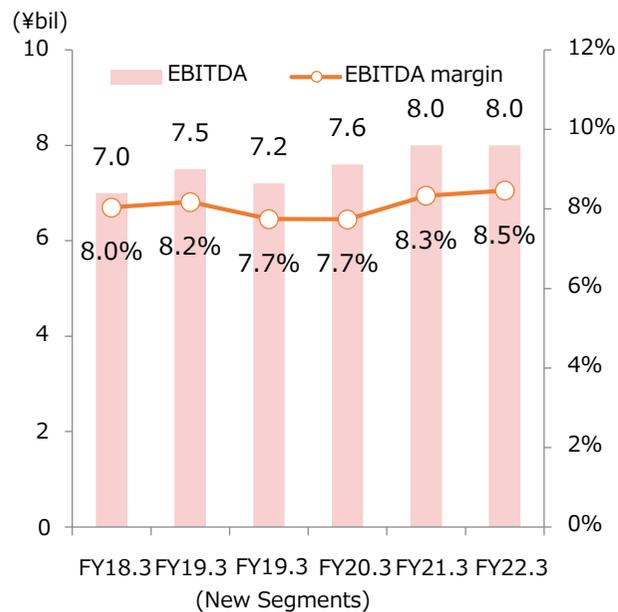
## Transportation



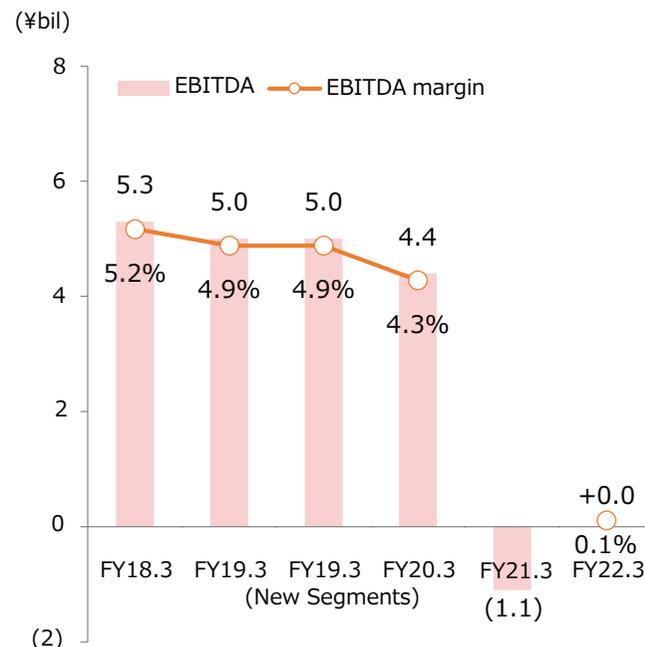
## Real Estate and Hotels



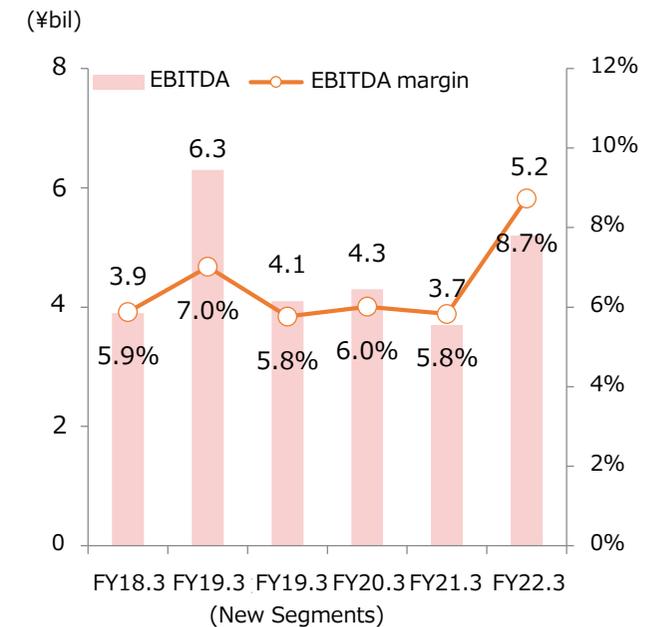
## Construction



## Retail and Restaurant



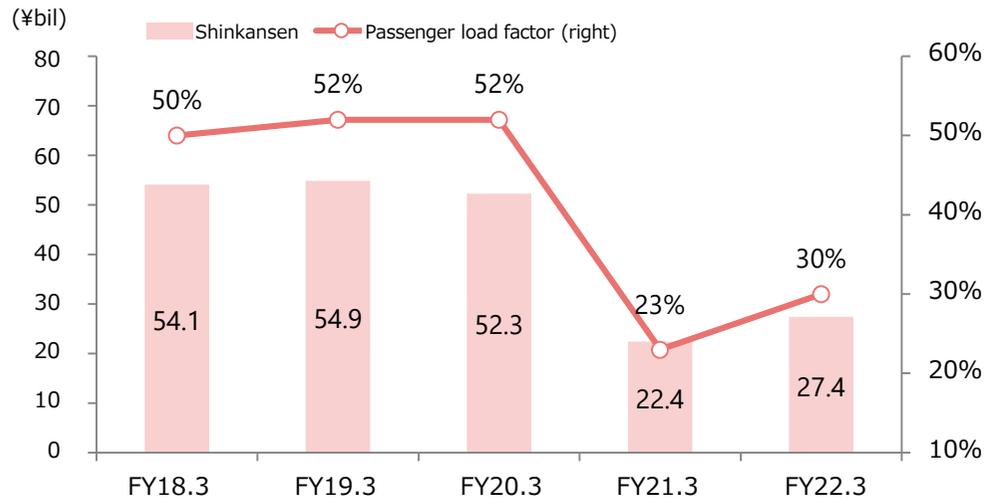
## Other



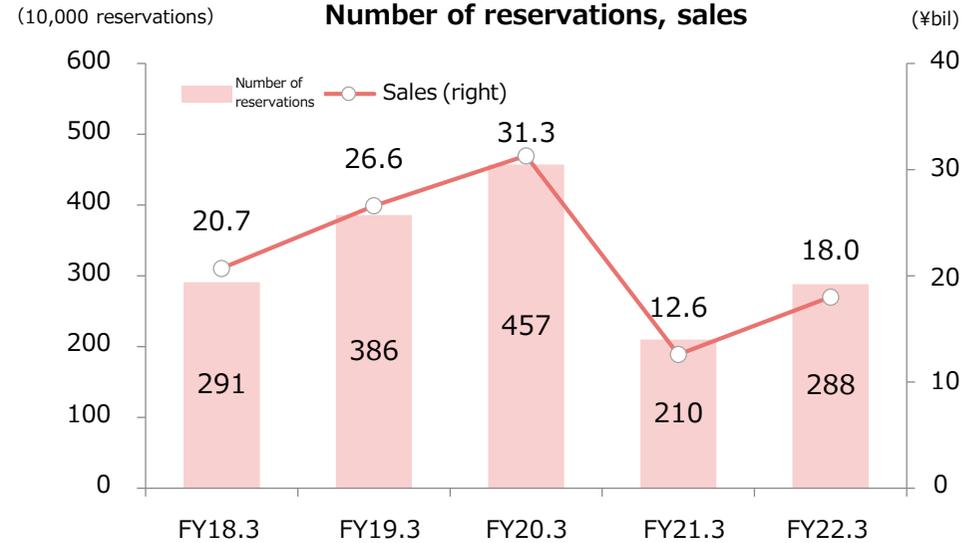
\* Figures by segment are prior to eliminating intersegment transactions.

# Trends in the Railway Business

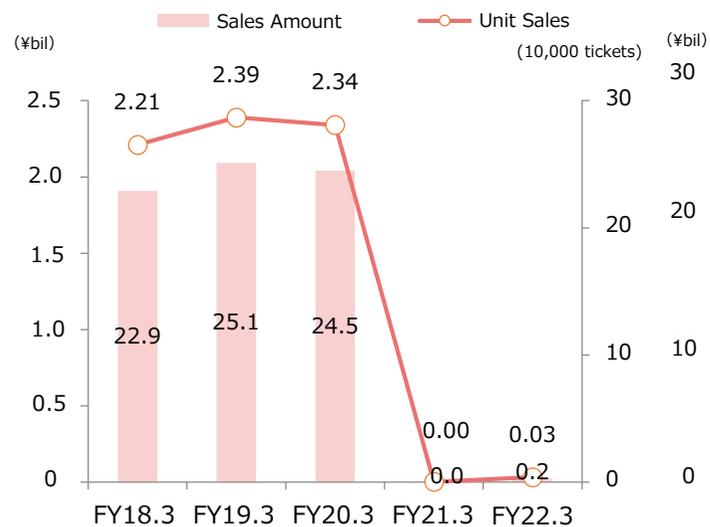
**Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)**



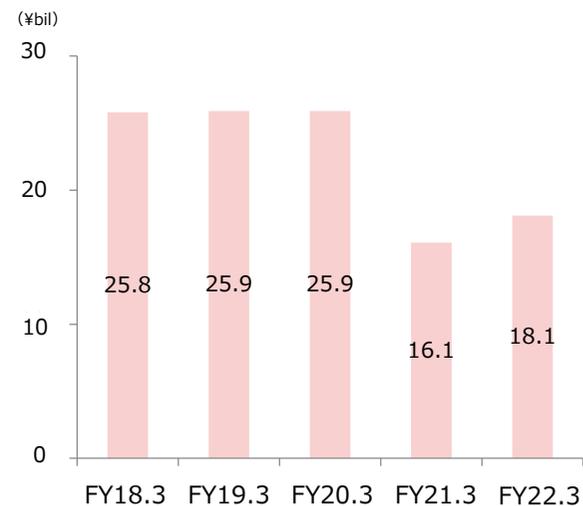
**Internet train reservation services: Number of reservations, sales**



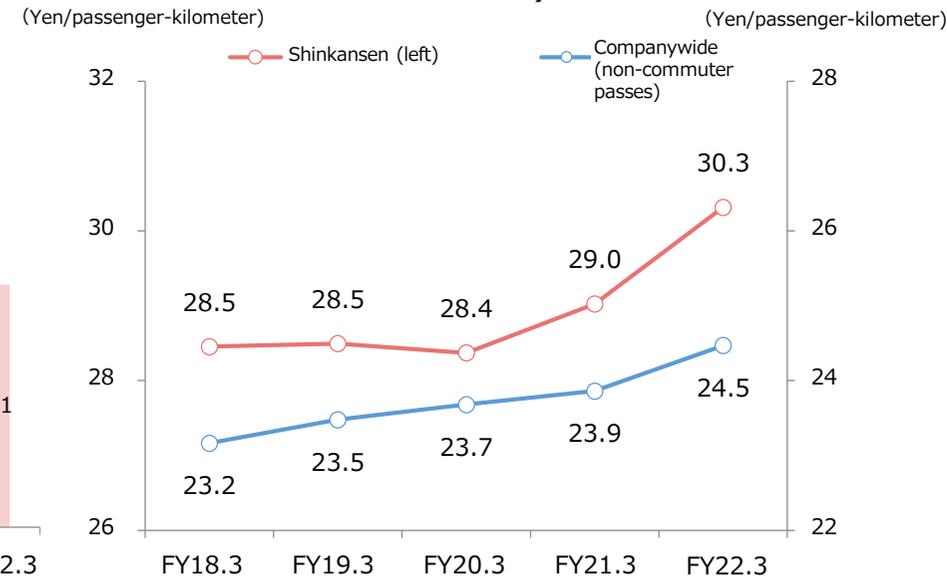
**Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS**



**Railway transportation revenues (short distance)**

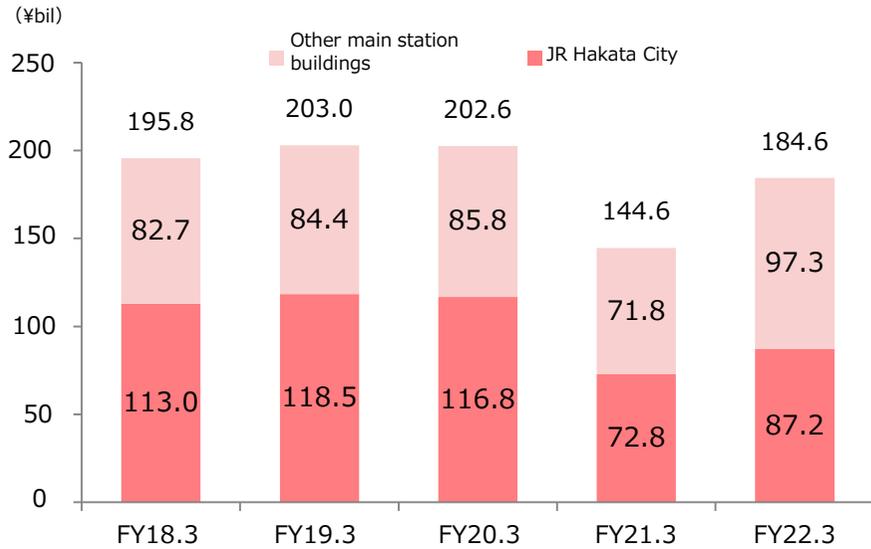


**Yield (Companywide (non-commuter passes), Shinkansen)**



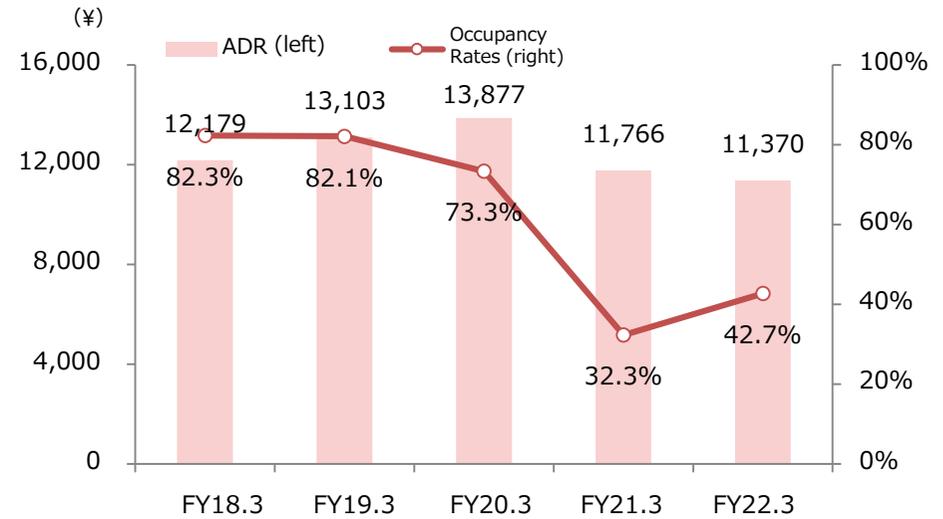
# Trends in the Real Estate and Hotel Businesses

## Station building tenant sales

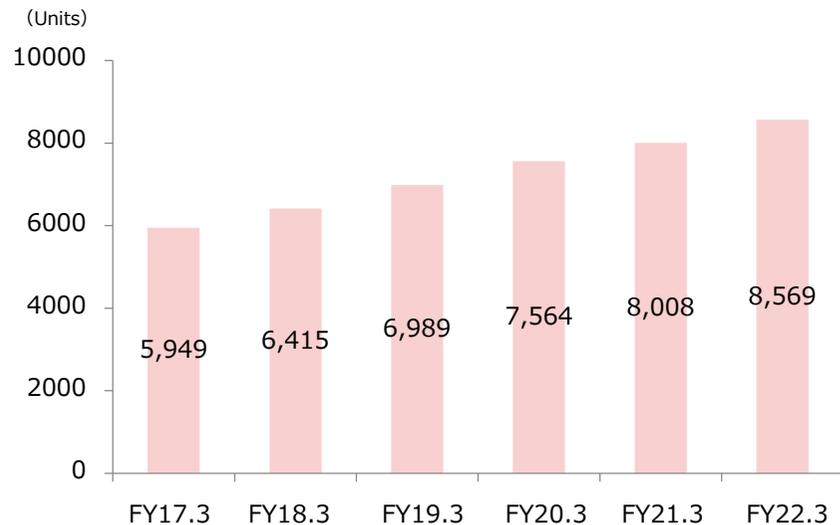


\* Other main station buildings include the Miyazaki and Kumamoto Station Buildings from FY21.3.

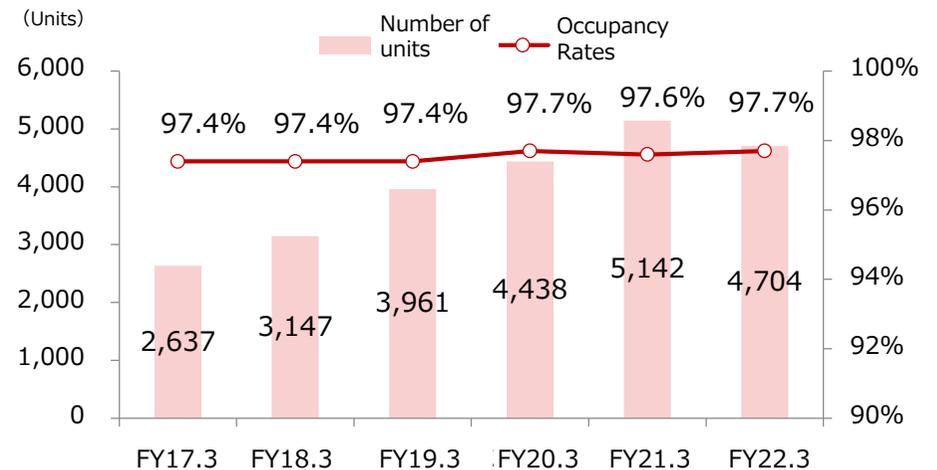
## Hotel occupancy rates and ADR



## Unit sales of condominiums (cumulative)



## Rental apartment: Number of units and occupancy rate



\* Numbers of units 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)

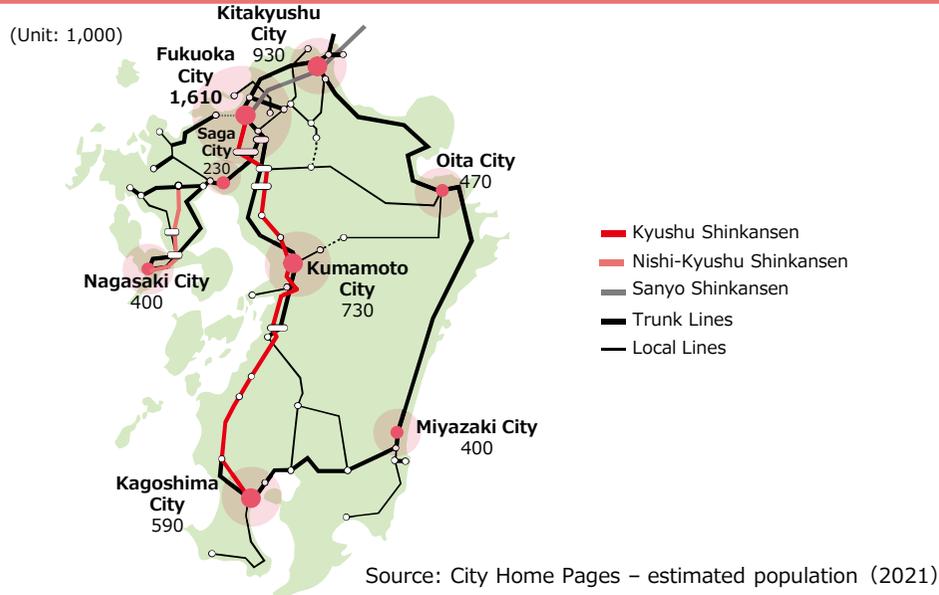
# Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
<b>Nagasaki Station area development</b>	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks Fall 2023: Opening of new station building Early 2024: Hotel opening * revised from fall 2023	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none"> <li>Multi-faceted development incorporating commercial facilities, hotels, offices, etc.</li> <li>Considering environment burden reduction measures, use of AI/ICT</li> </ul>
<b>Kagoshima-Chuo Station West Entrance Development</b>	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction Spring 2023: Phase 1 development opening From FY2025: Phase II development opening	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (phase 1 development)	<ul style="list-style-type: none"> <li>Phase 1: commercial facilities, offices, multi story parking garage; phase 2: multi-faceted development, including residences, etc.</li> <li>Considering infection countermeasures, environment burden reduction measures, use of ICT</li> </ul>
<b>Project to utilize the former site of Sunoko elementary School</b> <small>* Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company</small>	Chuo-ku, Fukuoka City	November 2021: Start of construction January 2024: Opening	Lot area: Approx. 8,560㎡ Floor space: Approx. 27,000㎡	Multi-faceted development incorporating private retirement home, commercial facilities, etc.
<b>Project for effective use of site of Fukuoka Prefecture east government building</b> <small>* Joint development by three companies, with Kyushu Railway as the representative company</small>	Hakata-ku, Fukuoka City	Spring 2022: Start of construction March 2024: Opening	Lot area: Approx. 2,700㎡ Floor space: Approx. 22,000㎡	<ul style="list-style-type: none"> <li>Office buildings (partly commercial stores)</li> <li>Introducing automatic cleaning robot, solar power generation, etc.</li> </ul>
<b>URESHINO YADOYA (Ureshino Japanese-style inn development)</b>	Ureshino City, Saga Prefecture	June 2022: Start of construction Fall 2023: Opening	Lot area: Approx. 9,600㎡ Floor space: Approx. 5,300㎡ 36 rooms	<ul style="list-style-type: none"> <li>A hot-spring inn featuring Ureshino's attractions: hot springs and tea</li> <li>All rooms equipped 100% spring-fed baths</li> </ul>
<b>Toranomon 2-chome category 1 urban redevelopment project</b> <small>* Joint development by six companies, with NIPPON STEEL KOWA REAL ESTATE CO., LTD., as the Group representative for the acquisition of reserved floor area.</small>	Minato-ku, Tokyo	Winter 2020: Start of construction Spring 2025: Planned completion	Lot area: Approx. 22,500㎡ Floor space: Approx. 180,700㎡	Office buildings (partly commercial stores)
<b>Aburayama Shimin no Mori and other renewal projects</b> <small>* Joint development by nine companies, with Kyushu Railway as the representative company</small>	Minami-ku, Fukuoka City	July 2022: Start of construction FY2024.3: Renewed facility opening	Lot area: Approx. 140ha	Accommodation (camping, glamping), commerce, outdoor parks, farms, others
<b>Project utilizing the space above the tracks at Hakata Station</b>	Hakata-ku, Fukuoka City	End 2028: Opening	Lot area: Approx. 5,200㎡	Offices, hotels, and commercial operations, and plazas, etc.

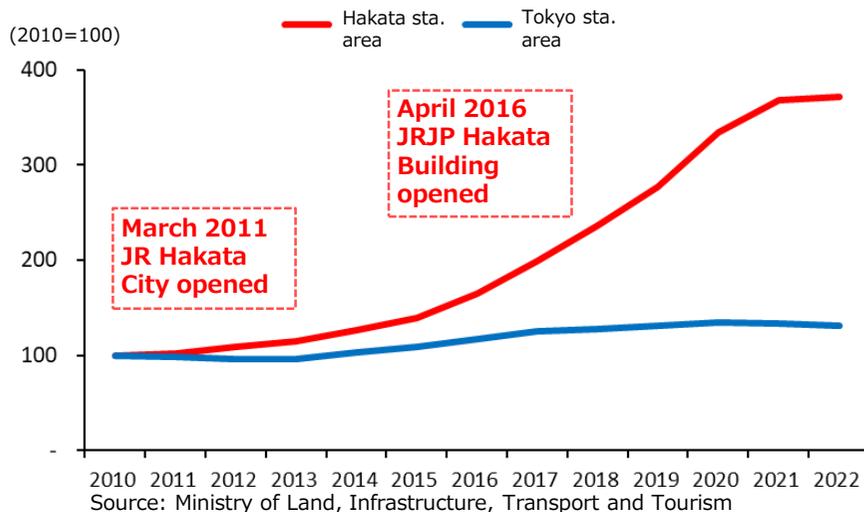
# Kyushu has one of the best economic bases in Japan: Fukuoka is a rapidly growing city

- Kyushu is positioned as the "10% economy of Japan." (in terms of gross regional product, total population, total area, number of establishments, etc.)
- In particular, The Fukuoka Metropolitan Area is a city with high growth potential with a population that is expected to continue to increase even after COVID-19.

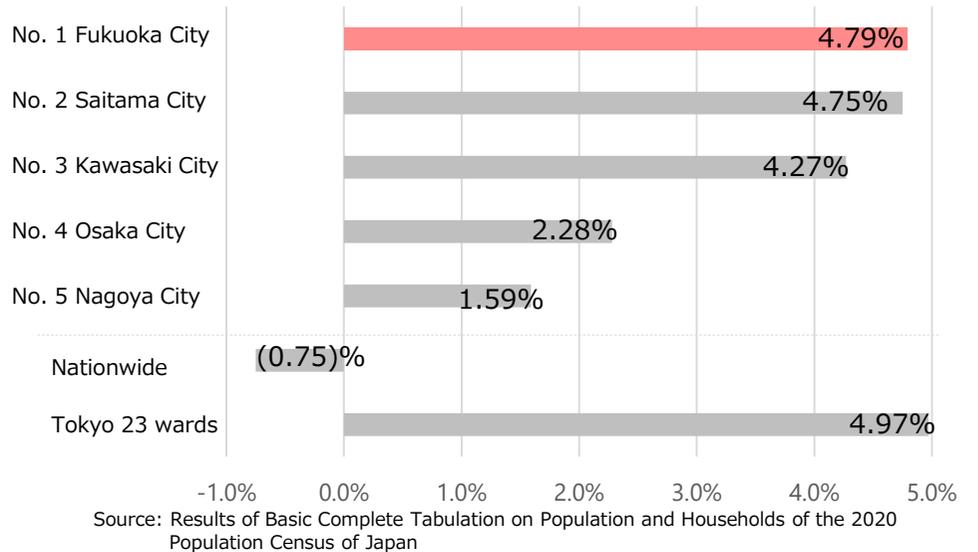
## Major cities and population in Kyushu



## Land price trend around Hakata Station

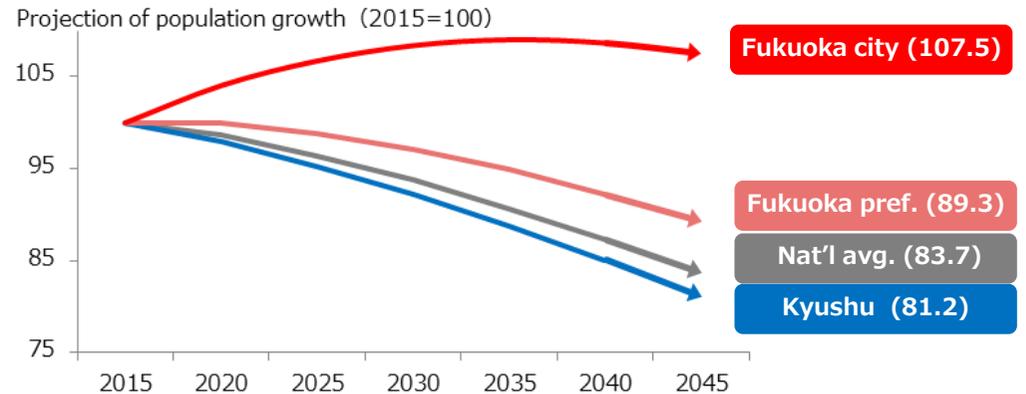


## Ordinance-designated cities with high rates of population growth (2015 to 2020)



## Urbanization of Fukuoka and decreasing populations in regional cities

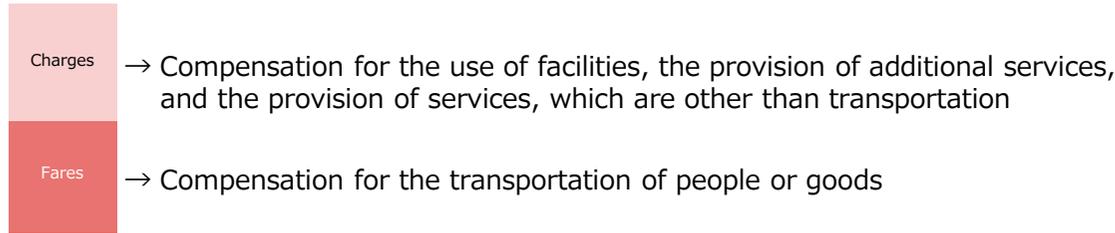
Population declining in Kyushu overall as population becomes concentrated in Fukuoka



# Railway Business—Outline of Fares/Charges and Measures to Increase Revenues

## Outline of Fares/Charges

### Breakdown of fares/charges

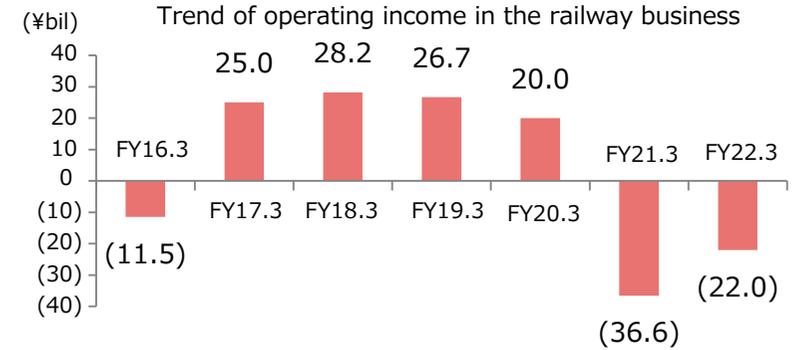


### Procedures for establishing and adjusting fares/charges

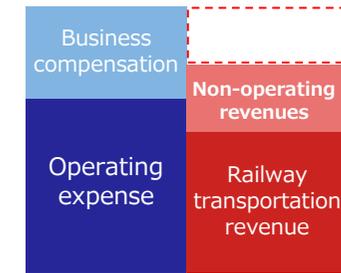
- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism(MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting 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)



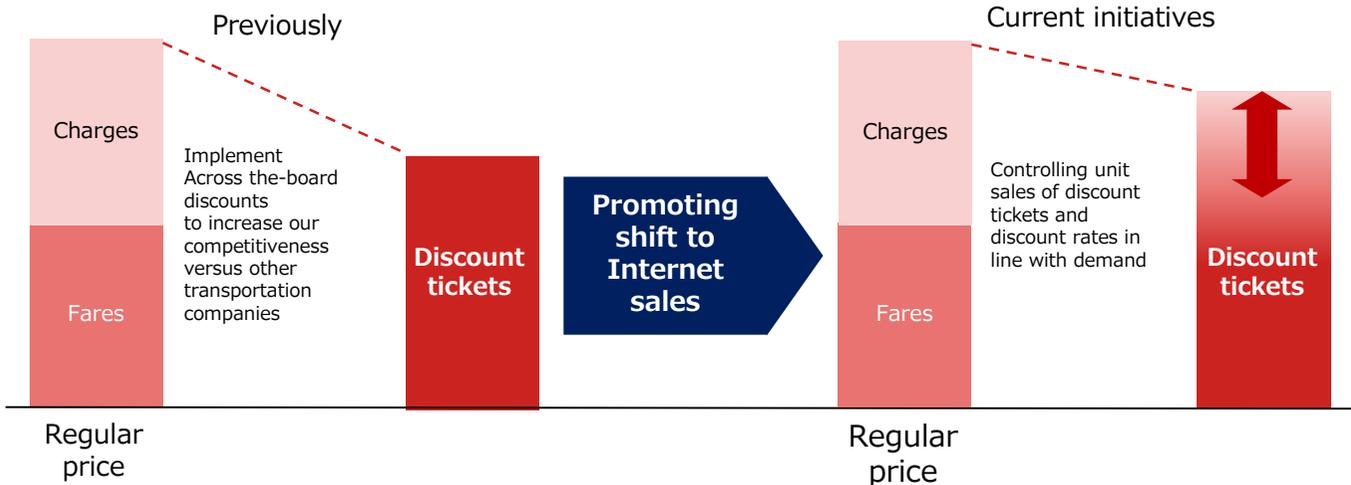
If examination standards are met (illustration)



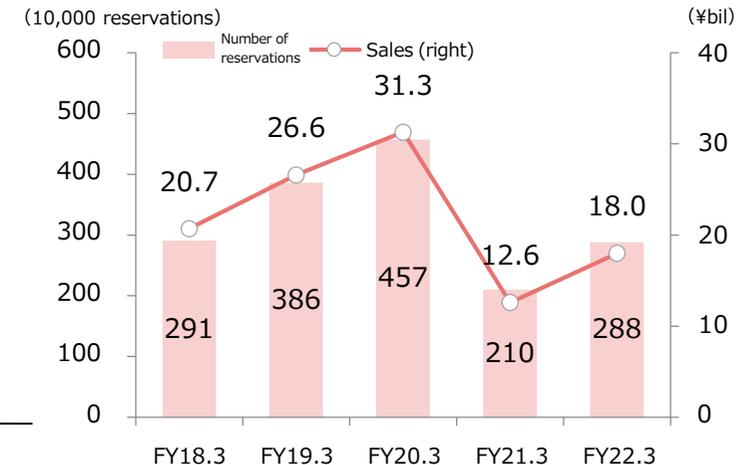
Expense > Revenue

(Reference) MLIT web site

## Advancing measures to increase sales using Internet sales



### Internet train reservation services: Number of reservations, sales



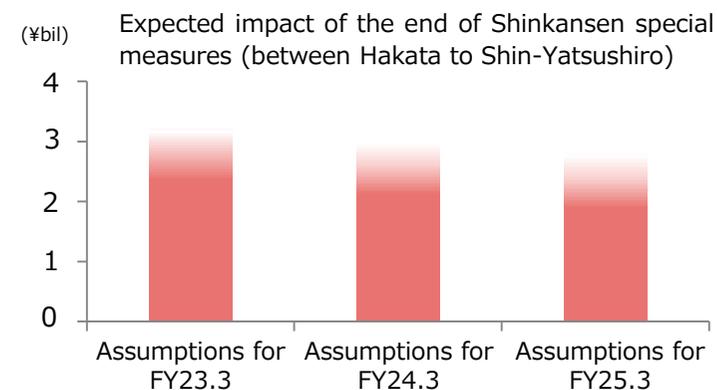
# Railway Business Expenses

## Special tax measures

- In FY22.3, the impact of Shinkansen special measures (between Hakata to Shin-Yatsushiro) was approximately ¥3.4 billion.
- Special tax measures for the Kyushu Shinkansen (between Hakata and Shin-Yatsushiro) ended at the close of FY22.3.

Name	Details of the special measures				Settlement item
	Item	Tax base			
		~ FY17.3	~ FY22.3	FY23.3	
Shinkansen special measures	Property tax*1	1/6	1/3	Ended	Non-personnel expenses

\*1 Tax on Shinkansen-related assets borrowed from the Japan Railway Construction, Transport and Technology Agency



## Depreciation costs

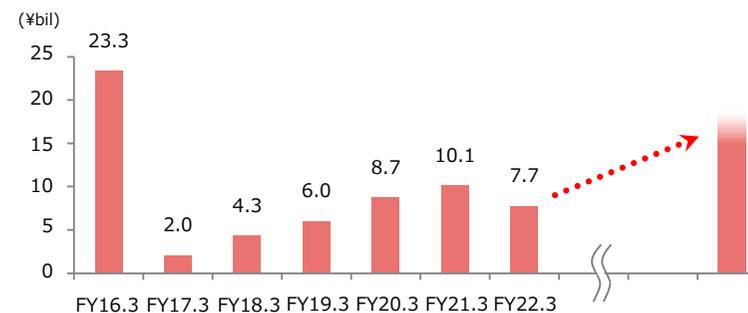
### ■ Change in depreciation method

- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets
- Amount of influence: Expected reduction in depreciation of ¥3.4 billion in FY22.3

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

### ■ Gradual increase in depreciation costs

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business after impairment losses
- Gradual increase of ¥1.0–2.0 billion per year in depreciation costs going forward due to continuation of current trends

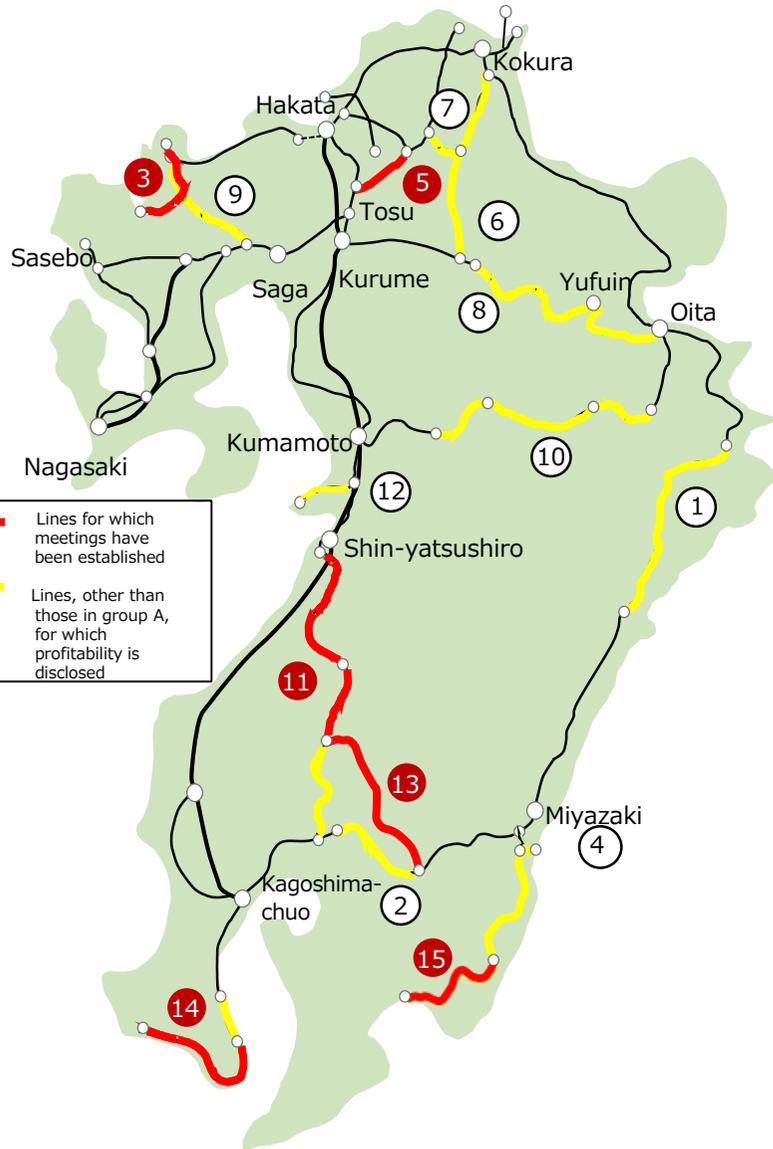


# Profitability by train line in FY22.3 (train lines averaging fewer than 2,000 passengers per day)

- Disclosing profitability for train lines averaging fewer 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.

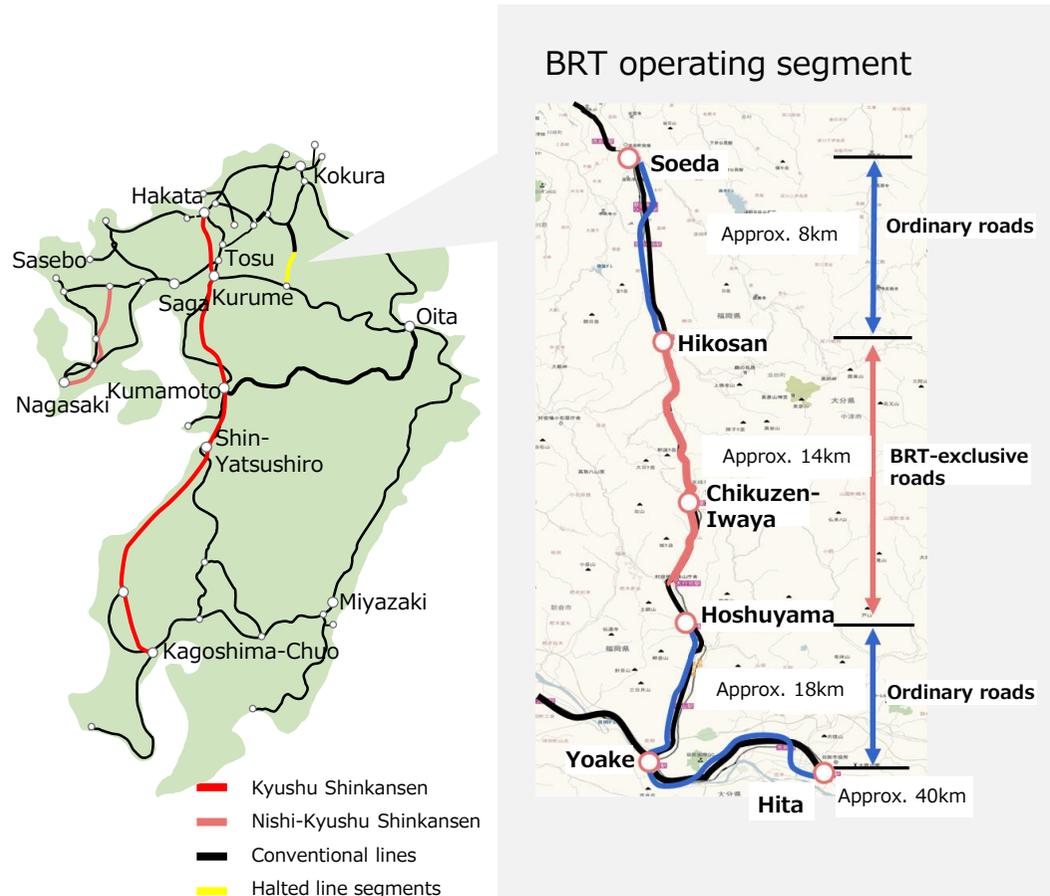
No.	Name of line	Segment	Operating kilometers (Km)	Operating profit (loss) in FY22.3 (¥ million)	Average number of passengers (passengers/day)		
					FY88.3	FY22.3*	% decline
①	Nippo Main Line	Saiki – Nobeoka	58.4	-659	3,428	431	-87%
②		Miyakonojō – Kokubu	42.2	-415	2,029	830	-59%
③	Chikuhi Line	Karatsu – Imari	33.1	-146	728	184	-75%
④	Miyazaki Airport Line	Tayoshi – Miyazaki Airport	1.4	-29	—	890	—
⑤	Chikuho Main Line	Keisen – Haruda	20.8	-82	2,981	322	-89%
⑥	Hitahikosan Line	Jōno – Tagawa-Gotōji	30.0	-346	3,287	1,827 (2,595)	-44%
		Tagawa-Gotōji – Yoake	38.7	—	1,103	— (299)	—
⑦	Gotoji Line	Shin-Iizuka – Tagawa-Gotōji	13.3	-137	1,728	1,048	-39%
⑧	Kyudai Main Line	Hita – Yufuin	51.5	—	2,564	— (1,756)	—
		Yufuin – Oita	42.4	-538	3,890	1,590 (2,162)	-59%
⑨	Karatsu Line	Kubota – Karatsu	40.3	-378	3,649	1,771	-51%
		Karatsu – Nishi-Karatsu	2.2	-177	1,315	766	-42%
⑩	Hohi Main Line	Higo-Ozu – Miyaji	30.8	-218	2,711	644	-76%
		Miyaji – Bungo-Taketa	34.6	-301	1,028	129	-87%
		Bungo-Taketa – Miemachi	23.9	-141	2,384	786	-67%
⑪	Hisatsu Line	Yatsushiro – Hitoyoshi	51.8	—	2,171	— (414)	—
		Hitoyoshi – Yoshimatsu	35.0	—	569	— (106)	—
		Yoshimatsu – Hayato	37.4	-262	1,109	518 (605)	-53%
⑫	Misumi Line	Uto – Misumi	25.6	-281	2,415	776	-68%
⑬	Kitto Line	Miyakonojō – Yoshimatsu	61.6	-341	1,518	397	-74%
⑭	Ibusuki Makurazaki Line	Kiire – Ibusuki	19.1	-185	3,687	1,674	-55%
		Ibusuki – Makurazaki	42.1	-494	942	240	-74%
⑮	Nichinan Line	Tayoshi – Aburatsu	44.0	—	2,129	— (934)	—
		Aburatsu – Shibushi	42.9	—	669	— (171)	—

\* Figures in parentheses show the average number of passengers in the fiscal year before the disaster occurred. 41

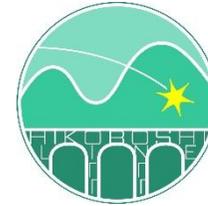


# The BRT on the Hitahikosan Line

- In summer of 2023, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- Through cooperation with local governments and related organizations, we plan to establish 37 BRT stations (12 train stations, plus 25 new BRT stations), mainly in areas closely connected to daily life, such as schools and hospitals.



## Concept "Friendly to people, communities, and the future"



The logo is intended to evoke an image of creating new attractiveness and brilliance in the community.



Conceptual design of a BRT station

The basic design was conceived in cooperation between members of the Company, mainly young employees who are engaged in construction work, and the local community.

## Environmental considerations

### Introduction of electric buses



BRT vehicles will include environmentally friendly electric buses.

Note: Some medium-sized diesel buses will be used to meet school commuting demand.

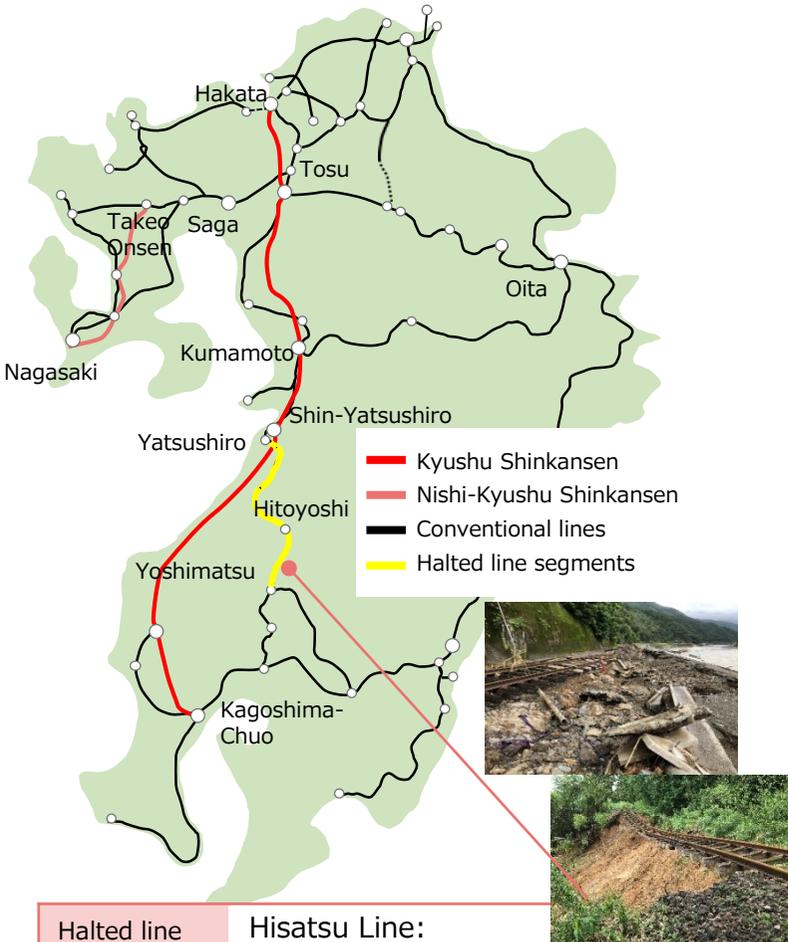
### Resource recycling initiatives



Rails from the track were cut and driven into the ground as earth retaining piles for the dedicated road, and the ballast was mixed with gravel and reused as a base for the pavement.

# Damage to the Hisatsu Line due to Heavy Rains in July 2020

We participated in the JR Hisatsu Line Review Conference held by the Ministry of Land, Infrastructure, Transport and Tourism and Kumamoto Prefecture concerning policy for restoring the Hisatsu Line. The policy on restoration is being discussed carefully from various perspectives, including sustainability (factors such as recovery and maintenance costs, and forecasts for the usage of the line once service is restored).



Halted line segments	Hisatsu Line: Yatsushiro to Yoshimatsu
Distance	86.8 km
Main damage	Washed-out bridges, sediment and embankment inflows, etc.
Restoration period	Undetermined

## JR Hisatsu Line Review Conference

- Purpose of the conference: To consider how to restore the Hisatsu Line, which was damaged by heavy rains, including the possibility of linking the line restoration with rivers, roads, and other public works, and what the Hisatsu Line should look like after restoration
- Attendees: Personnel from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT); Kumamoto Prefecture; the Kyushu District Transport Bureau; the Kyushu Regional Development Bureau; and JR Kyushu
- Summary of the conference Note: Subsequent meeting dates remain to be determined.

First review conference (March 22, 2022)	<ul style="list-style-type: none"> <li>• JR Kyushu reported on the status of key damage and provided a general estimate indicating that railway restoration costs would amount to <b>around ¥23.5 billion</b><sup>*1</sup>.</li> </ul>
Second review conference (May 20, 2022)	<ul style="list-style-type: none"> <li>• MLIT indicated that the majority of the cost of reconstruction of the two bridges would be borne by the river administrator (national government) in coordination with disaster restoration work on national roads and other areas, and that restoration costs would be <b>¥7.6 billion</b><sup>*1</sup> if the bridges were restored to railway use. MLIT also introduced a disaster recovery subsidy system as a possible way to further reduce ¥7.6 billion<sup>*1</sup> burden on the operator (JR Kyushu).</li> <li>• JR Kyushu presented data<sup>*2</sup> on usage of the Hisatsu Line prior to the disaster in order to consider sustainability.</li> </ul>

\*1 Restoration amounts listed are calculated under certain conditions and may vary depending on circumstances.  
 \*2 Operating loss on the Yatsushiro–Yoshimatsu segment: Around ¥0.9 billion (as of FY20.3, prior to the disaster)

# Forward-Looking Statements

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

These statements are judgments made by the Company based on information, projections, and assumptions available at the time of the materials' creation. Accordingly, please be advised that actual operating results could greatly differ from the contents of the materials due to the influence of COVID-19; changes in people's values and lifestyles; the economic situation inside and outside Japan and the economic situation in Kyushu; real estate market conditions; the progress of respective projects; changes in laws and regulations; and a wide range of other risk factors.

IR materials can be viewed on our corporate website:  
[https://www.jrkyushu.co.jp/company/ir\\_eng/library/earnings/](https://www.jrkyushu.co.jp/company/ir_eng/library/earnings/)