

FY23.3 Annual Investors Meeting

May 12, 2023

KYUSHU RAILWAY COMPANY

- I am Yoji Furumiya, the president of JR Kyushu. I would like to thank everyone for taking the time to join us.
- Today, I will discuss our financial results for the fiscal year ended March 31, 2023, our full-year performance forecasts for the fiscal year ending March 31, 2024, and progress of our medium-term business plan.
- First, I will discuss our financial results for the fiscal year ended March 31, 2023, which we announced on May 11. Please turn to slide 5.

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Highlights

Financial results and year-end dividend for FY23.3

- Although performance was affected by COVID-19, demand recovered gradually in all segments. As a result, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all increased year on year.
- We are planning a year-end dividend of ¥93 per share (annual dividend: ¥93 per share).

Performance forecasts and dividend forecasts for FY24.3

- Despite expected declines in the sale of properties and higher energy costs, we anticipate higher revenues and income owing such factors as gradual demand recovery in each segment and the New Nagasaki Station Building development.
- We forecast an annual dividend of ¥93 per share (year-end dividend only).

Progress of the medium-term business plan

- Based on the key strategies of the medium-term business plan, we will pursue our goal of “Completing Business Structural Reforms” through the implementation of projects such as the Future Railway Project. We will also work towards “Creating a Model for Building Cities that Promote Well-Being” by promoting city-building in the western Kyushu and other areas, including the development of the New Nagasaki Station Building, which includes the Nagasaki Marriott Hotel. Furthermore, we will strive for “Developing Businesses in New Areas in Which We Can Contribute” by establishing an intermediate holding company for our construction segment to strengthen our BtoB and BtoG businesses.

I Financial Results for FY23.3

Consolidated Financial Highlights for FY23.3

	(¥bil)			
	Results FY22.3	Results FY23.3	YoY	
Operating revenue	329.5	383.2	53.7	116.3%
Operating income	3.9	34.3	30.3	870.2%
Ordinary income	9.2	35.7	26.4	386.5%
Extraordinary gains and losses	(2.6)	4.5	7.2	-
Net income attributable to owners of the parent	13.2	31.1	17.9	235.2%
EBITDA*	30.7	63.8	33.1	207.6%

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

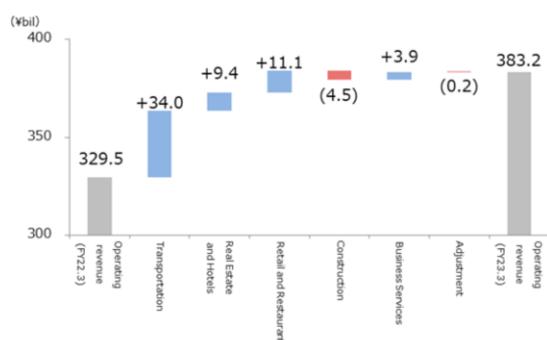
Operating revenue

Revenues increased, owing to such factors as gradual demand increases in each business.

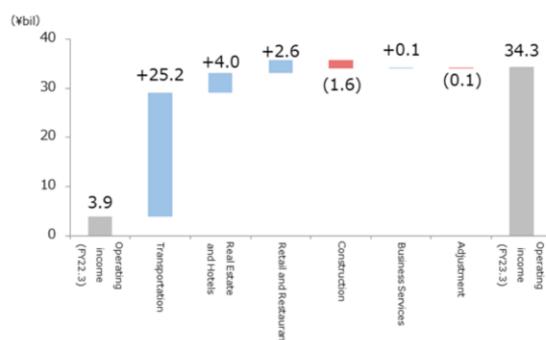
Operating income

Despite higher energy costs in the railway business, income rose due to higher operating revenue and the reduction of fixed costs in the railway business, as well as other factors.

Change in operating revenue by segment



Change in operating income by segment

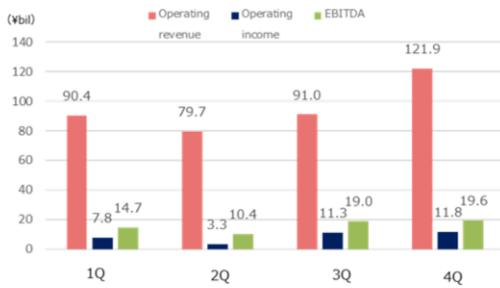


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- On a consolidated basis, operating revenue increased ¥53.7 billion year on year, to ¥383.2 billion. Although COVID-19 continued to affect performance, restrictions on behavior and socioeconomic activity began to normalize. Consequently, we benefited from a modest recovery in demand from the railway business and various other businesses.
- Operating income rose ¥30.3 billion, to ¥34.3 billion, thanks in part to the rise in operating revenue and fixed cost reductions in the railway business, despite a rise in energy costs. EBITDA increased ¥33.1 billion, to ¥63.8 billion.
- Net income attributable to owners of the parent was up ¥17.9 billion, to ¥31.1 billion, benefiting from an extraordinary gain associated with a gain on sales of shares in Huis Ten Bosch.
- Please turn to the next slide.

Quarterly trend of FY23.3

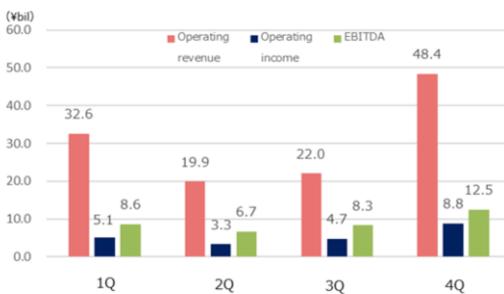
Consolidated



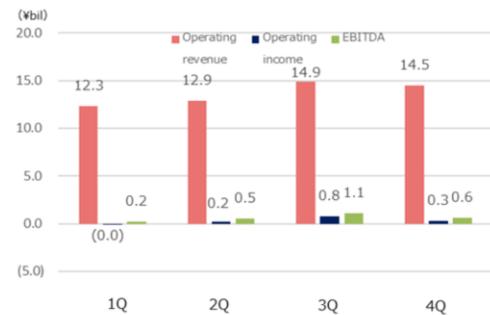
Railway Business (non-consolidated)



Real Estate and Hotels Segment



Retail and Restaurant segment



- Now, I would like to explain quarterly performance trends.
- Operating revenues were affected by changes in the number of new COVID-19 cases throughout the year, but from the third quarter, the linkage between operating revenues and the number of new cases became less significant.
- Operating income and EBITDA remained positive in each quarter, supported by the real estate and hotels segment.
- Next, I will discuss our full-year performance forecasts for the fiscal year ending March 31, 2024. Please turn to slide 10.

FY23.3 Segment settlement (Shown According to New Segments)

(billion)

	Results FY22.3	Results FY23.3	YoY		Major factors
Operating revenue	329.5	383.2	53.7	116.3%	
Transportation	104.2	138.3	34.0	132.6%	
Railway Business (non-consolidated)	102.9	136.5	33.5	132.6%	Increase due to moderate recovery in demand
Real Estate and Hotels	113.7	123.1	9.4	108.3%	
Real Estate Lease	58.5	62.6	4.0	107.0%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	46.1	43.5	(2.5)	94.4%	Decrease in the sale of properties
Hotel Business	8.9	16.9	7.9	188.1%	Increase due to moderate recovery in demand
Retail and Restaurant	43.6	54.7	11.1	125.5%	Increase due to moderate recovery in demand
Construction	92.9	88.3	(4.5)	95.1%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	69.5	73.4	3.9	105.7%	
Operating income	3.9	34.3	30.3	870.2%	
Transportation	(22.7)	2.5	25.2	-	
Railway Business (non-consolidated)	(22.0)	3.1	25.1	-	
Real Estate and Hotels	18.0	22.1	4.0	122.7%	
Real Estate Lease	14.7	14.8	0.1	100.9%	
Real Estate Sales	6.2	6.2	0.0	100.4%	
Hotel Business	(2.9)	0.9	3.9	-	
Retail and Restaurant	(1.2)	1.4	2.6	-	
Construction	7.0	5.4	(1.6)	77.1%	
Business Services	3.3	3.4	0.1	104.5%	
EBITDA	30.7	63.8	33.1	207.6%	
Transportation	(14.1)	13.1	27.3	-	
Railway Business (non-consolidated)	(13.7)	13.5	27.2	-	
Real Estate and Hotels	31.9	36.2	4.3	113.5%	
Real Estate Lease	26.5	26.7	0.2	100.8%	
Real Estate Sales	6.2	6.2	0.0	100.4%	
Hotel Business	(0.7)	3.2	4.0	-	
Retail and Restaurant	0.0	2.7	2.6	-	
Construction	8.0	6.5	(1.5)	80.7%	
Business Services	5.7	6.2	0.5	109.3%	

FY23.3 Non-consolidated settlement

	Results FY22.3	Results FY23.3	YoY		Major factors
Operating revenue	179.9	211.6	31.6	117.6%	
Railway transportation revenues	89.3	121.4	32.0	135.9%	Increase due to moderate recovery in demand
Shinkansen	27.4	44.0	16.5	160.4%	
Conventional Lines	61.9	77.4	15.4	125.0%	
Other revenue	90.6	90.1	(0.4)	99.5%	
Operating expense	181.3	188.7	7.4	104.1%	
Personnel expense	40.8	40.3	(0.4)	98.9%	
Non-personnel expense	113.2	118.9	5.6	105.0%	
Energy cost	8.6	10.7	2.1	124.2%	Unit price increase due to soaring resource prices
Maintenance cost	30.0	30.4	0.4	101.4%	
Other	74.5	77.6	3.1	104.2%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	11.5	0.2	101.8%	
Depreciation cost	15.9	17.9	2.0	113.0%	
Operating income	(1.3)	22.8	24.1	-	
Non-operating income and expense	3.5	4.3	0.7	121.2%	Increase in dividend income
Ordinary income	2.2	27.1	24.8	-	
Extraordinary gain and losses	(2.0)	3.8	5.8	-	Increase due to a gain on the sales of Huis Ten Bosch shares
Net income	8.9	25.4	16.4	283.9%	

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

(¥bil)

	Results FY22.3	Results FY23.3	YoY	
Railway business				
Operating revenue	102.9	136.5	33.5	132.6%
Operating income	(22.0)	3.1	25.1	-
Related businesses				
Operating revenue	77.0	75.0	(1.9)	97.5%
Operating income	20.7	19.6	(1.0)	94.9%

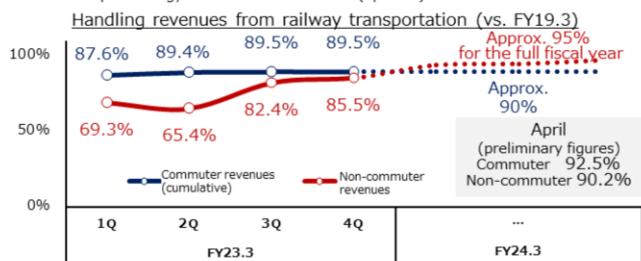
II Performance Forecasts and Dividend Forecasts for FY24.3

Performance Forecasts for FY24.3: Key Business Assumptions

We expect revenue to maintain its recovery trend from 2H FY23.3. However, we anticipate higher energy costs in the railway business and also expect opening expenses related to the Nagasaki Station area development.

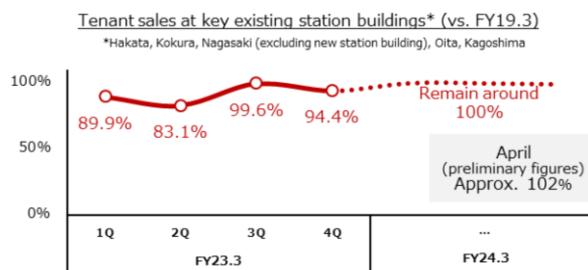
Railway Business

- We expect handling revenues from railway transportation to reach around 94% of FY19.3 levels.
- We expect a ¥14.0 billion effect of fixed cost reduction due to BPR to continue.
- We expect energy costs to rise ¥1.6 billion (up 15%) from FY23.3.



Real Estate Leasing Business

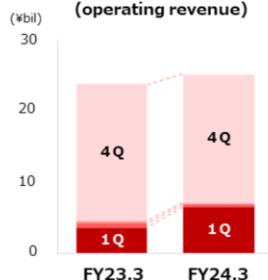
- We expect tenant sales from main existing station buildings to be around 100% of FY19.3 levels.
- The New Nagasaki Station Building is slated to open in autumn 2023.



Real Estate Sales Business

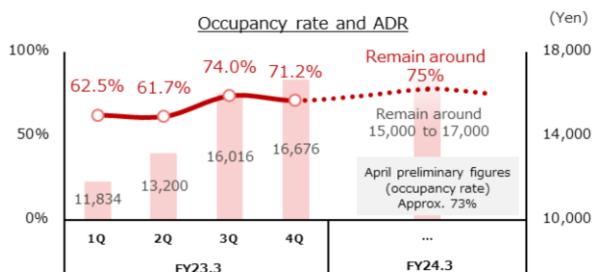
- We expect operating revenue from condominiums to rise slightly from FY23.3 levels.
- We anticipate combined operating revenue of around ¥10.0 billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).

Condominium sales forecast (operating revenue)



Hotel business

- We assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- The Nagasaki Marriott Hotel is scheduled to open in early 2024.



- This slide shows the assumptions for our main businesses behind our full-year performance forecasts.
- Looking at consumer demand in each category, we expect the recovery trend that began in the second half of the previous fiscal year to continue. We expect handling revenues from railway transportation to reach around 94% of the level in the fiscal year ended March 31, 2019, and we expect tenant sales from main existing station buildings to be around 100%. In the hotel business, we expect occupancy rates and ADR to remain steady at around the same level as in the second half of the previous fiscal year.
- In the real estate sales business, we expect sales of condominiums to remain robust. In addition, we expect to generate a total of around ¥10.0 billion by selling rental apartments and other properties to a private REIT and selling a rental apartment building to a third party.
- Meanwhile, we anticipate higher energy costs of the railway business and the Nagasaki Station area development costs.
- Please turn to the next slide.

Consolidated Financial Forecast Highlights for FY24.3

	Results FY23.3	Forecasts FY24.3	YoY	
Operating revenue	383.2	417.0	33.7	108.8%
Operating income	34.3	45.7	11.3	133.1%
Ordinary income	35.7	45.9	10.1	128.6%
Net income attributable to owners of the parent	31.1	40.7	9.5	130.6%
EBITDA	63.8	78.3	14.4	122.6%

(¥bil)

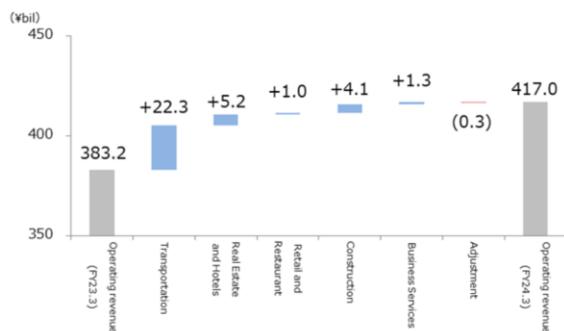
Operating revenue

Even though we expect a decrease in the sale of properties, we anticipate a rise in revenues owing to such factors as the gradual recovery of demand in each segment and the opening of the Nagasaki Station area development.

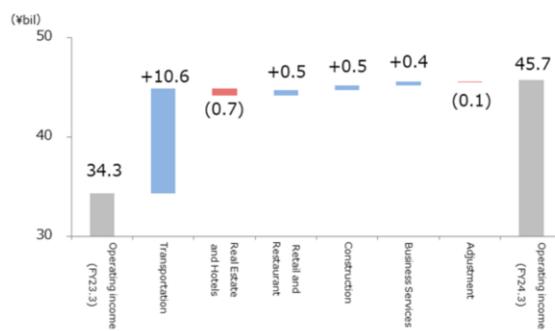
Operating income

We anticipate higher income, owing to increased operating revenues, despite rising energy costs in the railway business, expenses related to the opening of the Nagasaki Station area development, and other expenses.

Change in operating revenue by segment



Change in operating income by segment



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- These are the highlights of our full-year forecast. We anticipate a ¥33.7 billion year-on-year rise in operating revenue, to ¥417.0 billion, based on the revenue assumptions discussed earlier.
- Despite some cost increases, we expected operating income to rise in line with the higher operating revenue. We also expect EBITDA to increase.
- We expect to record an extraordinary gain of around ¥7.0 billion on the transfer of shares in Drug Eleven, which we disclosed on April 28.
- Next, I will discuss our dividend forecasts. Please turn to slide 14.

Consolidated Financial Forecasts for FY24.3 (by segment)

(Mill)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	383.2	417.0	33.7	108.8%	
Transportation	138.3	160.7	22.3	116.2%	Increase due to moderate recovery in demand
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%	
Real Estate and Hotels	123.1	128.4	5.2	104.3%	
Real Estate Lease	62.6	68.7	6.0	109.7%	Increase in revenues from leases due to moderate recovery in demand and opening of the New Nagasaki Station Building and other facilities
Real Estate Sales	43.5	38.7	(4.8)	88.8%	Decrease in the sale of properties
Hotel Business	16.9	21.0	4.0	124.2%	Increase due to moderate recovery in demand
Retail and Restaurant	54.7	55.8	1.0	101.9%	
Construction	88.3	92.5	4.1	104.7%	
Business Services	73.4	74.8	1.3	101.8%	
Operating income	34.3	45.7	11.3	133.1%	
Transportation	2.5	13.2	10.6	523.2%	
Railway Business (non-consolidated)	3.1	13.3	10.1	422.7%	
Real Estate and Hotels	22.1	21.4	(0.7)	96.8%	
Real Estate Lease	14.8	15.3	0.4	102.7%	
Real Estate Sales	6.2	5.1	(1.1)	81.6%	
Hotel Business	0.9	1.0	0.0	104.0%	
Retail and Restaurant	1.4	2.0	0.5	141.7%	
Construction	5.4	6.0	0.5	110.2%	
Business Services	3.4	3.9	0.4	111.9%	
EBITDA	63.8	78.3	14.4	122.6%	
Transportation	13.1	25.4	12.2	193.3%	
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%	
Real Estate and Hotels	36.2	37.4	1.1	103.1%	
Real Estate Lease	26.7	28.6	1.8	107.0%	
Real Estate Sales	6.2	5.1	(1.1)	81.3%	
Hotel Business	3.2	3.7	0.4	112.4%	
Retail and Restaurant	2.7	3.3	0.5	121.1%	
Construction	6.5	7.1	0.5	109.1%	
Business Services	6.2	6.3	0.0	100.9%	

Non-consolidated Financial Forecasts for FY24.3

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	211.6	228.6	16.9	108.0%	
Railway transportation revenues	121.4	142.8	21.3	117.6%	Increase due to moderate recovery in demand
Shinkansen	44.0	53.9	9.8	122.4%	
Conventional Lines	77.4	88.9	11.4	114.9%	
Other revenue	90.1	85.8	(4.3)	95.2%	Decrease in the sale of properties
Operating expense	188.7	197.1	8.3	104.4%	
Personnel expense	40.3	41.0	0.6	101.6%	
Non-personnel expense	118.9	122.6	3.6	103.1%	
Energy cost	10.7	12.4	1.6	115.0%	Unit price increase due to soaring resource prices
Maintenance cost	30.4	32.5	2.0	106.7%	Increase due to lifting of emergency restraints
Other	77.6	77.7	0.0	100.0%	
Taxes	11.5	12.5	0.9	108.3%	
Depreciation cost	17.9	21.0	3.0	116.7%	
Operating income	22.8	31.5	8.6	138.1%	
Non-operating income and expense	4.3	5.4	1.0	124.5%	
Ordinary income	27.1	36.9	9.7	135.9%	
Extraordinary gain and losses	3.8	7.0	3.1	184.1%	Increase due to a gain on the transfer of Drug Eleven shares
Net income	25.4	36.8	11.3	144.8%	

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

(¥bil)

		Results FY23.3	Forecasts FY24.3	YoY	
Railway business	Operating revenue	136.5	156.9	20.3	114.9%
	Operating income	3.1	13.3	10.1	422.7%
Related businesses	Operating revenue	75.0	71.7	(3.3)	95.5%
	Operating income	19.6	18.2	(1.4)	92.5%

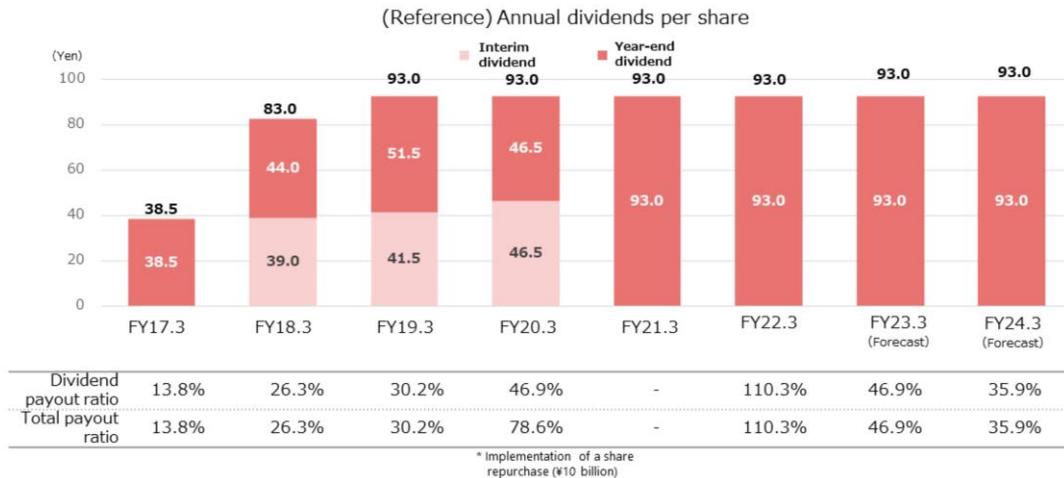
FY24.3 Dividend Forecasts

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**.

FY24.3 dividend forecasts

- Taking the above-mentioned policy into consideration, **we forecast a FY24.3 dividend of ¥93.0 per share**.
- As in FY23.3, in FY24.3 we plan to award a single dividend at year-end (no interim dividend).



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- In regard to our dividend forecasts for the fiscal year ending March 31, 2024, with consideration for the shareholder return policy described in our medium-term business plan, we plan to pay an annual dividend per share of ¥93.
- Next, I will discuss “progress of the medium-term business plan.” Please turn to slide 20.

Transportation Segment

- We expect handling revenues from railway transportation to reach around 94% of FY19.3 levels.
- With regard to expenses in the railway business, we expect the effects of a ¥14.0 billion reduction in fixed costs to continue. However, we also anticipate a decrease in emergency restraints and an increase in energy costs.

[Results]

	[Results]			
	FY22.3	FY23.3	YoY	
	Results	Results		(% change)
Operating revenue	104.2	138.3	34.0	132.6%
Railway Business (non-consolidated)	102.9	136.5	33.5	132.6%
Railway transportation revenues	89.3	121.4	32.0	135.9%
Operating income	(22.7)	2.5	25.2	-
Railway Business (non-consolidated)	(22.0)	3.1	25.1	-
EBITDA	(14.1)	13.1	27.3	-
Railway Business (non-consolidated)	(13.7)	13.5	27.2	-

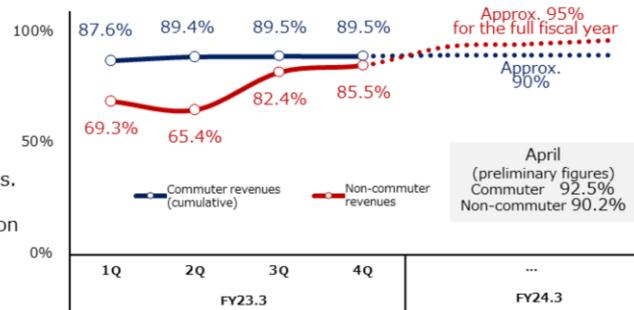
[Forecasts]

	[Forecasts]			
	FY23.3	FY24.3	YoY	
	Results	Forecasts		(% change)
Operating revenue	138.3	160.7	22.3	116.2%
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%
Railway transportation revenues	121.4	142.8	21.3	117.6%
Operating income	2.5	13.2	10.6	523.2%
Railway Business (non-consolidated)	3.1	13.3	10.1	422.8%
EBITDA	13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%

Assumptions behind performance forecasts

- In FY24.3, we expect commuter revenues to be around 90% of FY19.3 levels, and non-commuter revenues to be around 95%.
- We expect to continue realizing the effects of a ¥14.0 billion reduction in fixed costs in the railway business, achieved in FY23.3. In addition, we anticipate ¥1.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.
- We believe energy costs in the railway business will be ¥1.6 billion higher (up 15%) than FY23.3 levels, due to soaring electricity prices.

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



Real Estate and Hotels Segment: Real Estate Leasing Business

- We expect the recovery in tenant sales at existing station buildings to continue from 2H FY23.3.
- Several new properties are scheduled to open, including the New Nagasaki Station Building, which is slated to open in autumn 2023.

[Results]	[Forecasts]							
	FY22.3		FY23.3		FY23.3		FY24.3	
	Results	Results	YoY	Results	Forecasts	YoY	YoY	
Operating revenue	58.5	62.6	4.0	107.0%	62.6	68.7	6.0	109.7%
Operating income	14.7	14.8	0.1	100.9%	14.8	15.3	0.4	102.7%
EBITDA	26.5	26.7	0.2	100.8%	26.7	28.6	1.8	107.0%

Assumptions behind performance forecasts

- We anticipate that tenant sales at five existing station buildings will reach around 100% of FY19.3 levels.
- At office buildings and rental apartments, we expect a decline in rents due to the sale of properties, although we expect performance to remain solid.
- Openings include the JR Kagoshima Chuo Building in April 2023, the New Nagasaki Station Building (tentative name) in autumn 2023, the project to utilize the former site of Sunoko elementary school in January 2024, and the project for effective use of the site of the Fukuoka Prefecture east government building in March 2024.

Tenant sales at key existing station buildings* (vs. FY19.3)

*Hakata, Kokura, Nagasaki (excluding new station building), Oita, Kagoshima



Real Estate and Hotels Segment: Real Estate Sales Business

- We expect revenue from the sale of condominiums to be up slightly from FY23.3 levels.
- We expect revenue from the sale of properties to decline, reflecting the FY23.3 sale of an office building to a third party.

[Results]

	(¥bil)			
	FY22.3 Results	FY23.3 Results	YoY	
Operating revenue	46.1	43.5	(2.5)	94.4%
Operating income	6.2	6.2	0.0	100.4%
EBITDA	6.2	6.2	0.0	100.4%

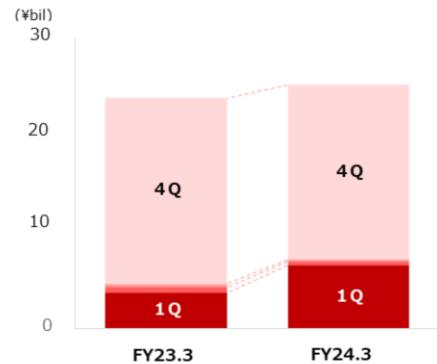
[Forecasts]

	(¥bil)			
	FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	43.5	38.7	(4.8)	88.8%
Operating income	6.2	5.1	(1.1)	81.6%
EBITDA	6.2	5.1	(1.1)	81.3%

Assumptions behind performance forecasts

- We expect operating revenue from condominiums to be up slightly compared with FY23.3 levels.
- We anticipate combined operating revenue of around ¥10.0 billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3)

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel Business

- We expect occupancy rates and ADR to maintain the recovery trend that began in 2H FY23.3.
- URESHINO YADOYA and Nagasaki Marriott Hotel are scheduled to open.

【Results】

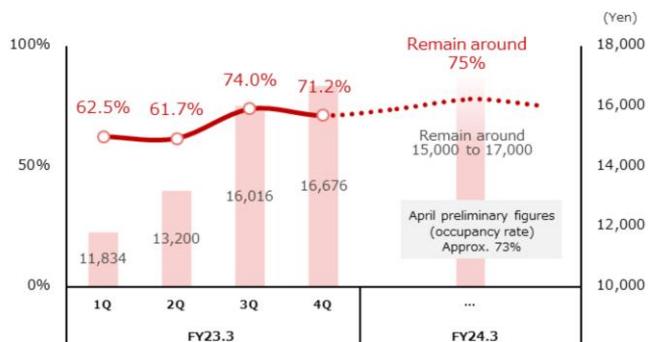
【Forecasts】

	（¥bil）				（¥bil）			
	FY22.3 Results	FY23.3 Results	YoY		FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	8.9	16.9	7.9	188.1%	16.9	21.0	4.0	124.2%
Operating income	(2.9)	0.9	3.9	-	0.9	1.0	0.0	104.0%
EBITDA	(0.7)	3.2	4.0	-	3.2	3.7	0.4	112.4%

Assumptions behind performance forecasts

- Across all hotels in Japan, we assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- URESHINO YADOYA (36 rooms) is scheduled to open in autumn 2023, followed by Nagasaki Marriott Hotel (200 rooms) in early 2024.
- Blossom Fukuoka (90 rooms) is closed until May 2023 due to building maintenance.
- On May 1, 2023, the sublease on the JR Kyushu Hotel Kokura (187 rooms, operated as a COVID-19 convalescent facility in FY23.3) was transferred from our subsidiary to a third party, and the subsidiary withdrew from hotel operations.
- JR Hotel Yakushima (46 rooms) is scheduled to transfer to a third party on June 1, 2023.

Occupancy rate and ADR

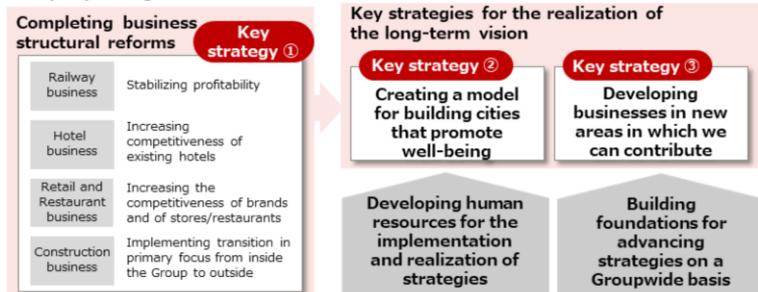


III Progress of the Medium-Term Business Plan

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



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.



Numerical targets, etc. (FY25.3)

[Consolidated]

Operating revenue **¥440 billion** Operating income **¥57 billion**

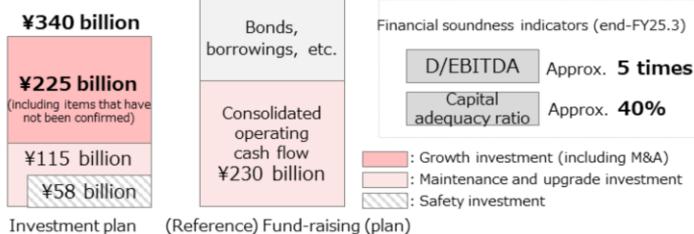
EBITDA **¥94 billion** ROE **More than 8%** [reference]

[By segment*] (¥bil)

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

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

[Cumulative investment planned for 2022-2024]



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.

➤ To accomplish our 2030 Long-Term Vision, under the three-year medium-term business plan through the fiscal year ending in March 31, 2025, we are promoting three key strategies during the stage for returning the Company to a growth track.

➤ Please turn to the next slide.

Positioning of FY24.3

Operating environment and policies in FY24.3

- Although we expect personal consumption to be affected by higher energy, raw materials, and other costs, as well as a sharp rise in commodities prices, we anticipate a gradual recovery in demand, mainly for transportation and hotels, as COVID-19 is recategorized as "Class 5."
- To achieve a rapid return to a growth trajectory, we will move steadily forward with city-building along the tracks to take advantage of the opening of the Nishi-Kyushu Shinkansen and other opportunities, and invest proactively to realize our medium-term business plan and the 2030 Long-Term Vision.

Key measures of each key strategy in FY24.3

Key strategy ①

Completing business structural reforms

Railway

Steadily implement the Future Railway Project and innovate in maintenance operations across railroad engineering disciplines.

Key strategy ②

Creating a model for building cities that promote well-being

Nishi-Kyusyu

Maximize the effects of the opening of the Nishi-Kyushu Shinkansen by opening the New Nagasaki Station Building, URESHINO YADOYA, the Nagasaki Marriott Hotel, and other facilities.

Fukuoka

Promote integrated development in the Fukuoka area, including the project for effective use of site of Fukuoka Prefecture east government building.

Key strategy ②

Developing businesses in new areas in which we can contribute

Reinforce BtoB/BtoG

Establish an intermediate holding company in the construction segment

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- Last fiscal year was the first year of our medium-term business plan, and I believe we made steady progress on our three key strategies.
- This is the second year of our medium-term business plan. Despite significant changes in the business environment, we will continue to advance our three key strategies. In addition, by investing aggressively and boldly in "people, products, and new technologies" that will create the future of the Group, we aim to return to a sustainable and strong growth trajectory.
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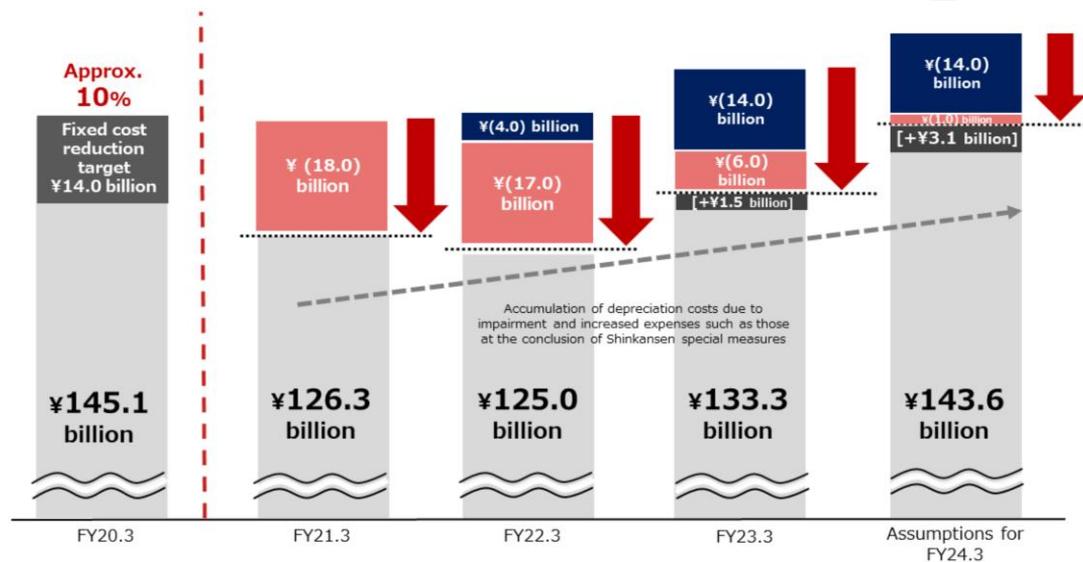
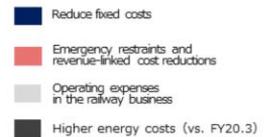
Key strategy① Completing Business Structural Reforms: Railway Business Through BPR*

* Business Process Re-engineering

The ¥14.0 billion reduction in fixed costs in the railway business, due to BPR, which were initiated in response to COVID-19, were completed in FY23.3 and have helped to return the railway business to profitability.

Completion of BPR

- Amid the accumulation of depreciation costs and increased expenses such as those at the conclusion of Shinkansen special measures, JR Kyushu completed BPR in FY23.3. We expect to continue realizing a reduction in fixed costs of ¥14.0 billion per year.
- In the current fiscal year, we anticipate emergency restraints of ¥1.0 billion.



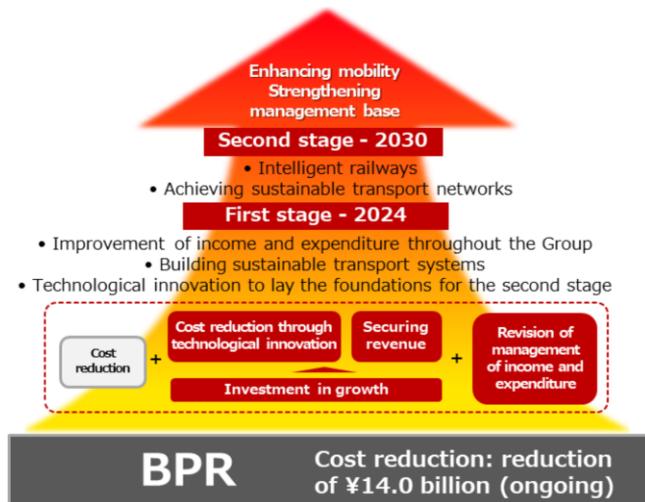
22

- Let me explain initiatives under our first key strategy, of “completing business structural reforms.”
- We had targeted a ¥14.0 billion fixed cost reduction in the railway business due to BPR. We achieved this in the previous fiscal year, which helped to put the railway business back into the black.
- We have experienced some increases in expenses, such as rising energy costs, that we had not anticipated at the time we formulated the medium-term business plan. Even so, we will continue our efforts to achieve the numerical targets outlined in the plan through initiatives such as promoting DX and technological innovation to reduce costs, as well as securing additional revenue.
- Please turn to the next slide.

Key strategy① Completing Business Structural Reforms: Railway Business Through The Future Railway Project

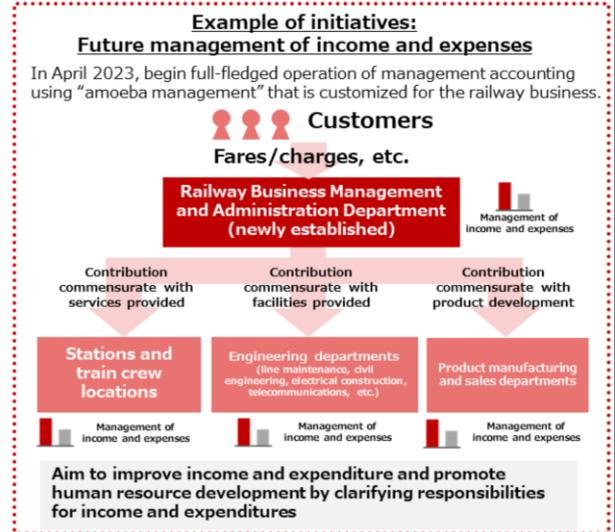
Taking a railway business streamlined through BPR as our starting point, we will work to advance mobility and strengthen our management base through the “Future Railway Project” to create the “railway of the future” that will drive city-building in Kyushu.

Create the “railway of the future” to drive city-building in Kyushu.



FY24.3 initiatives

- We will continue moving forward with cross-organizational studies via nine cross-functional teams.
- In FY24.3, we will move to CBM and review ticket prices (such as Green Car (first class) fees). We expect such efforts to have around a ¥1.0 billion improvement effect on income and expenses.

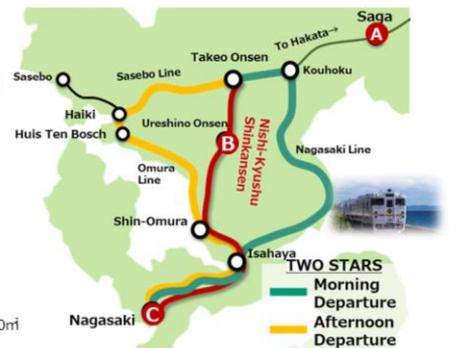


- With regard to reducing costs through technical innovation and generating additional revenue, as mentioned earlier, last fiscal year we began promoting the Future Railway Project.
- Taking a railway business streamlined through BPR as our starting point, under this project we will work to advance mobility and strengthen our management base to create the “railway of the future” that will drive city-building in Kyushu.
- We expect the Future Railway Project to have an improvement effect on income and expenses of approximately ¥1.0 billion this fiscal year. We aim to increase this improvement effect even more going forward.
- As one aspect of the Future Railway Project, in April 2023 we began full-fledged operation of “amoeba management” that is customized for the railway business. Previously, there were separate departments for generating revenue and incurring expenses. By allocating appropriate compensation to each department, we aim to visualize the departmental balance and clarify the responsibility for the balance, with the goal of improving the balance and further developing personnel with a management perspective.
- Please turn to the next slide.

Key strategy ② Creating a model for building cities that promote well-being: City-Building in the Western Kyushu Area

Aiming to maximize the opening effect of the Nishi-Kyushu Shinkansen by promoting development in the western Kyushu area, using the opening of the Nishi-Kyushu Shinkansen as a catalyst

Effects of opening the Nishi-Kyushu Shinkansen and development plans for the western Kyushu area



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- Now, I will explain initiatives under our second key strategy, “creating a model for cities that promote well-being.”
- The number of people using the Nishi-Kyushu Shinkansen, which opened on September 23, 2022, is at 101% of the number of passengers on our limited express trains in the fiscal year ended March 31, 2019. We believe this points to steady progress from opening the line.
- Performance at lodging facilities alongside the tracks is also favorable, showing that the effects of opening are rippling outward to the area alongside the tracks.
- To maximize the opening effects, this fiscal year we will open a Japanese-style inn with hot spring in Ureshino, as well as the New Nagasaki Station Building.
- Please turn to the next slide.

Key strategy ② Creating a model for building cities that promote well-being: Nagasaki Station area development

New Nagasaki Station Building (tentative name) (scheduled opening: autumn 2023)

- Prior to the full opening, Nagasaki Kaido Kamome Market (a retail space under the elevated tracks) opened in March 2022.
- We are leasing out the retail space. Our aim is to create a retail facility that can be enjoyed by anyone and everyone, from urban dwellers, families and tourists to business people, office workers and students.



BLOCK PLAN



Nagasaki Marriott Hotel (scheduled opening: early 2024)



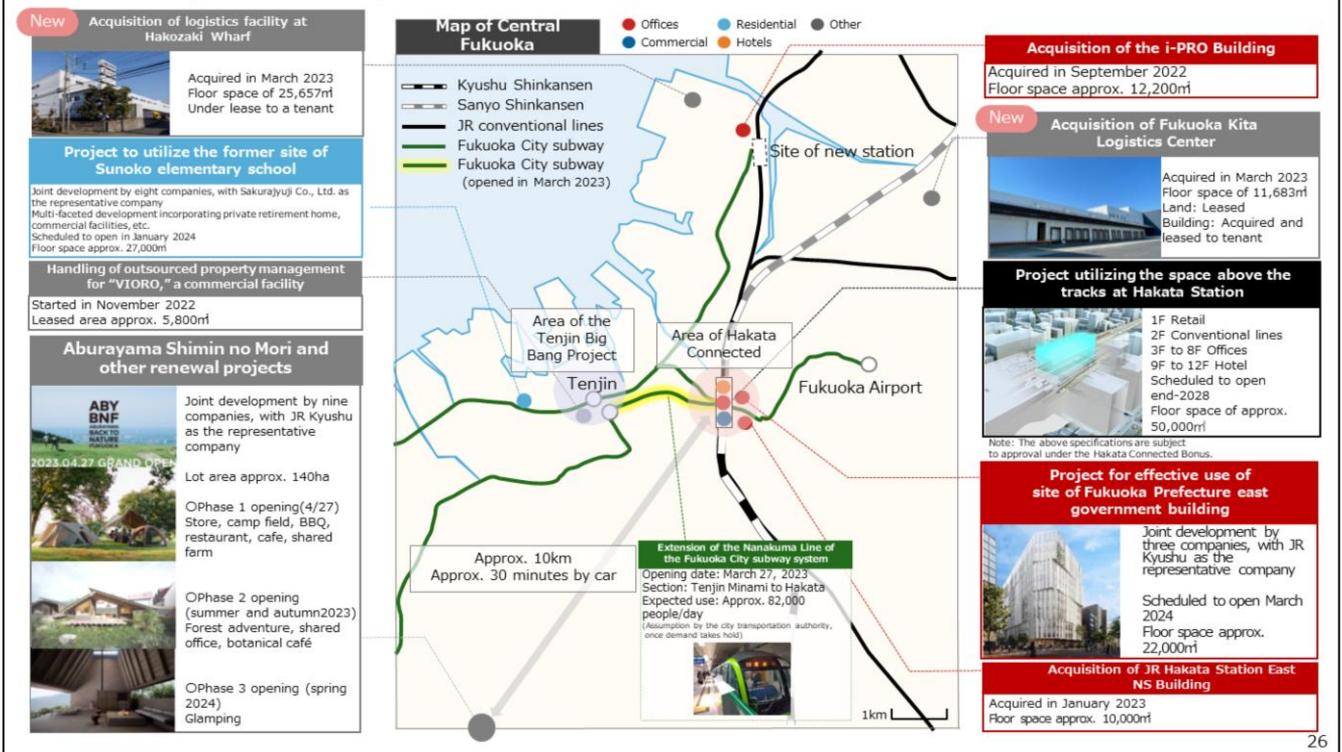
- Capture future inbound demand through global membership organization
- Acquire operational know-how of a global chain, improving profitability and service level

- Floor space: Approx. 20,000m²
- Guest rooms: 200 (planned)

- In the area around Nagasaki Station, we are implementing an integrated development project as the land gateway to Nagasaki, an international tourism city, that includes hotels, commercial facilities, offices, parking lots, etc. We are also moving forward with city-building.
- Leasing for the New Nagasaki Station Building is proceeding smoothly. Combined with the existing station building, this will be the largest commercial facility in the region. The opening is scheduled for autumn of 2023.
- The Nagasaki Marriott Hotel, which is the JR Kyushu Group's first international brand, is scheduled to open in early 2024.
- Please turn to the next slide.

Key strategy ② Creating a model for building cities that promote well-being: City-Building in the Fukuoka Area

In the Fukuoka area, we are promoting city-building, positioning as an opportunity the enhancement of the Hakata Station terminal functions resulting from the extension of the Nanakuma Line. We will acquire and develop logistics facilities to support the city, and enter the experience-based outdoor complex business to provide a variety of consumer and experiential content.



- In the Fukuoka area, we acquired two logistics facilities this March, and we opened the first phase of the Aburayama Shimin no Mori renewal project in April.
- In addition, this fiscal year openings are scheduled on the project to utilize the former site of Sunoko elementary school mainly for private retirement homes and the project for the effective use of the site of the Fukuoka Prefecture east government building primarily for offices.
- The extension of the Nanakuma Line of the Fukuoka City subway system to Hakata Station opened this March, improving the terminal function of Hakata Station. We will actively go forward with urban development in the city of Fukuoka and the surrounding areas, which we expect to continue growing in the future.
- Please turn to the next slide.

Key strategy② 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.

1 Expansion of the "my route" area

- Start of MaaS service in Kumamoto Prefecture using "my route" (a multi-modal mobility service) (January 2023)

2 Move to QR codes on digital tickets

- Some of the digital tickets sold through "my route" use QR codes, which can be passed over a QR code reader at a station's ticket gates.
- Trial operation starting in the Miyazaki area, to be expanded to the Nagasaki area (January 2023)



Ticket screen

3 Passengers select the stations where they will board and alight the train to calculate the fare and obtain a digital ticket

- In Nagasaki Prefecture, we have begun piloting a service allowing passengers to purchase digital tickets by selecting their desired boarding and alighting stations on their smartphones and then to board and alight using QR code recognition on the ticket screen. (March 2023)

Target area:

Between 32 stations on the Nagasaki Main Line, Sasebo Line, and Omura Line



Ticket screen



QR code reader

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.

Image of the status of MaaS initiatives



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.

- In MaaS initiatives, in Kumamoto Prefecture we began offering a MaaS service that uses "my route", a MaaS app. We also launched trial operations of a system that uses QR code readers and digital tickets.
- Going forward, in the aim of promoting wide-area MaaS in Kyushu, we will work to strengthen ties with regional transportation operators, local governments, economic organizations, and other players. In this way, we will work to build a unified promotion system within Kyushu.
- Please turn to the next slide.

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

To accelerate growth by promoting stronger business collaboration within the Construction segment and leading the resolution of diverse regional infrastructure challenges, we will establish an intermediate holding company aiming to become a comprehensive construction group.

Establishment of an intermediate holding company in the Construction segment

Name	JR Kyushu Construction Group Holdings Inc.
Expected establishment	July 3, 2023
Objective for establishment	We aim to accelerate the growth of the Construction segment as a whole by establishing an organization to support revenue expansion, that strengthens external sales, conducts M&A, develops a system for coordinating personnel and information between companies, and strengthens back-office functions (common infrastructure) .

Specific initiatives

1. Support sales expansion

- Joint proposal planning (PFIs, lump-sum contracting, etc.)
- Inter-company collaboration on human resources and know-how

2. Development of common infrastructure

- Joint purchasing, system integration, shared indirect operations, promotion of construction DX
- Drafting of segment-specific HR strategies, support for recruiting

3. Promotion of M&A and alliances

- Expansion of territory through M&A, establishment of PMI system
- Promotion of alliances to expand and strengthen business

Target image for the Construction segment

We will demonstrate our comprehensive capabilities with **essential functions from upstream planning and design to construction and maintenance as indicated below.**

- ✓ Contribute to local communities and solve social issues in a wide range of fields and domain
- ✓ Make long-term, deep connections with clients and properties to meet their needs
- ✓ Leverage and work across a wide range of business domains to create new products and domains



JR九州コンサルタンツ株式会社
JR KYUSHU CONSULTANTS COMPANY
Construction consulting and design



九州工業株式会社
Architecture



三軌建設株式会社
Civil engineering

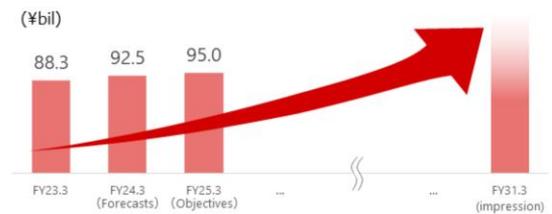


KDS
Facilities

[Strengths of the JR Kyushu Group]
Local governments, railways, city-building

[Sources of growth]
Technical capabilities and know-how, a strong human resource base, and total service based on inter-company collaboration

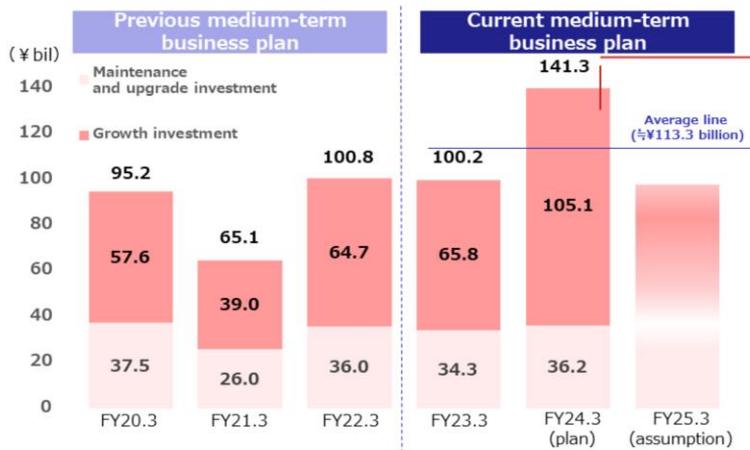
Projected growth in segment operating revenue



- Next, I will discuss the third key strategy, “developing businesses in new areas in which we can contribute.”
- During the period of the current medium-term business plan, we are working to strengthen BtoB and BtoG businesses that are not affected by human traffic. To accelerate the growth of the Construction segment, which is at the core of these efforts, we have decided to establish an intermediate holding company that will oversee the segment.
- The aim is to become a comprehensive construction group that leads the resolution of increasingly diverse regional infrastructure challenges by strengthening the overall capabilities of the segment through establishing a strong organization that promotes collaboration among our businesses.
- Please turn to the next slide.

Capital Investment Plan

- We are making steady progress according to the capital investment plan indicated in the medium-term business plan.
- In FY24.3, we are planning growth investments in large-scale projects, such as the New Nagasaki Station Building development, as well as in growth investment projects that have not yet been confirmed.
- In addition to recovery of EBITDA and utilization of our borrowing capacity, we have obtained cash through such means as the sale of properties to a private REIT and other parties (planning around ¥10.0 billion in FY24.3).



EBITDA	75.0	4.6	30.7	63.8	78.3	94.0
Annual dividend	14.6	14.6	14.6	14.6	14.6	Undecided
Financial soundness indicators						
D/EBITDA	1.9times	54.1times	10.5times	5.5times	—	Approx 5 times
Equity ratio	49.9%	43.8%	40.8%	40.7%	—	Approx 40%

● Main capital investment projects in FY24.3

Growth investment

- ✓ Development of the New Nagasaki Station Building
- ✓ Project for effective use of the site of the Fukuoka Prefecture east government building
- ✓ Project to utilize the former site of Sunoko elementary school
- ✓ URESHINO YADOYA (development of the Ureshino Japanese-style inn)

Maintenance and upgrade investment

- ✓ New production of rolling stock for the Nishi-Kyushu Shinkansen
- ✓ Renovation of rolling stock for conventional lines
- ✓ Rerouting of lines and other efforts to utilize the space above the tracks at Hakata Station

● State of progress on unconfirmed growth investment projects

- ✓ Planning growth investment of ¥225.0 billion in the three years from FY23.3 to FY25.3
- ✓ Of the ¥90.0 billion designated as "unconfirmed" in the medium-term business plan, around 50% will be allocated to the acquisition of office and logistics facilities.



i-PRO Building

(Acquired in September 2022
Floor space approx. 12,200㎡)



JR Hakata Station East NS Building

(Acquired in January 2023
Floor space approx. 10,000㎡)

- Next, I will discuss our capital investment plan.
- This fiscal year, we will continue making maintenance and upgrade investments, such as investing in rolling stock for the Nishi-Kyushu Shinkansen. At the same time, we are planning growth investments centered on the western Kyushu and Fukuoka areas. All told, we are planning capital investments of ¥141.3 billion.
- To invest in growth, in addition to utilizing our borrowing capacity, we have obtained cash through such means as the sale of properties to a private REIT and other parties.
- Please turn to the next slide.

Status of Revision to the Business Portfolio

We are continuously monitoring the business and working to flexibly reconfigure the business portfolio.

	Main initiatives to date		Initiatives under the current medium-term business plan	
	Expanding business areas	Business revision/ withdrawal	Expanding business areas	Business revision/ withdrawal
Transportation Railway services, bus services, hydrofoil ferry services, etc.		<ul style="list-style-type: none"> Revised the system for operating hydrofoil ferries 		
Real Estate and Hotels Real estate leasing, real estate sales, parking lot operation, senior care services, hotel operation, residential construction and sales, golf course operation, etc.	<ul style="list-style-type: none"> Entered the asset management business 	<ul style="list-style-type: none"> Revised business in the areas of residential construction and sales (detached houses) 	<ul style="list-style-type: none"> New Enter the comprehensive outdoor recreation experience business Begin outsourced property management business, handling other companies' retail areas 	<ul style="list-style-type: none"> New Withdrawal from and sale of some hotels
Retail and Restaurant Retailing, restaurants, agriculture	<ul style="list-style-type: none"> Acquired a processed marine products company Acquired a suburban barbecue restaurant 	<ul style="list-style-type: none"> Transferred a majority of shares in the drugstore business Withdrew from overseas businesses 		<ul style="list-style-type: none"> New Transfer all shares in the drugstore business Transfer all shares in the bakery business
Construction Construction, rolling stock mechanical equipment engineering, electrical work, etc.	<ul style="list-style-type: none"> Acquired companies that perform electrical work 		<ul style="list-style-type: none"> Acquire a hardware manufacturing company 	
Business Services Advertising, construction machinery sales and rental, cleaning, station service, linen supply business, etc.	<ul style="list-style-type: none"> Acquired companies in the construction machinery rental business Acquired a company in the system business 	<ul style="list-style-type: none"> Sold the leasing business 	<ul style="list-style-type: none"> Acquire a system company Acquire a heavy cargo transportation company 	
Group, other	<ul style="list-style-type: none"> Established specialized regional funds to promote business portfolio revision 	<ul style="list-style-type: none"> Sold the hospital business 	<ul style="list-style-type: none"> New Enter the grid-based storage battery business 	

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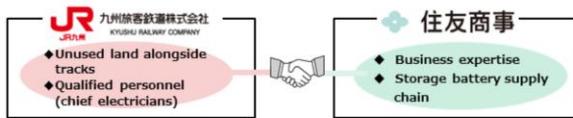
- Now, I will discuss the situation with regard to revising our business portfolio during the period of the current medium-term business plan.
- We are reviewing our areas of business, which has included transferring our shares in the bakery business. We previously transferred 51% of our ownership in the drug store business; we have already transferred our remaining stake. We are engaging in a number of acquisitions and working to expand our business domain through such moves as entering multi-faceted, experience-type outdoor businesses.
- While continuing to monitor our operations closely, we will invest in growth areas while maintaining capital efficiency and shrinking or withdrawing from businesses, as necessary.
- I will conclude by discussing our ESG initiatives. Please turn to the next slide.

ESG Initiatives

Proactive environmental approach (new value creation)

Enter the grid-based storage battery business

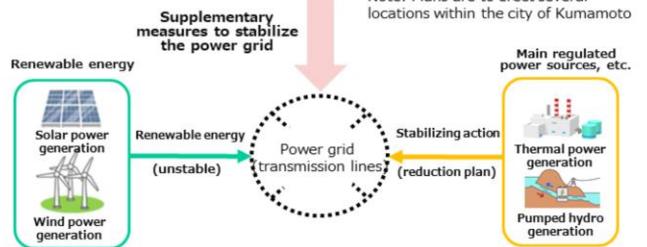
- A joint business that leverages the strengths of JR Kyushu and Sumitomo Corporation (establish new company → apply equity method)



Note: Plans are to erect several locations within the city of Kumamoto

Name	Battery Station Kyushu LLC
Established	April 12, 2023
Expected start of operations	FY2024
Investors	Kyushu Railway Company BS Holdings Co., Ltd.* Sumitomo Corporation Kyushu Co., Ltd.

* Wholly owned subsidiary of Sumitomo Corporation that owns and manages energy storage assets



Environmental changes surrounding the electricity market

- The country as a whole is facing a shortage of regulated power sources to stabilize the power grid (transmission lines), which will become an issue as renewable energy becomes more widely available. Especially in Kyushu, there are restrictions on the line of linkage with Honshu, and there is a tendency toward greater shortages.
- With the acceleration of the shift to renewable energy, the amount of thermal power generation, which is the main source of regulated power, is expected to decrease, and the need for regulated power will further increase.
- Laws are in place to promote the use of storage batteries as a new regulated power source, etc. (Electricity Business Act)

- We are promoting initiatives in each ESG category based on the materiality we established to accomplish the 2030 Long-Term Vision.
- In the E category, as a proactive environmental approach, we have decided to enter the grid-based storage battery business.
- Due to the growing need for adjusting power sources accompanying the expansion of renewable energy, we will begin this business in collaboration with Sumitomo Corporation.
- Please turn to the next slide.

ESG Initiatives

HR Strategy

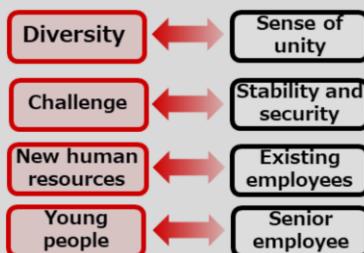
Two basic policies

- Create a company where employees are motivated and can work with vigor and enthusiasm
- Cultivate employees to have interpersonal and practical skills

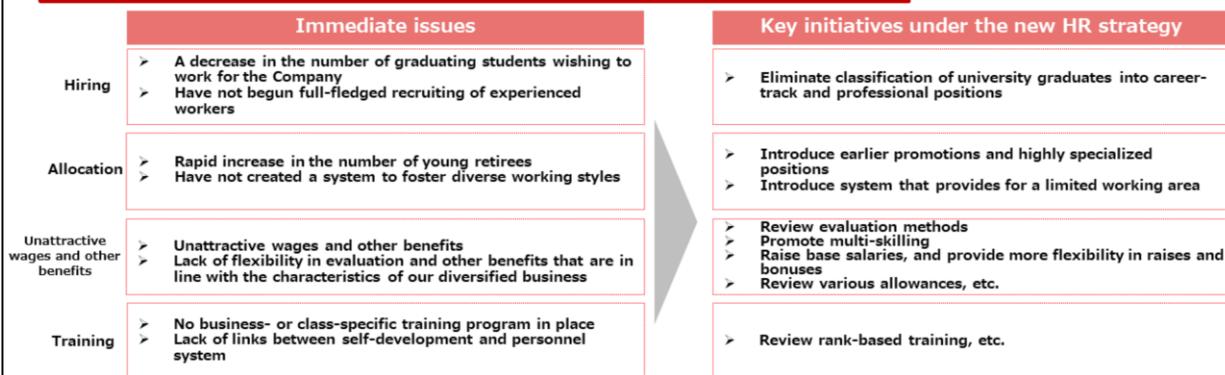
<Four pillars of our HR strategy>

- Provide and support opportunities for challenge and growth for motivated and capable employees
- Create new value through the activities of employees with diverse values and abilities
- Competitive evaluation and rewards based on effort and results
- Create an environment that allows employees to choose flexible work styles that suit their life plans and promote health management

Our assumptions when considering HR strategy



We aim to build a system that provides compatibility among these elements.



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- We recognize that our human resource strategy is an important part of realizing the 2030 Long-Term Vision.
- As part of this, we have proposed changes to the personnel and wage system, which includes raising the base salary and revising the promotion system regardless of the employment category. We have submitted to the labor union our proposed plans, which we aim to implement in April 2024.
- We will continue our efforts to maximize the potential of individual employees and achieve growth for the Group.
- Please turn to the next slide.

State of Progress on Non-Financial KPIs

	Materiality	Objectives/Indicators	Progress (FY23.3)
E	<ul style="list-style-type: none"> CO₂ emissions Disclosure of environment-related information Green building 	<ul style="list-style-type: none"> JR Kyushu non-consolidated emissions in FY31.3 Groupwide Scope 1 and 2 emissions Groupwide Scope 3 emissions 	50% reduction compared to FY14.3 Tracking emissions Starting to calculate Reduced by 46.0% (FY22.3 result) Expect to disclose in August 2023 Disclosed for JR Kyushu on a nonconsolidated basis; expect to disclose for the Group by FY25.3 1 case (JR Kagoshima Chuo Building) <small>Acquisition on April 2023</small>
		<ul style="list-style-type: none"> Acquisition of green building certification 	One or more cases
		<ul style="list-style-type: none"> Safety Service 	<ul style="list-style-type: none"> Accidents in the railway business that result in fatalities among customers Occupational accidents that result in fatalities among employees, etc. Score of service ranking 0 cases 0 cases 90 or more points
S	<ul style="list-style-type: none"> Resident population in regions around development areas Creating employment through new development projects Employee engagement Diversity (promoting women's participation and advancement in the workplace) Comfortable environments that are easy and satisfying to work in Health management Re-skilling support 	<ul style="list-style-type: none"> Monitoring indicators Monitoring indicators Results of employee attitude survey Exchanges of opinions between executives and employees 	— — Continued YoY improvement 40 times per year or more Up 0.02 points 57 times (1,031 people)
		<ul style="list-style-type: none"> Ratio of female employees among new employees Ratio of female managers (End of FY31.3) Ratio of male employees who take childcare leave Ratio of special health guidance given to relevant employees Development of employees skilled in digital technologies Participation in external distance learning 	30% or more 10% or more 50% or more 80% or more 500 people or more 500 people or more per year
		<ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities 	<ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (IR Day events) offering opportunity to talk with outside directors Offering opportunities for exchange, such as presentations, tours, etc. Discussions with customers Building sustainable relationships with local communities 1 or more events per year 5 or more times per year 10 or more times per year
G	<ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities 	<ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (IR Day events) offering opportunity to talk with outside directors Offering opportunities for exchange, such as presentations, tours, etc. Discussions with customers Building sustainable relationships with local communities 1 or more events per year 5 or more times per year 10 or more times per year	— 1 time 5 times 17 times —

- I would like to explain our progress on non-financial KPIs, which play a significant role in enhancing the corporate value of our group.
- We generally believe that we are progressing smoothly under the KPIs related to ESG materiality.
- In the previous period, we made changes such as linking director compensation to the results of employee awareness surveys in order to create a system in which directors are responsible for and incentivized to achieve non-financial KPIs.
- Moving forward, we will step up our efforts to achieve our targets and aim to realize the 2030 Long-Term Vision.
- This concludes my presentation. Thank you for your attention.

APPENDIX

Consolidated Balance Sheet and Cash Flow Statement

(¥bil)

	Results FY22.3	Results FY23.3	YoY	Major factors
Total Assets	951.9	996.6	44.7	
Cash and time deposits	39.7	37.2	(2.4)	
Securities	39.0	15.0	(24.0)	
Property, plant and equipment	575.3	632.2	56.8	Increase due to acquisition of real estate and new production of rolling stock for the Shinkansen
Railway business assets	109.2	138.6	29.4	
Interest-bearing debt	323.1	351.6	28.4	Increase in corporate bonds and long-term loans
Net assets	389.0	406.8	17.8	
Capital and paid-in capital	241.8	241.8	(0.0)	
Retained earnings	147.9	164.4	16.5	
ROE	3.4%	7.8%		
D/EBITDA	10.50	5.50		
Equity ratio	40.8%	40.7%		

(¥bil)

	Results FY22.3	Results FY23.3	YoY	Major factors
Cash flows from operating activities	56.4	62.0	5.6	Increase in income before income taxes
Depreciation expense	29.0	31.8	2.8	
Cash flows from investing activities	(95.7)	(97.5)	(1.8)	Increase in purchases of fixed assets
Capital expenditures	(101.4)	(104.7)	(3.3)	
Free cash flow	(39.2)	(35.4)	3.7	
Cash flows from financing activities	52.5	8.9	(43.5)	
Cash and cash equivalents	78.7	52.2	(26.4)	

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	Results FY22.3	Results FY23.3	YoY		Major Factors
Total	89.3	121.4	32.0	135.9%	
Commuter pass	27.9	29.0	1.1	104.2%	
Non-commuter pass	61.4	92.3	30.8	150.3%	
Cargo	0.0	0.0	0.0	152.2%	
Shinkansen	27.4	44.0	16.5	160.4%	
Commuter pass	2.4	2.7	0.2	110.4%	Increase due to gradual recovery in demand
Non-commuter pass	24.9	41.3	16.3	165.3%	
Conventional Lines	61.9	77.4	15.4	125.0%	
Commuter pass	25.4	26.3	0.9	103.6%	Increase due to gradual recovery in demand
Non-commuter pass	36.4	51.0	14.5	139.9%	

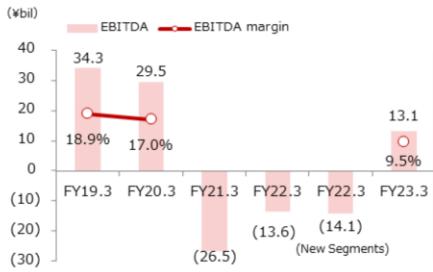
Passenger-Kilometers

(Millions of passenger-kilometer)

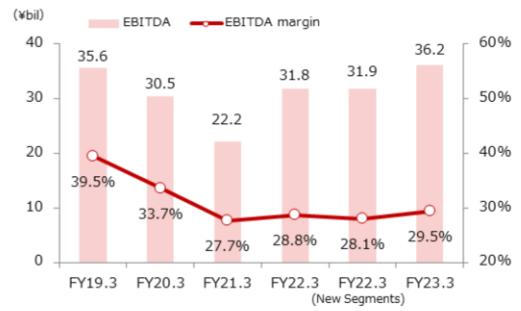
	Results FY22.3	Results FY23.3	YoY	
Total	6,132	7,423	1,291	121.1%
Commuter pass	3,620	3,756	135	103.7%
Non-commuter pass	2,511	3,667	1,155	146.0%
Shinkansen	1,002	1,552	549	154.8%
Commuter pass	178	199	21	112.1%
Non-commuter pass	824	1,352	528	164.1%
Conventional Lines	5,130	5,871	741	114.5%
Commuter pass	3,442	3,556	113	103.3%
Non-commuter pass	1,687	2,315	627	137.2%

EBITDA by Segment

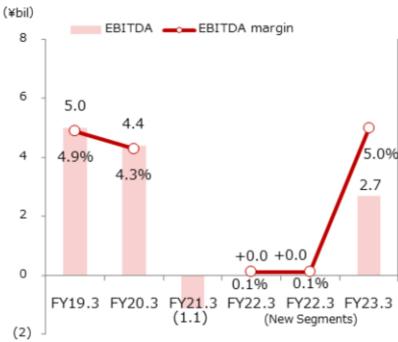
Transportation



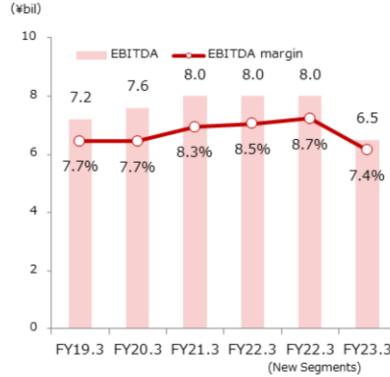
Real Estate and Hotels



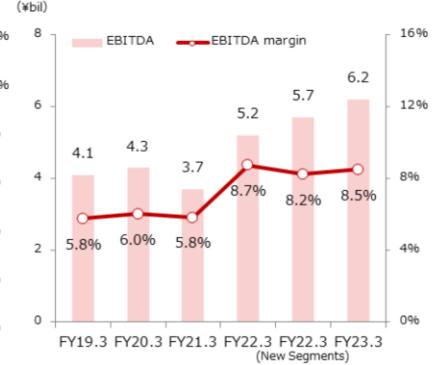
Retail and Restaurant



Construction



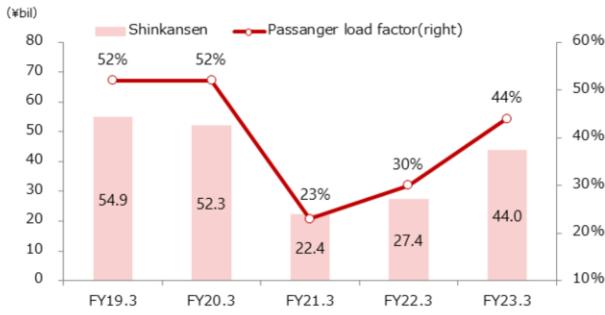
Business Services



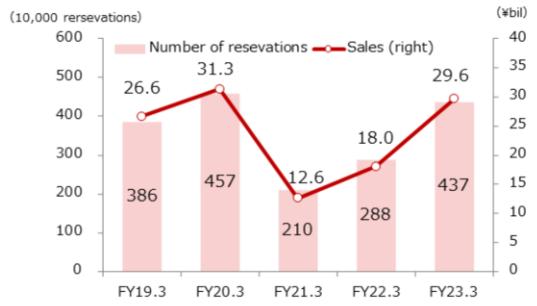
* Figures by segment are prior to eliminating intersegment transactions.

Trends in the Railway Business

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



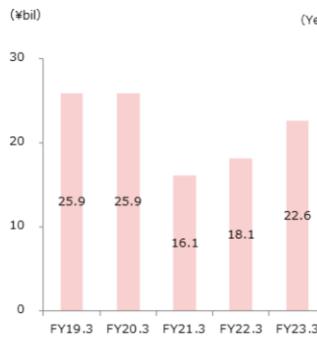
Internet train reservation services: Number of reservations, sales



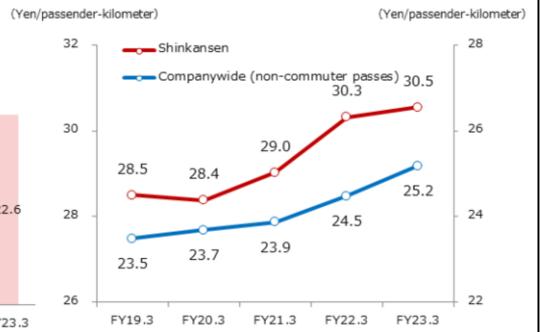
Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



Railway transportation revenues (short distance)

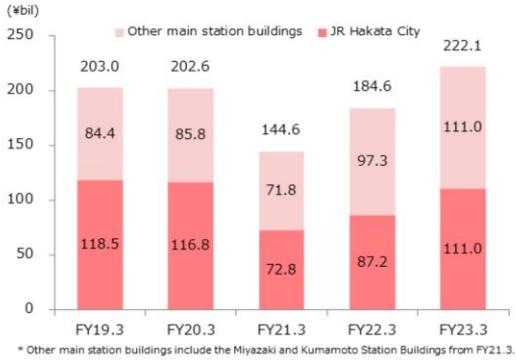


Yield (Companywide (non-commuter passes), Shinkansen)

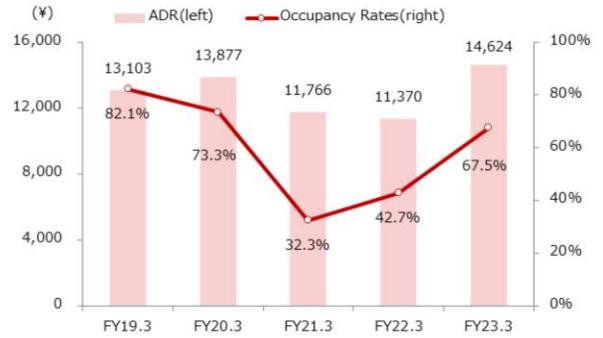


Trends in the Real Estate and Hotel Businesses

Station building tenant sales



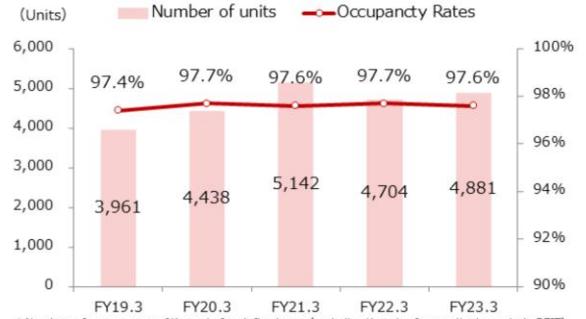
Hotel occupancy rates and average unit prices



Unit sales of condominiums (cumulative)



Rental apartment numbers (cumulative) and occupancy rate



* Numbers of rooms are as of the end of each fiscal year (excluding the sale of properties to a private REIT)
 * 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

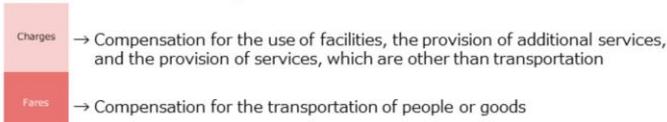
Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
Nagasaki Station area development	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks Autumn 2023: Opening of new station building Early 2024: Hotel opening * revised from autumn 2023	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none"> Multi-faceted development incorporating commercial facilities, hotels, offices, etc. Considering environment burden reduction measures, use of AI/ICT
Kagoshima-Chuo Station West Entrance Development	Kagoshima City, Kagoshima Prefecture	Autumn 2021: Start of construction April 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"> Phase 1: commercial facilities, offices, multi story parking garage; phase 2: multi-faceted development, including residences, etc. Considering infection countermeasures, environment burden reduction measures, use of ICT
Project to utilize the former site of Sunoko elementary School <small>* Joint development by eight companies, with Sakurajyuj 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.
Project for effective use of site of Fukuoka Prefecture east government building <small>* Joint development by three companies, with JR Kyushu 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"> Office buildings (partly commercial stores) Introducing automatic cleaning robot, solar power generation, etc.
URESHINO YADOYA (Ureshino Japanese-style inn development)	Ureshino City, Saga Prefecture	June 2022: Start of construction Autumn 2023: Opening	Lot area: Approx. 9,600㎡ Floor space: Approx. 5,300㎡ Guest rooms: 36	<ul style="list-style-type: none"> A hot-spring inn featuring Ureshino's attractions: hot springs and tea All rooms equipped 100% spring-fed baths
Toranomon 2-chome category 1 urban redevelopment project <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)
Aburayama Shimin no Mori and other renewal projects <small>* Joint development by nine companies, with JR Kyushu as the representative company</small>	Minami-ku, Fukuoka City	July 2022: Start of construction In April 27,2023: Opening From summer 2023: Steadily rollout of restaurants, activities, lodging facilities, etc.	Lot area: Approx. 140ha	Accommodation (camping, glamping), commerce, outdoor parks, farms, others
Project utilizing the space above the tracks at Hakata Station	Hakata-ku, Fukuoka City	End 2028: Opening	Lot area: Approx. 5,200㎡	Offices, hotels, and commercial operations, and plazas, etc.

Note: Schedules are subject to change

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

Outline of Fares/Charges

Breakdown of fares/charges

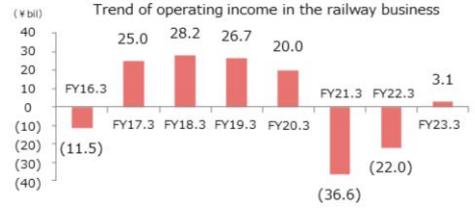


Procedures for establishing and adjusting fares/charges

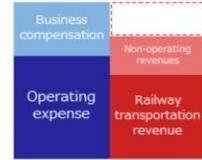
- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting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

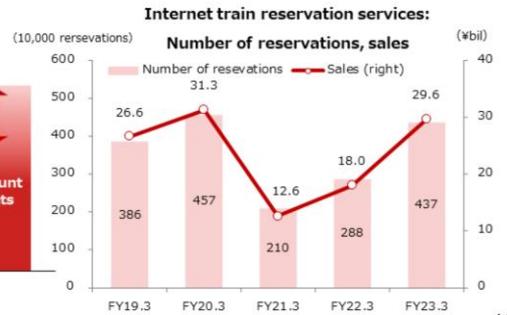


If examination standards are met (illustration)



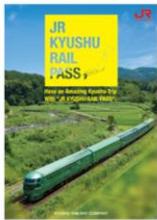
Expense > Revenue
(Reference) MLIT web site

Advancing measures to increase sales using Internet sales



Inbound measures in the railway business

Product lineup



- JR-KYUSHU RAIL PASS, our main product for inbound travelers, offers access to a diverse lineup of products depending on the length of stay and area.

Period of use	All-Kyushu version	Northern Kyushu version	Southern Kyushu version
3 days	¥17,000	¥10,000	¥8,000
5 days	¥18,500	¥14,000	—
7 days	¥20,000	—	—

- Products linked to other transportation systems



JAPAN RAIL PASS

- Demand-oriented products



Two days on regular trains near Fukuoka

Sales promotion

- Exhibit at travel expos in Asian countries
- Develop promotions in cooperation with local governments
- Prepare website specifically for overseas viewers
- Use online sales as the main channel for direct overseas sales due to the rise of online travel agents
- Continuous information dissemination by target area via the Company's social media sites



Facebook followers: approx. 190,000 (as of March 31, 2023)/Weibo/Instagram, etc.

JR-KYUSHU RAIL PASS demand trends

- Strong demand recovery following the easing of protection measures in October 2022
- Potential for recovery remains in some countries and regions
- In FY24.3, we expect the number of passes sold to be approximately 70% of FY19.3 levels

	FY19.3	FY23.3	
	Results	Results	Vs. FY19.3
Number sold	251,000	75,000	30.0% ^{*2}
Sales	¥2.39 bil	¥0.92 bil	38.6%
(Reference) Price ^{*1}	¥10,000	¥14,000	140%

*1 Amounts are for Northern Kyushu (five days); the amount in FY19.3 is prior to tax hike

*2 Sales in 2H FY23.3 (October to March) at 53.1% of FY19.3 levels

Sales by region (FY19.3)



Number of international flights in Kyushu

	Number of flights	Vs. FY19.3
Taiwan	29	42.6%
Hong Kong	17	35.4%
China	0	0%
South Korea	209	70.8%

※ As of March 1, 2023

The railway business has high marginal profits. To benefit from this situation, we will work to attract strong inbound demand, especially from Asia. To do so, we will continuously improve our marketing mix for each country and region, taking demand trends into account, with a focus on Kyushu.

Railway Business Expenses

Leasing and other fees for the Nishi-Kyushu Shinkansen

- We lease 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]

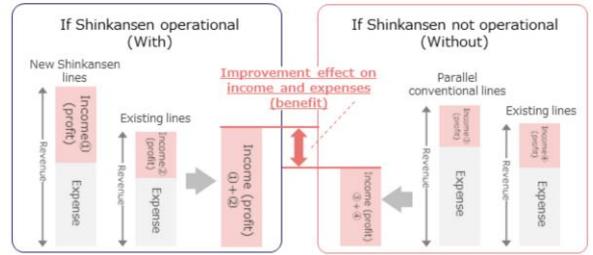
Fixed leasing fee of ¥510 million + property tax and other equivalent and other fees

- Property tax and other equivalent fees fluctuate each year. As with the Kyushu Shinkansen, fees are paid after applying Shinkansen special measures.

(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.



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



The BRT on the Hitahikosan Line

- On August 28, 2023, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of stations is expected to triple from pre-disaster levels, to 36 stations, mainly in areas closely connected to daily life (originally, 12 train stations)

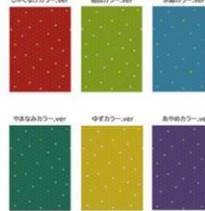
BRT station design



Interior design



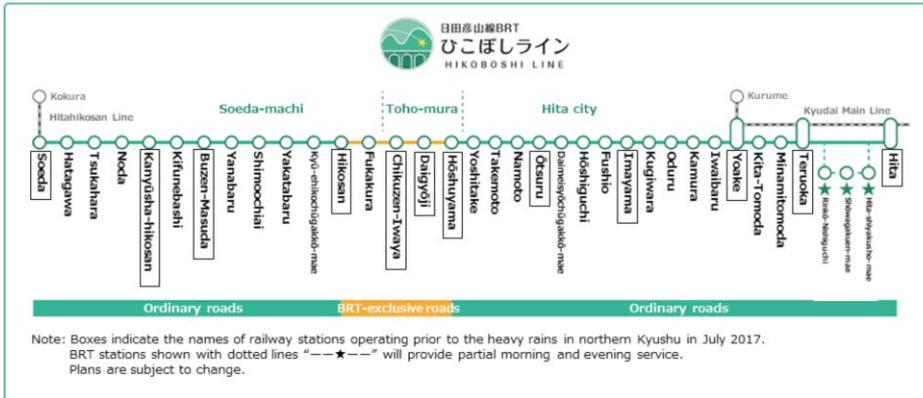
The interior features seat moquettes in the same six colors as the exterior and wood-grain flooring.



*Designs are artists' mock-ups and are subject to change.

Commencement of test runs using electric buses

The four electric buses to be introduced began test runs on public roads on March 28, 2023, to confirm vehicle performance and equipment.



Construction updates are now available on [YouTube](#).

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).



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
- Discussion points (based on the 3rd JR Hisatsu Line Review Conference agenda)

(1) Restoration costs

Railroad restoration costs
¥23.5 billion

Reduction due to collaboration
between businesses
¥15.9 billion

Assistance under the Railway
Track Improvement Act
(JR Kyushu's portion: 1/2 or 1/3)

Note: The restoration amounts indicated here are calculated underspecific conditions; amounts may vary depending on circumstances.

(2) Post-restoration sustainability

Income and expenditure in the disaster
area (Yatsushiro to Yoshimatsu)
Approximately minus ¥0.9 billion/year

Yatsushiro to Hitoyoshi Approximately minus ¥0.6 billion/year	Hitoyoshi to Yoshimatsu Approximately minus ¥0.3 billion/year
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Note: Income and expenditure are as of FY20.3, before the disaster

In addition to restoration costs, each stage of the project should be considered from a broad perspective, starting with an overall regional picture of the future to the specifics of transportation (positioning of the railroad) and sustainability of the railroad.

Reference: Partial Overview of Revisions to the Act on Revitalization and Rehabilitation of Local Public Transportation Systems

Creation and expansion of mechanisms for restructuring local railroads

Background and necessity

- Due to long-term decline in the number of users resulting from such factors as a shrinking population, and the immediate impact of the COVID-19 pandemic, the situation surrounding regional transportation has been deteriorating year by year.
- Notably, some local railways are unable to demonstrate their full potential as a means of mass transportation.
- In light of these circumstances, it is necessary to redesign the regional public transportation network, known as "Re-Design," through collaboration and cooperation among local stakeholders in all transportation modes, in order to improve convenience, sustainability, and productivity.

Overview

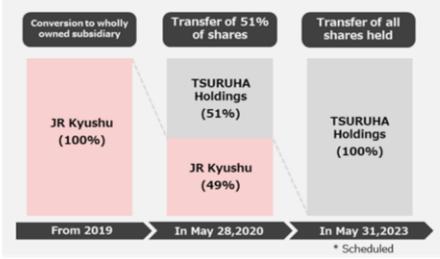
- The "**Redesigning Council**" will be established, which is supposed to be organized by the Minister of Land, Infrastructure, Transport and Tourism based on requests from local governments or railway businesses and after hearing the opinions of related local governments.
- At council meetings, discussions are held on measures to improve convenience and sustainability by (1) maintaining and upgrading railway transportation or (2) transitioning to bus or other modes of transportation, and **a reconstruction policy** is formulated. The government is proactively involved in promoting these discussions.
- The "**Railway Business Revitalization Project**", which is implemented based on a reconstruction policy, will be expanded to achieve advanced railway transportation in accordance with the characteristics of each line.



*JR Kyushu made this slide on the basis of materials from the Ministry of Land, Infrastructure, Transport and Tourism

Examples of Recent Revisions to the Business Portfolio

Business revision/withdrawal

Details	Overview and background	Impact on performance
<p data-bbox="168 348 317 395">Retail and Restaurant</p> <p data-bbox="144 420 358 499">Transfer of shares in the drugstore business</p> <p data-bbox="191 505 308 530">(Drug Eleven)</p>	<ul data-bbox="398 209 1062 457" style="list-style-type: none"> ● We acquired the business in 2007 and made it a wholly owned subsidiary in 2019. However, as gaps in the profit structure were expected to widen in comparison with major drugstore chains, 51% of the shares were transferred to TSURUHA Holdings in May 2020 (causing the subsidiary to become an equity-method affiliate). ● Our two companies worked to expand the scale of business and improve profitability by applying business expertise and other management resources. Even so, the operating environment remained difficult. ● To further expand the business and enhance its corporate value, we reached the decision that it would be best for the business to operate as a wholly owned subsidiary of TSURUHA Holdings. We are scheduled to transfer all our remaining shares in the company on May 31, 2023. 	<ul data-bbox="1082 379 1383 623" style="list-style-type: none"> ● In FY24.3, we plan to exclude the company as an equity-method affiliate and generate a gain on the transfer of shares of approximately ¥7.0 billion. ● Recent performance of Drug Eleven (FY22.5) <ul data-bbox="1082 530 1336 623" style="list-style-type: none"> – Net sales Approx. ¥44.0 billion – Operating income Approx. ¥0.4 billion
<p data-bbox="168 783 317 830">Retail and Restaurant</p> <p data-bbox="144 835 358 913">Transfer of shares in the bakery business</p> <p data-bbox="191 919 308 944">(Train d'Or)</p>	<ul data-bbox="398 747 1062 973" style="list-style-type: none"> ● Following a corporate split (incorporation-type company split), we moved the Train d'Or business to new subsidiary, and then transferred all the shares of that subsidiary to Takaki Bakery on May 1, 2023. ● Following the split, Train d'Or is scheduled for liquidation at the end of July 2023. ● The company faces a challenging business environment due to changes in the industry's commercial landscape and the transformation of consumer lifestyles and behaviors resulting from the COVID-19 pandemic. To address these challenges, the company recognizes the need to leverage Takaki Bakery's expertise in bakery operations and the economies of scale it provides to grow its business. 	<ul data-bbox="1082 845 1336 928" style="list-style-type: none"> ● The impact on consolidated operating performance for FY23.3 and FY24.3 is expected to be minimal.

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/