

# **FY24.3**

## **Semi-Annual Investors Meeting**

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November 8, 2023

**KYUSHU RAILWAY COMPANY**

- I am Takuma Matsushita, the CFO 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 first six months of the fiscal year ending March 31, 2024, our full-year performance forecast, the status of our segments, the progress of initiatives under the medium-term business plan, and efforts to realize management conscious of the cost of capital and the stock price.
- First, I will discuss our financial results for the first six months of the fiscal year ending March 31, 2024. Please turn to slide 5.

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# Highlights

## Financial results for the first six months of FY24.3

- Owing to a gradual recovery of demand in each segment, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all increased year on year.

## Full-year performance forecasts and dividend forecasts for FY24.3

- In Q2, we made steady progress toward our full-year financial forecasts.
- Our consolidated financial forecast remains unchanged from our announcement on August 8.
- Our dividend forecast remains unchanged, at an annual dividend of ¥93.0 per share (year-end dividend only).

## Status of segments

- The rate of recovery in railway business revenues has been increasing since Q1.
- In the hotel business, ADR has been rising since Q1.
- In the retail and restaurant business, store sales remain favorable.

## Progress on the medium-term business plan

- We plan to open the New Nagasaki Station Building on November 10.
- The state of use of the BRT on the Hitahikosan Line is positive.
- We are promoting measures to enhance employee engagement.

## **I Financial Results for the First Six-Months of FY24.3**

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## Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2023

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Operating revenue	170.1	190.7	20.5	112.1%
Operating income	11.1	26.8	15.6	239.8%
Ordinary income	11.8	28.0	16.2	236.8%
Extraordinary gains and losses	1.9	6.5	4.5	333.6%
Net income attributable to owners of the parent	12.0	27.9	15.9	233.2%
EBITDA <sup>※</sup>	25.2	42.4	17.1	168.1%

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

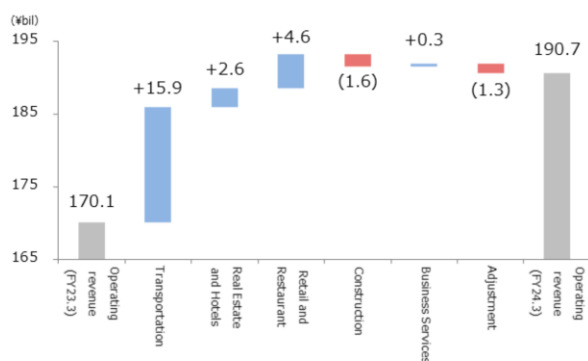
### Operating revenue · income

The sale of properties decreased, but revenues and profit increased due to such factors as modest demand recovery in each business.

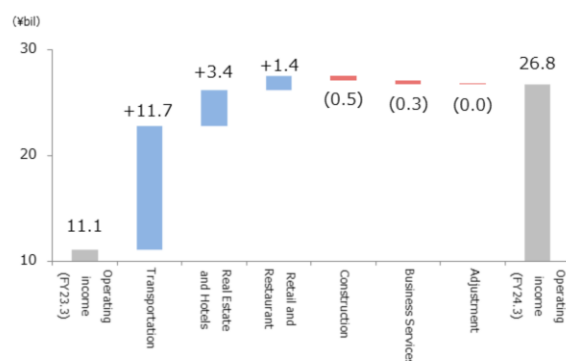
### Extraordinary gains and losses

Increased due to a gain on sale of Drug Eleven sharers, as well as other factors

### Change in operating revenue by segment



### Change in operating income by segment



- Operating revenue increased ¥20.5 billion year on year, to ¥190.7 billion, as socioeconomic activity normalized further and we saw a modest rebound in demand in the railway and other businesses.
- Buoyed by the higher operating revenue, operating income also rose ¥15.6 billion year on year, to ¥26.8 billion. EBITDA expanded ¥17.1 billion year on year, to ¥42.4 billion.
- Net income attributable to owners of the parent rose ¥15.9 billion year on year, to ¥27.9 billion, owing to such factors as an extraordinary gain on the sale of Drug Eleven shares.
- Next, I will discuss our full-year performance forecast. Please turn to slide 9.

## Consolidated Results for the First Six Months of FY24.3 (by Segment)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major factors
Operating revenue	170.1	190.7	20.5	112.1%	
Transportation	63.4	79.3	15.9	125.1%	
Railway Business (non-consolidated)	62.8	77.9	15.1	124.1%	Increase due to moderate recovery in demand
Real Estate and Hotels	52.6	55.2	2.6	105.0%	
Real Estate Lease	30.3	33.5	3.1	110.5%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	15.4	10.6	(4.8)	68.8%	Decrease in the sale of properties
Hotel Business	6.8	11.0	4.2	162.7%	Increase due to moderate recovery in demand
Retail and Restaurant	25.2	29.9	4.6	118.4%	Increase due to moderate recovery in demand
Construction	35.5	33.9	(1.6)	95.4%	
Business Services	34.1	34.4	0.3	100.9%	
Operating income	11.1	26.8	15.6	239.8%	
Transportation	0.3	12.1	11.7	-	
Railway Business (non-consolidated)	0.8	12.3	11.4	-	
Real Estate and Hotels	8.4	11.8	3.4	140.1%	
Real Estate Lease	7.4	8.6	1.1	115.4%	
Real Estate Sales	1.3	1.5	0.1	113.5%	
Hotel Business	(0.2)	1.7	2.0	-	
Retail and Restaurant	0.2	1.6	1.4	665.4%	
Construction	0.1	(0.3)	(0.5)	-	
Business Services	1.9	1.6	(0.3)	83.8%	
EBITDA	25.2	42.4	17.1	168.1%	
Transportation	5.3	17.9	12.5	332.8%	
Railway Business (non-consolidated)	5.7	17.9	12.2	314.4%	
Real Estate and Hotels	15.4	19.3	3.9	125.4%	
Real Estate Lease	13.2	14.8	1.5	111.7%	
Real Estate Sales	1.3	1.5	0.1	113.4%	
Hotel Business	0.8	2.9	2.1	369.6%	
Retail and Restaurant	0.8	2.2	1.4	259.7%	
Construction	0.6	0.1	(0.5)	16.4%	
Business Services	3.0	3.0	(0.0)	99.8%	

## Non-Consolidated Results for the First Six Months of FY24.3

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major Factors
Operating revenue	94.2	106.2	12.0	112.8%	
Railway transportation revenues	55.4	70.4	14.9	127.1%	Moderate recovery in demand
Shinkansen	18.7	28.0	9.2	149.6%	
Conventional Lines	36.6	42.3	5.6	115.5%	
Other revenue	38.8	35.8	(2.9)	92.3%	Decrease in the sale of properties, increase in the sale of condominiums
Operating expense	85.1	85.0	(0.1)	99.9%	
Personnel expense	19.8	20.3	0.5	102.9%	
Non-personnel expense	50.4	48.6	(1.7)	96.5%	
Energy cost	4.9	5.5	0.6	112.0%	Unit price increase due to soaring resource prices
Maintenance cost	11.8	11.6	(0.2)	98.3%	
Other	33.6	31.4	(2.1)	93.5%	Decrease in cost of sales due to the sale of properties, increase in cost of sale due to the sale of condominiums
Taxes	6.2	6.1	(0.0)	98.8%	
Depreciation cost	8.6	9.7	1.1	113.7%	
Operating income	9.0	21.2	12.1	233.4%	
Non-operating income and expense	4.0	5.5	1.5	137.5%	
Ordinary income	13.1	26.8	13.6	203.8%	
Extraordinary gain and losses	2.2	6.5	4.2	287.5%	Increase due to a gain on the sale of Drug Eleven shares
Net income	14.3	28.2	13.9	197.0%	

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

(¥bil)

		6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Railway business	Operating revenue	62.8	77.9	15.1	124.1%
	Operating income	0.8	12.3	11.4	-
Related businesses	Operating revenue	31.4	28.3	(3.0)	90.1%
	Operating income	8.2	8.9	0.6	107.7%

## **II Full-Year Performance Forecasts and Dividend Forecasts for FY24.3**

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## 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%

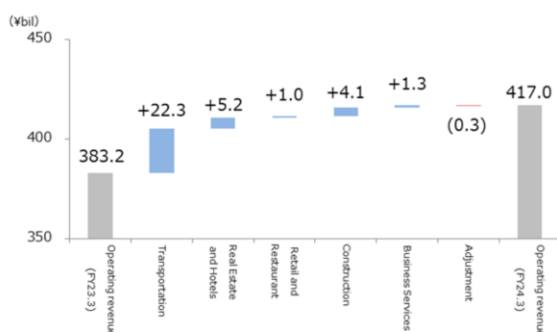
### Operating revenue

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.

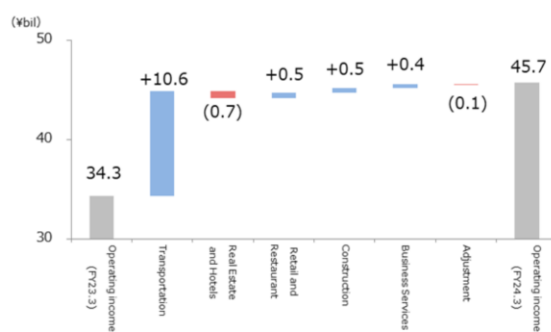
### Operating income

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



- Our full-year performance forecast and dividend forecast remain unchanged from those announced on August 8.
- We will continue to monitor the recovery in revenue. Along the way, we will promote various measures to meet this year's performance targets and the numerical management targets in our medium-term business plan.
- Next, I will discuss the status of our segments. Please turn to slide 14.

## Consolidated Financial Forecasts for FY24.3 (by segment)

(¥bil)

	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%	
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%

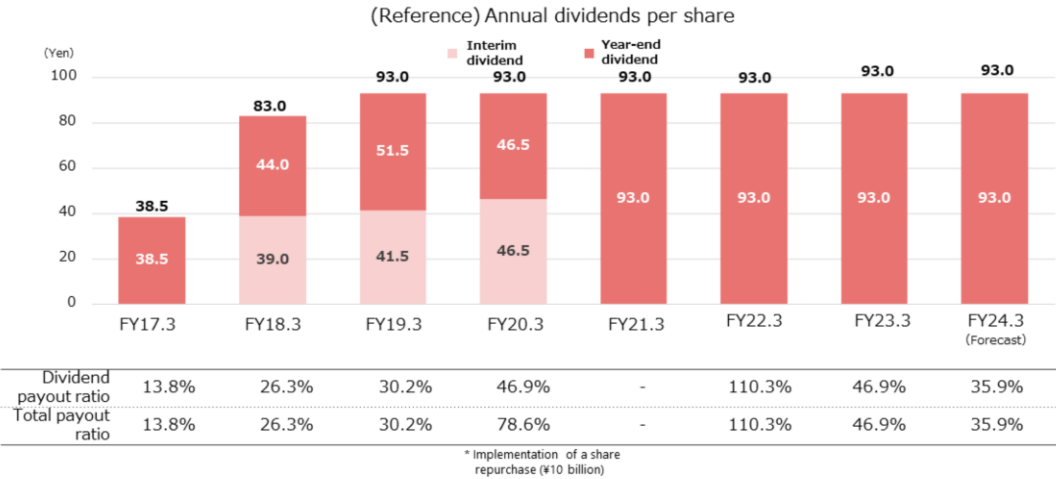
# FY24.3 Dividend Forecasts

## 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).





### **III Status of Segments**

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# Transportation Segment

- Railway transportation revenues continued to recovery gradually, in line with expectations.

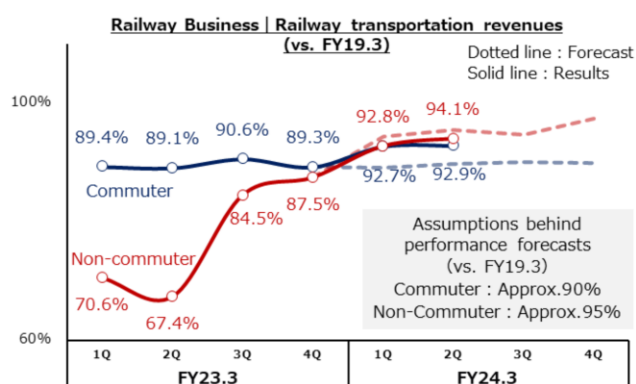
【Results】	(¥bil)				【Forecasts】	(¥bil)			
	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY			FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	63.4	79.3	15.9	125.1%		138.3	160.7	22.3	116.2%
Railway Business (non-consolidated)	62.8	77.9	15.1	124.1%		136.5	156.9	20.3	114.9%
Railway transportation revenues	55.4	70.4	14.9	127.1%		121.4	142.8	21.3	117.6%
Operating income	0.3	12.1	11.7	-		2.5	13.2	10.6	523.2%
Railway Business (non-consolidated)	0.8	12.3	11.4	-		3.1	13.3	10.1	422.7%
EBITDA	5.3	17.9	12.5	332.8%		13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	5.7	17.9	12.2	314.4%		13.5	25.2	11.6	186.4%

## Status of Key Businesses

- Railway transportation revenues were essentially in line with overall expectations, with non-commuter revenues slightly below expectations and commuter revenues stronger than expected.

[Railway transportation revenues (vs. FY19.3)]  
1H results: 93.3% Vs. full-year expectations: 94.3%

- With regard to expenses in the railway business, energy costs were slightly lower than expected and maintenance costs were somewhat delayed. However, in 2H we expect costs to rebound from levels curtailed during the pandemic.



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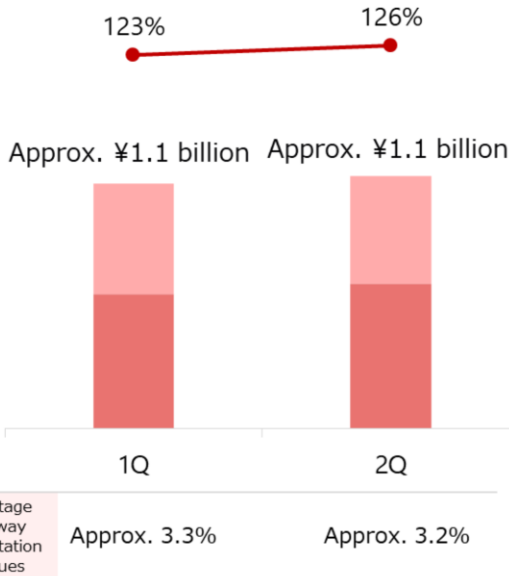
- In the transportation segment, railway transportation revenues continued to recover gradually, remaining in line with our expectations.
- Looking in more detail, performance was in line with overall expectations, with non-commuter revenues slightly below expectations and commuter revenues stronger than expected.
- With regard to expenses in the railway business, energy costs were lower than expected. Meanwhile, in the second half we expect costs to rebound from levels curtailed during the pandemic.
- Next, I will discuss three topics in the railway business. Please turn to the next slide.

# Status of Inbound Measures in the Railway Business

- In Q2, inbound revenue was essentially on a par with Q1. We revised rail pass prices in October.

## Inbound revenue (approximate)

JR-KYUSHU RAIL PASS Others Vs. FY19.3

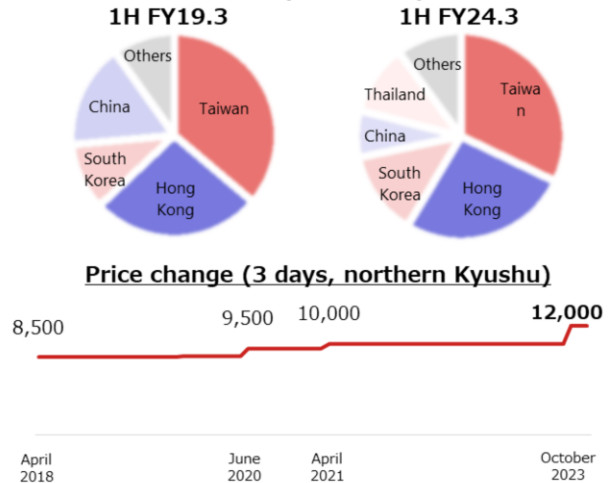


## Demand for JR-KYUSHU RAIL PASS

	1H FY19.3	1H FY24.3	
	Results	Results	Vs. FY19.3
Number of tickets sold	115,000	116,000	100%
Sales	¥1.09 billion	¥1.39 billion	127%
(Reference) Unit price*	¥8,500	¥10,000	118%

\*Amount for northern Kyushu (3 days)

## Sales by nationality



- First, I would like to talk about the status of inbound measures in the railway business.
- In the second quarter, inbound revenue was essentially on a par with the first quarter, but up slightly compared with the fiscal year ended March 31, 2019.
- JR KYUSHU RAIL PASS ticket sales make up the majority of inbound revenue. While revenue from China has not yet returned to the levels seen in the fiscal year ended March 31, 2019, overall ticket sales have returned to the levels in the fiscal year ended March 31, 2019.
- With price revisions on the JR KYUSHU RAIL PASS and Japan Rail Pass that went into effect on October 1, we are working to enhance revenue further.
- Please turn to the next slide.

# Changing the Station System in the Railway Business

- To improve the efficiency of the station system, on October 1, we moved to direct management of station operations that had been outsourced to a subsidiary.

## Issues prior to switching

As some operations could not be outsourced, such as train control operations and transporting cash, as we have progressed toward unmanned stations, the burden on directly managed stations of managing outsourced and unmanned stations has increased, leading to greater inefficiency.



By moving to directly handle all station operations that had been outsourced to a subsidiary, we aim to make the station operation system more efficient, shrink indirect departments, improve organizational capabilities, and invigorate the utilization and transfer of human resources.

## [System before switching]

	Directly managed stations	Outsourced stations	Simply outsourced stations, unmanned stations	Total
Number of stations	47	130	394	571
Percentage	8%	23%	69%	—

## Switching method

- End the outsourcing of station operations to a subsidiary, JR Kyushu Service Support (Business Services Segment).
- Employees of JR Kyushu Service Support that had handled station operations will, in principle, continue their employment at JR Kyushu.

## Projected impact on performance (annual)

[Consolidated]  
No impact

[Non-consolidated]  
Personnel expense  
Approx. +2.0 billion yen  
Non-personnel expense  
Approx. (2.0) billion yen

[Segment]  
Business Services Segment  
Operating revenue  
Approx. (2.0) billion yen  
Operating income  
No impact

Note: We assume that expenses will decrease on a consolidated basis over the medium to long term due to efficiency gains.

- Next, I would like to talk about changes to the station system.
- On October 1, we moved to the direct management of all station operations that JR Kyushu had outsourced to a subsidiary.
- We had been facing some issues. Some operations could not be handled at outsourced stations. As we progressed toward unmanned stations, the burden on directly managed stations increased, leading to greater inefficiency. By moving to handle operations directly, we aim to resolve these inefficiencies. We will also shrink indirect departments, improve organizational capabilities, and invigorate the utilization of human resources.
- As a result of the move to direct operations, employees of the subsidiary that had handled station operations will, in principle, continue their employment at JR Kyushu. As a result, on a non-consolidated basis, personnel expenses will rise, but our outsourcing expenses will decrease, so profit will be essentially unchanged. Performance will also be essentially unaffected on a consolidated basis.
- Please turn to the next slide.

## Subcommittee on Rail Fares and Charges (Ministry of Land, Infrastructure, Transport and Tourism)

### Interim summary of the subcommittee (July 2022)

#### (1) Immediate measures

Start specific studies on the following items, based on the current fare and charge system. Implement these items, starting with those for which results are obtained.

##### 1. Revise the total cost calculation method

→Investigate methods to appropriately reflect investments and costs for safety, security, and the environment in the total cost.

##### 2. Improve and innovate the current system's operations

##### 3. Review the system to maintain and ensure regional mobility in rural areas

→Consider establishing a system that would allow for setting fares that differ from approved fares if agreed upon by local stakeholders.

#### (2) Future considerations

Continue to review the current fare and charge system, taking into account the results of the immediate actions described in (1) above.

### Direction for Review of Total Cost Calculation Method (June 2023: Selected Key Issues)

- Introduction of accelerated depreciation expense for future capital investments
- Reflect the rate of change in the fair unit price of fuel in energy cost
- Reflect in personnel expense the rate of increase in fair unit personnel expense
- Reflect in expenses the rate of increase in prices based on the consumer price index, the corporate goods price index and other key government statistical data
- Factor in extraordinary losses due to disasters
- Depreciation expense calculation for impaired assets (considered on a business-by-business basis, taking individual circumstances into account)
- The national government intends to revise the revenue cost calculation guidelines by the end of this fiscal year

### Our position on the fare system

- Our belief that more flexibility in setting fares would lead to better and more sustainable service remains unchanged.
- On the other hand, we see the fact that the cost-of-income calculation procedures are being considered for revision in the current fiscal year as positive, as the strict conditions have made it difficult for us to revise fares.
- We will continue to monitor the specific details of the revision of the guidelines.

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- Finally, I would like to talk about discussions on the fare system.
- At a meeting in June, the Subcommittee on the Rail Fare and Charges System discussed directions for revising the method for calculating total cost and indicated its policy of aiming for a revision by the end of this fiscal year.
- We continue to believe that more flexibility in setting fares would lead to better and more sustainable service. However, we see the fact that cost-of-income calculation procedures are being considered for revision in the current fiscal year as a positive, as we have had difficulty revising fares due to the strict conditions.
- We will continue to monitor the specific details of the revision of the guidelines.
- Please turn to slide 19.

# Railway business (transportation data)

## Railway Transportation Revenues

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major Factors
Total	55.4	70.4	14.9	127.1%	
Commuter pass	14.8	15.4	0.5	104.0%	
Non-commuter pass	40.5	54.9	14.4	135.5%	
Cargo	0.0	0.0	0.0	121.9%	
Shinkansen	18.7	28.0	9.2	149.6%	
Commuter pass	1.3	1.5	0.1	112.4%	Gradual recovery in demand, opening of the Nishi-Kyushu Shinkansen
Non-commuter pass	17.3	26.5	9.1	152.5%	
Conventional Lines	36.6	42.3	5.6	115.5%	
Commuter pass	13.5	13.9	0.4	103.1%	Gradual recovery in demand
Non-commuter pass	23.1	28.4	5.2	122.8%	

## Passenger-Kilometers

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		(Millions of passenger-kilometer)
Total	3,613	4,225	612	117.0%	
Commuter pass	1,976	2,033	56	102.9%	
Non-commuter pass	1,636	2,192	555	134.0%	
Shinkansen	672	968	295	143.9%	
Commuter pass	100	112	12	112.2%	
Non-commuter pass	572	856	283	149.5%	
Conventional Lines	2,940	3,257	316	110.8%	
Commuter pass	1,876	1,920	44	102.4%	
Non-commuter pass	1,063	1,336	272	125.6%	

## Real Estate and Hotels Segment: Real estate leasing business

- The real estate leasing business performed steadily, at the anticipated level.

【Results】

			(\$bil)	
	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Operating revenue	30.3	33.5	3.1	110.5%
Operating income	7.4	8.6	1.1	115.4%
EBITDA	13.2	14.8	1.5	111.7%

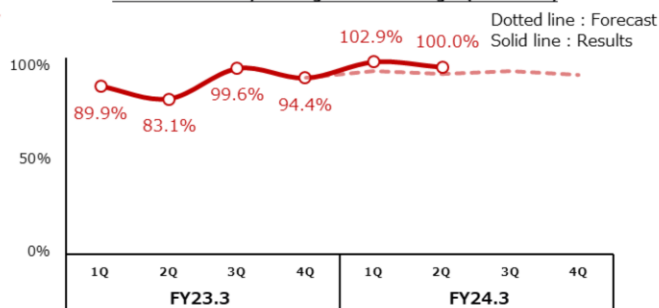
【Forecasts】

(¥bil)				
FY23.3 Results		FY24.3 Forecasts	YoY	
62.6		68.7	6.0	109.7%
14.8		15.3	0.4	102.7%
26.7		28.6	1.8	107.0%

### Status of Key Businesses

- Station building tenant sales are in line with the recovery trend, driven mainly by Hakata City.
- In office buildings and rental apartments, performance remained robust, with no major changes to vacancy rates at currently owned properties.
- The JR Nagasaki Station Building is scheduled to open on November 10, 2023, so we anticipate opening expenses in 2H.

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



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

- Next, I will discuss the status of the real estate and hotels segment.
- Looking first at the real estate leasing business, tenant sales at our main station buildings maintain a recovery trend, and performance was in line with our expectations. In office buildings and rental apartments, as well, performance was robust, with no major changes to vacancy rates at currently owned properties.
- The JR Nagasaki Station Building is scheduled to open on November 10, so we anticipate opening expenses in the second half.
- Please turn to the next slide.



# Real Estate and Hotels Segment: Real Estate Sales Business

- Condominium sales were up year on year.
- In the period under review, we sold a rental apartment building, whereas we sold an office building in the same period of the previous fiscal year. As a result, the sale of properties was down year on year.

[Results]

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Operating revenue	15.4	10.6	(4.8)	68.8%
Operating income	1.3	1.5	0.1	113.5%
EBITDA	1.3	1.5	0.1	113.4%

[Forecasts]

	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%

## Status of Key Businesses

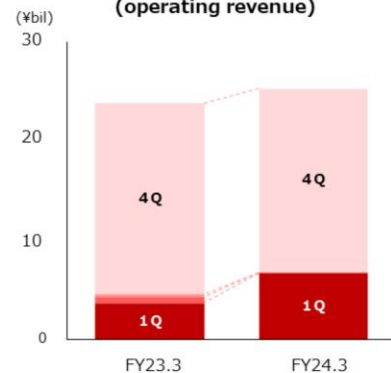
- We expect operating revenue from condominiums to rise slightly from FY23.3 levels. In 2H, we plan to deliver the Company's first development property in Tokyo.
- With regard to property sales, in Q1 we sold RJR Precia Shin-Yokohama to a third party. We anticipate combined operating revenue of around ¥10.0 billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).



### RJR Precia Shin-Yokohama

Acquisition date: October 2018  
Location: Kohoku-ku, Yokohama  
Structure: 10 floors above ground, one below  
Construction date: May 2009  
Units: 110

### Condominium sales forecast (operating revenue)



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- In the real estate sales business, revenue from condominium sales was up slightly year on year, in line with expectations. Also, in the first quarter, we sold one rental apartment building to a third party.
- Next, I will discuss our condominium sales business. Please turn to the next slide.



# Condominium Sales Business

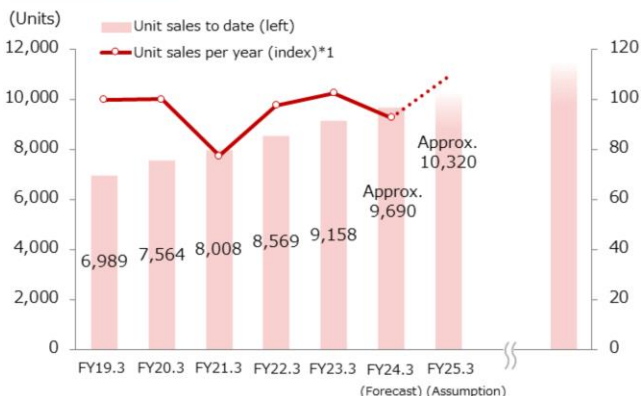
- More than 30 years after launching the business, the MJR brand has established a solid position and track record in Kyushu.
- We will continue to ensure a stable supply, and aim to increase the number of residents along our train lines and invigorate local communities.



## About the MJR brand

- Started supplying condominiums in 1989
- Business operations in major cities in Kyushu, as well as in the Tokyo metropolitan area and the Kansai region
- Top-class sales performance in Kyushu

## Unit sales



\*1 The number of units sold in FY19.3 is indexed to 100.

\*2 Figures for FY24.3 and beyond are planned and may change depending on actual sales conditions and other factors.

## Major projects in the pipeline

### Slated for completion in FY24.3

#### MJR Fukagawa Sumiyoshi

Location: Koto-ku, Tokyo  
Structure: 14 floors above ground  
Delivery date: March 2024 (expected)

Units: 165  
Sales status: All sold  
Note: First property to be sold in Tokyo



### FY25.3

#### MJR Hakata The Residence

Location: Hakata-ku, Fukuoka  
Structure: 14 floors above ground  
Delivery date: April 2025 (expected)

Units: 262  
Sales status: Sales in progress



### FY26.3

#### MJR Kumamoto Gate Tower

Location: Nishi-ku, Kumamoto  
Structure: 30 floors above ground  
Delivery date: March 2026 (expected)

Units: 236  
Sales status: Sales in progress



Note: This is a joint development project with Keihan Real Estate Co., Ltd.

- As part of our efforts to promote city-building along our network of train lines, in 1989 we began supplying condominiums, mainly in Kyushu's major cities, and we have been developing this business since.
- MJR, JR Kyushu's condominium brand, has established a solid position in Kyushu, with top-class sales in the region. We have offered a steady supply of condominiums, providing more than 9,000 units to date.
- In recent years, we have expanded our business into the Tokyo metro and Kansai areas as well, and we are extending our field throughout Japan. We have already sold MJR Fukagawa Sumiyoshi, our first property in Tokyo, and we plan to commence delivery in the second half.
- We will continue to develop our business both within and outside Kyushu to ensure a stable supply and to help increase the number of residents along our lines and revitalize the areas around train lines. Please turn to the next slide.

# Real Estate and Hotels Segment: Hotel Business

- Due to a further increase in accommodation demand, ADR reached the ¥19,000 level.
- The percentage of inbound travelers rose from Q1 as a percentage of total room sales.

[Results]

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	(¥bil)
Operating revenue	6.8	11.0	4.2	162.7%
Operating income	(0.2)	1.7	2.0	-
EBITDA	0.8	2.9	2.1	369.6%

[Forecasts]

	FY23.3 Results	FY24.3 Forecasts	YoY	(¥bil)
Operating revenue	16.9	21.0	4.0	124.2%
Operating income	0.9	1.0	0.0	104.0%
EBITDA	3.2	3.7	0.4	112.4%

## Status of Key Businesses

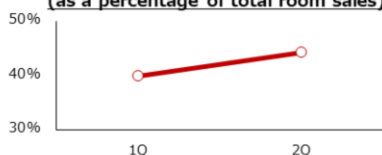
- Stronger inbound demand, especially in the Tokyo metropolitan and Fukuoka areas, drove up occupancy rates and ADR.

[Assumptions for FY24.3]

Occupancy rates: Remain at around 75%

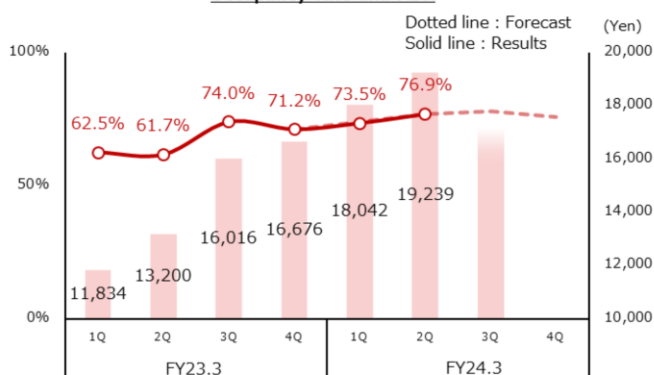
ADR: Move in the range of ¥15,000 to ¥17,000

Percentage of inbound travelers  
(as a percentage of total room sales)



- The Nagasaki Marriott Hotel is scheduled to open in early 2024, so we forecast opening expenses in 2H.

## Occupancy rate and ADR



- Next, I would like to talk about the status of the hotel business.
- Due to a further increase in accommodation demand, ADR rose further from first-quarter levels, driven by inbound demand particularly in the Tokyo metro and Fukuoka areas.
- Meanwhile, the Nagasaki Marriott Hotel is scheduled to open in early 2024, so we forecast opening expenses in the second half.
- Please turn to the next slide.

## Retail and Restaurant segment

- The recovery trend continued, buoyed by a further recovery in foot traffic in Q2.
- Sales both at stores in areas surrounding stations and at suburban stores were favorable, pushing up revenue and income.

[Results]

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	25.2	29.9	4.6	118.4%
Operating income	0.2	1.6	1.4	665.4%
EBITDA	0.8	2.2	1.4	259.7%

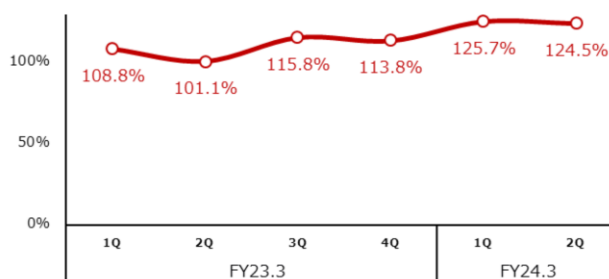
[Forecasts]

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
	54.7	55.8	1.0	101.9%
	1.4	2.0	0.5	141.7%
	2.7	3.3	0.5	121.1%

### Status of Key Businesses

- The convenience store business and the restaurant-related franchise business continued to drive performance.
- Existing store sales were more than 100% of levels for the same period of the previous year, centered on major subsidiaries.

Segment store sales (vs. FY19.3)



Note: Results exclude JR Kyushu Drug Eleven (as we sold all shares in that company in May 2023).

- In the retail and restaurant segment, a rebound in foot traffic bolstered performance at convenience stores and fast food shops. As a result, performance remained robust, as it was in the first quarter.
- Next, I will discuss the progress of initiatives under the medium-term business plan. Please turn to slide 26.

# Construction Segment, Business Services Segment

## Construction Segment

- The order backlog is building up, and we aim to win more orders and steadily progress on construction projects.

【Results】

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	35.5	33.9	(1.6)	95.4%
Operating income	0.1	(0.3)	(0.5)	-
EBITDA	0.6	0.1	(0.5)	16.4%

【Forecasts】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
	88.3	92.5	4.1	104.7%
	5.4	6.0	0.5	110.2%
	6.5	7.1	0.5	109.1%

## Business Services Segment

- Revenue rose due to increased deliveries of construction materials, but income fell due to lower sales of construction equipment.

【Results】

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	34.1	34.4	0.3	100.9%
Operating income	1.9	1.6	(0.3)	83.8%
EBITDA	3.0	3.0	(0.0)	99.8%

【Forecasts】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
	73.4	74.8	1.3	101.8%
	3.4	3.9	0.4	111.9%
	6.2	6.3	0.0	100.9%

## **IV Progress 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.

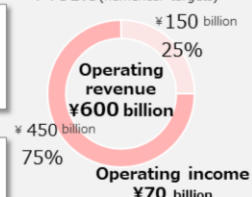
#### Policy ①

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)



Legend: Railway transportation revenue (pink), Other revenues (light pink)

## 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	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]

¥340 billion

¥225 billion

(including items that have not been confirmed)

¥115 billion

¥58 billion

Investment plan

Bonds, borrowings, etc.

Consolidated operating cash flow  
¥230 billion

(Reference) Fund-raising (plan)

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

D/EBITDA Approx. **5 times**

Capital adequacy ratio Approx. **40%**

Legend: Growth investment (including M&A) (pink), Maintenance and upgrade investment (light pink), Safety investment (hatched)

### 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.

- We are positioning the three-year period covered by our medium-term business plan through the fiscal year ending March 31, 2025 as the stage for returning the Company to a growth track, with a view to realizing our 2030 Long-Term Vision. We are pursuing three key strategies in this regard.
- Please turn to the next slide.



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

### ● Promoting operational efficiency through collaboration with other companies and the use of new technologies



#### Lost-and-found inquiry service using AI and chat



- Service launched on September 1, 2023 with the introduction of find's system

#### [Results of deployment]

- (1) Telephone inquiries down by round 80%
- (2) About 60% reduction in inquiry response time
- (3) Return rate of lost and found items about three times higher than with telephone calls

#### Use of AI image analysis to detect loose bolts



- Electric carts are being equipped with cameras and CPUs for AI processing, and walking patrols of Shinkansen tracks are being replaced with cart patrols.
- We worked with Tokyo Artisan Intelligence to jointly develop AI software capable of detecting loose bolts even while driving at 15km/hour.

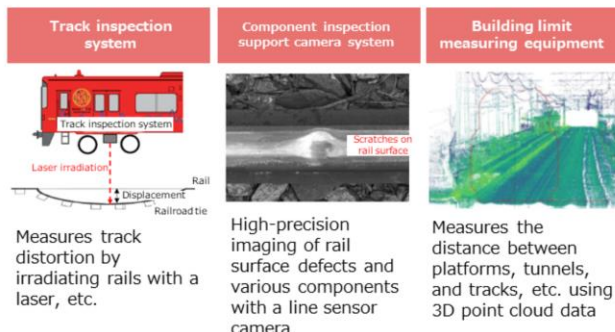
#### [Results of deployment]

34% decrease in the total number of personnel involved in line patrols

#### Development of multifunctional inspection vehicle (BIG EYE)



- Commercial rolling stock damaged in a disaster renovated and repurposed as an inspection vehicle
- Self-propelled, so allows more frequent inspections than current vehicles
- Operations scheduled to start in November 2023



#### [(Expected) results of deployment]

- (1) Inspection to become unmanned (from 3 people to 0)
- (2) More sophisticated management methods and realization of CBM through the collection of big data

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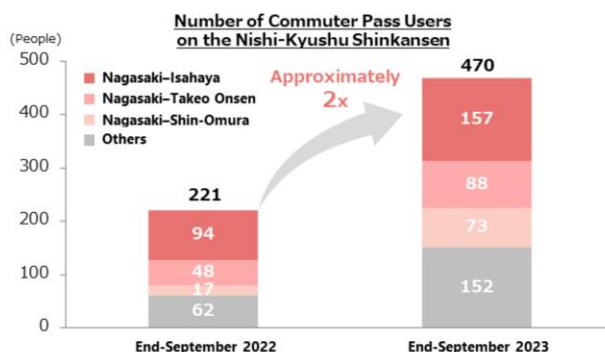
- First, I will discuss business structural reforms in the railway business. In this business, we are promoting operational efficiency through collaboration with other companies and the use of new technologies.
- As one example of our efforts to use AI to increase operational efficiency, in September we launched a lost-and-found service using AI and chat functions. We found that inquiry response times fell by around 60% compared with the telephone-based system. The new system has not only reduced the burden on employees but has also helped increase customer service levels.
- We are also using AI to automate the detection of loose bolts on Shinkansen tracks. This has reduced the total number of personnel involved in line patrols by 34%
- In addition, we have renovated commercial rolling stock that was damaged in a disaster and repurposed it as an inspection vehicle. In addition to helping to make inspection operations more efficient, through the collection of big data we are working toward more sophisticated management methods and the realization of CBM.
- Please turn to the next slide.

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

- Usage is steadily increasing on the Nishi-Kyushu Shinkansen one year after the start of service in September 2022
- By opening the New Nagasaki Station Building (scheduled for November 10, 2023), we expect to realize further effects of the Shinkansen's start of service

### Usage of the Nishi-Kyushu Shinkansen One Year After Opening

Number of people	Revenues
<p><b>Approx.</b></p> <p><b>6,600 people/day</b></p> <p><b>Vs. FY19.3: 102%</b> (9/23/2022 to 9/22/2023)</p> <p><small>Notes: Results on the section between Takeo Onsen and Nagasaki. The comparison with FY19.3 levels is on the same day, for the Kamome limited express on the section between Isahaya and Nagasaki.</small></p>	<p><b>Approx.</b></p> <p><b>¥4.8 billion</b></p> <p><small>(9/23/2022 to 9/30/2023)</small></p>



- The number of commuter pass users has approximately doubled since the opening.
- Municipalities along the Shinkansen line such as Takeo city and Ureshino city are introducing Shinkansen commuting support programs, which is expected to further promote the use of the Shinkansen.

### Status of Developments in the Western Kyushu Area





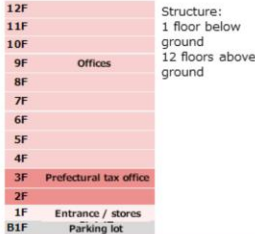
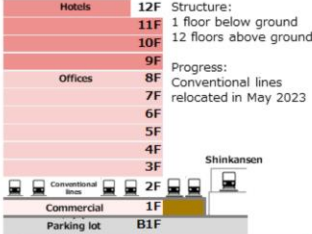
April 2023	October 2023	November 2023	Early 2024
<p><b>A</b> Commercial facilities under elevated railway tracks at Saga Station (renewal)</p> <ul style="list-style-type: none"> <li>Lot area: Approx. 2,800㎡</li> <li>Stores: 19 sections</li> </ul>	<p><b>B</b> URESHINO YADOYA (Japanese style inn)</p> <ul style="list-style-type: none"> <li>Guest rooms: 36</li> <li>All rooms will be equipped with hot springs.</li> </ul>	<p><b>C</b> JR Nagasaki Station Building</p>	<p><b>D</b> Nagasaki Marriott Hotel</p> <ul style="list-style-type: none"> <li><b>C</b> Floor space: Approx. 102,000㎡</li> <li>Retail use: Approx. 41,000㎡</li> <li>Stores: 86 (expected)</li> <li>Offices: Approx. 9,000㎡</li> <li><b>D</b> Guest rooms: Total of 207</li> <li>Floor space: Approx. 20,000㎡</li> </ul>

- Let us look next at initiatives under our second main strategy, “creating a model for building cities that promote well-being.”
- A year has passed since the opening of the Nishi-Kyushu Shinkansen. We continue to see the effects of the service launch, and customer use has been steady at around 102% of the usage of conventional line express service during the fiscal year ended March 31, 2019.
- The number of commuter pass users has approximately doubled since the opening, and municipalities along the Shinkansen line are introducing Shinkansen commuting support programs. Through measure such as this, we are working with the region to promote the use of the Shinkansen.
- In terms of development in the Western Kyushu area, the Ureshino Yadoya hot spring inn opened in October, and we are approaching the opening of the JR Nagasaki Station Building on November 10th. We are also planning to open the Nagasaki Marriott Hotel in early 2024, and we will continue our efforts in city building to sustain and maximize the impact of the Shinkansen opening.
- Please turn to the next slide.



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

- In the city of Fukuoka, which has the largest population growth rate among ordinance-designated cities, we are promoting urban development in a wide range of areas, including not only real estate development but also the development and operation of outdoor experience-type complex facilities.

2023		2024			
<b>ABURAYAMA FUKUOKA</b>		<b>Risunoko Square</b>		<b>CONNECT SQUARE HAKATA</b>	
					
<b>ABURAYAMA Shimin no Mori and other renewal projects</b> <small>Note: Joint development by nine companies, with JR Kyushu as the representative company</small>		<b>Project to utilize the former site of Sunoko elementary school</b> <small>Note: Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company</small>		<b>Project for effective use of site of Fukuoka Prefecture east government building</b> <small>Note: Joint development by three companies, with JR Kyushu as the representative company</small>	
<b>Opening date</b>		January 2024		March 2024	
[Phase 1] April 2023		[Phase 2] Autumn 2023		[Phase 3] Spring 2024	
<b>Details</b>		<b>[SJ The Class Otemon]</b> Type of facility: Residential fee-based nursing home Move-in date: Mid-January 2024 (scheduled) Structure: 13 floors above ground Total number of rooms: 168 		<b>[CONNECT SQUARE HAKATA]</b> 	
Experience-based outdoor complex business		Multi-faceted development incorporating hospital, private retirement home, etc.		Office building development (partly commercial stores)	
Phase 1 [Already opened] Store, camping field, restaurant, cafe, BBQ, shared farm		Phase 2 <b>New</b> Shared office (Opened 10/1)		Phase 3 [Scheduled to open] Forest adventure, botanical cafe	
Phase 2 [Scheduled to open] Forest adventure, botanical cafe		Phase 3 [Scheduled to open] Glamping facility		<b>Building overview</b> 	
Lot area		Approx. 140ha		Approx. 8,560㎡	
Floor space		—		Approx. 2,700㎡	
		Approx. 27,000㎡		Approx. 22,000㎡	
				Approx. 5,200㎡	
				Approx. 50,000㎡	

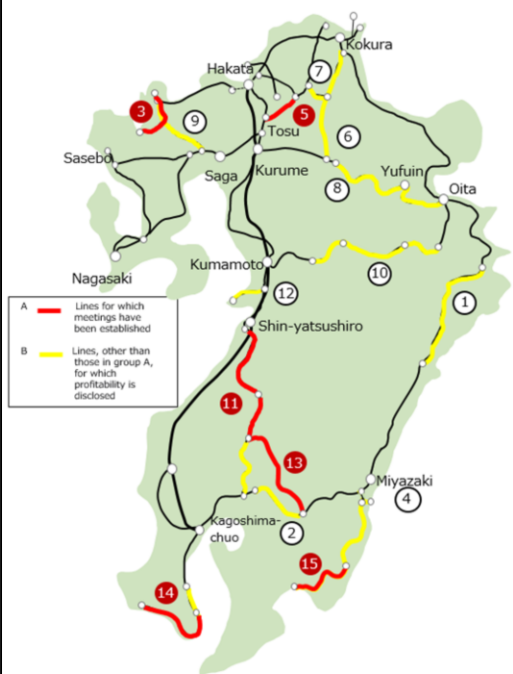
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- In the Fukuoka area, this April marked the opening of the first phase of ABURAYAMA FUKUOKA, a comprehensive outdoor recreation experience facility. As the second phase, shared offices opened in October. Going forward, we plan to open glamping and other facilities.
- In addition, in January 2024 we will open Risunoko Square, a complex development that includes a residential fee-based nursing home. In March, we will open CONNECT SQUARE HAKATA, an office building near Hakata Station.
- Going forward, we will continue to promote city building efforts broadly as the city of Fukuoka and the surrounding area continue to grow.
- Please turn to the next slide.

## Key strategy② Creating a model for building cities that promote well-being: Disclosing profitability for train lines

- Disclosing profitability for train lines with an average of less than 2,000 passengers per day
- Of these, in regard to those lines on which the average number of passengers in FY2019.3 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
- We will hold discussions about transportation in the region with local governments along our train lines, based on the objective of the Regional Transportation Law, which has been in effect since October.

* Since when has been in effect since October.							
No.	Name of line	Segment	Operating kilometers (Km)	Operating profit (loss) in FY2023.3 (¥ million)	Average number of passengers (passengers/day)		
					FY1988.3	FY2023.3	% decline
①	Nippo Main Line	Saiki - Nobeoka	58.4	(476)	3,428	604	-82%
②		Miyakonojō - Kokubu	42.2	(360)	2,029	1,068	-47%
③	Chikuhi Line	Karatsu - Imari	33.1	(140)	728	196	-73%
④	Miyazaki Airport Line	Tayoshi - Miyazaki Airport	1.4	(15)	—	1,494	—
⑤	Chikuho Main Line	Keisen - Haruda	20.8	(96)	2,981	385	-87%
⑥	Hitahikosan Line	Jōno - Tagawa-Gotōji	30.0	(416)	3,287	1,945	-41%
		Tagawa-Gotōji - Yoake	38.7	—	1,103	—	—
⑦	Gotoji Line	Shin-Iizuka - Tagawa-Gotōji	13.3	(195)	1,728	1,205	-30%
⑧	Kyudai Main Line	Hita -Yufuin	51.5	(100)	2,564	1,401	-45%
		Yufuin - Oita	42.4	(483)	3,890	1,793	-54%
⑨	Karatsu Line	Kubota - Karatsu	40.3	(341)	3,649	1,818	-50%
		Karatsu - Nishi-Karatsu	2.2	(259)	1,315	765	-42%
⑩	Hohi Main Line	Higo-Ozu - Miyaji	30.8	(280)	2,711	768	-72%
		Miyaji - Bungo-Taketa	34.6	(361)	1,028	171	-83%
		Bungo-Taketa - Miemachi	23.9	(170)	2,384	806	-66%
⑪	Hisatsu Line	Yatsushiro - Hitoyoshi	51.8	—	2,171	—	—
		Hitoyoshi - Yoshimatsu	35.0	—	569	—	—
		Yoshimatsu - Hayato	37.4	(343)	1,109	493	-56%
⑫	Misumi Line	Uto - Misumi	25.6	(329)	2,415	825	-66%
⑬	Kitto Line	Miyakonojō - Yoshimatsu	61.6	(373)	1,518	394	-74%
⑭	Ibusuki Makurazaki Line	Kiire - Ibusuki	19.1	(254)	3,687	1,862	-49%
		Ibusuki - Makurazaki	42.1	(337)	942	220	-77%
⑮	Nichinan Line	Tayoshi - Aburatsu	44.0	(678)	2,129	914	-57%
		Aburatsu - Shibushi	42.9	—	669	—	—
Total				(6,003)			

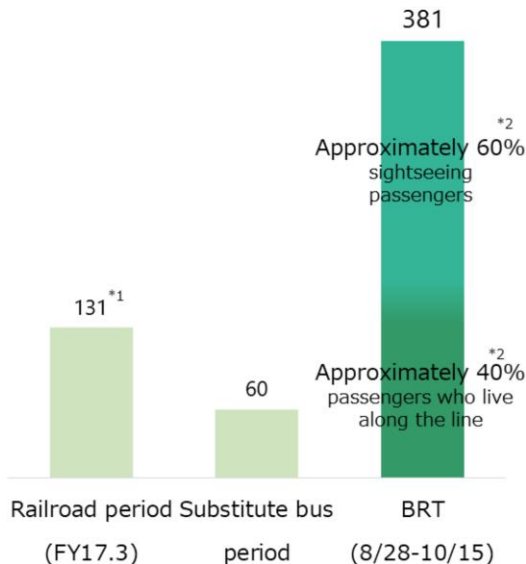


- Here, I will discuss regional transportation initiatives.
- We have disclosed income and expenditures by train line for last fiscal year on lines with an average of 2,000 or fewer passengers per day.
- In seven of these areas, since 2019 we have been working with local government and holding meetings to consider issues relate to the utilization of train lines.
- We will continue to hold discussions about transportation in the region with local governments along our train lines, based on the objective of the Regional Transportation Law. This law was revised in response to the deteriorating conditions surrounding regional transportation due to population decline and COVID-19, as well as the fact that local lines are not demonstrating the railroad characteristics of mass transportation.
- Please turn to the next slide.

## Key strategy② Creating a model for building cities that promote well-being: The BRT on the Hitahikosan Line

- On August 28, 2023, Hitahikosan Line BRT Hikoboshi Line service commenced on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of passengers has been strong since opening, and we will continue to promote the use of our services in cooperation with the local community.

Comparison of average number of passengers boarding per day



\*1 Average number of passengers passing through Soeda–Yoake

\*2 Results of interviews with crew and other staff

### Situation after opening

- Many passengers using the BRT on both weekdays and holidays



- Around 250 people using the BRT for events hosted by the city of Hita



- New BRT stations established at schools, commercial facilities, and hospitals  
Aiming to establish daily use of the BRT for commuting to school, going to the hospital, shopping, etc.



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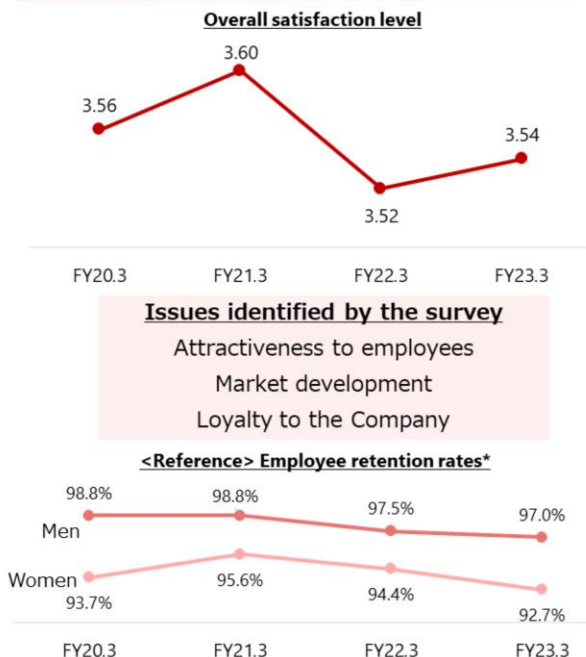
- On August 28, service commenced on the Hitahikosan Line BRT Hikoboshi Line.
- The average number of riders per day is 381, up from the days when the route was served by rail. On-site staff report that about 60% of the passengers are tourists and around 40% are local customers.
- On the new “high school route” that primarily serves the commuting hours in the morning and evening through the city of Hita, the number of users during the morning commute has approximately doubled compared to the previous bus service. We have received feedback from local high school students stating that rather than relying on their parents for transportation, they have begun using the BRT. They have also commented that they can now part more easily in later-hours club activities.
- We will continue working with the community to ensure that this level of usage continues.
- Please turn to the next slide.



# Human Resource Strategy | Increasing Employee Engagement

- Since FY23.3, the management team has held an “opinion exchange event for all employees” in response to a decline in employee satisfaction due to concerns and dissatisfaction regarding salaries and bonuses and the lack of communication in the difficult pandemic period.
- In these events, we further disseminate the Company philosophy, share management’s thoughts, and consider measures to recognize and resolve issues.

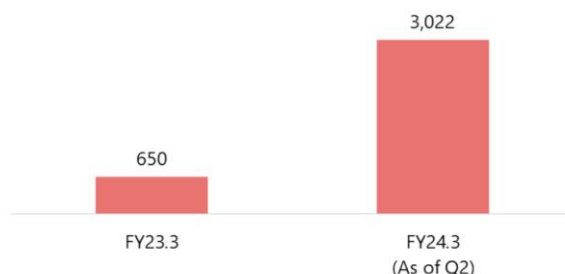
## Employee attitude survey results



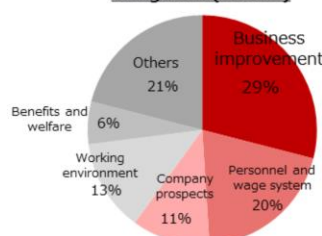
Note: Employee retention rate = 1 – (employee turnover rate), JR Kyushu on a standalone basis

## Opinion exchange event for all employees

### Number of participants in opinion exchange events



### Major opinion categories (FY24.3)



In addition to promoting awareness of the purpose of the personnel and wage system reforms planned for the next fiscal year and the objectives of the Company’s policies, we are formulating an implementation plan for the opinions on operational improvements, giving priority to those that will contribute in the future in order to make improvements as soon as possible.



- Next, I would like to discuss our initiatives to enhance employee engagement.
- We view employee engagement as an important element in improving our corporate value, and we recognize that the decline in overall satisfaction, as indicated in our employee awareness survey since COVID-19, is an issue.
- We believe that part of the reason for the situation is a falloff in communication. Accordingly, last year we began holding meetings to enable all employees to exchange opinions with the management team.
- Through this process, we aim to spread an understanding of our corporate philosophy, Company policies, and the new human resources strategy and personnel and wage system reforms planned for the next fiscal year. We are also formulating an implementation plan that incorporates suggestions for improvement raised during these exchanges, prioritizing those that will contribute to the future.
- Finally, I would like to speak about efforts we are taking to realize management conscious of the cost of capital and the stock price. Please turn to slide 34.

## **V Efforts to Realize Management Conscious of the Cost of Capital and the Stock Price**

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## Efforts to Realize Management Conscious of the Cost of Capital and the Stock Price

### Recognition of the current situation

- **We recognize that improving return on capital is an important management issue.**
  - In addition to operating revenue, operating income, and EBITDA, the current medium-term business plan indicates an ROE target of 8% or more for FY2024.
  - Although the Company's P/B ratio is more than 1.0 times, we recognize the need to improve return on capital while being aware of the cost of capital in order to increase corporate value over the medium to long term, and we consider this to be an important management issue.

### Policy

- **We will continue to promote management with an awareness of cost of capital and profitability through timely and appropriate reviews of the business portfolio and sincere efforts to engage in constructive dialogue with the capital markets.**

### Specific initiatives

- **Ongoing reviews of the business portfolio**

- Flexible portfolio revisions, including exits
- Proactive investment based on return on capital

- **Strengthen profitability of existing businesses**

- Deepen pricing strategy in railway business
- Promotion of cyclical investment in the real estate business

- **Shareholder return policy (through FY2024)**

- Stable provision of return over the long term
- Implement share repurchases flexibly, as necessary

	Stock price (yen)	PBR (times)	ROE (%)	PER (times)
FY19.3	3,640	1.4	12.4	11.8
FY20.3	3,100	1.2	7.6	15.6
FY21.3	2,574	1.0	-4.7	-
FY22.3	2,507	1.0	3.4	29.7
FY23.3	2,949	1.1	7.8	14.9

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- We recognize that improving return on capital is an important management issue. Accordingly, our current medium-term business plan indicates an ROE target of 8% or more.
- Although so far we have maintained a price-book ratio of around 1.0 time, we recognize that to improve this level further, we will need to maintain or enhance ROE over the medium to long term. Furthermore, we recognize the need to improve our price-earnings ratio by earning sufficient recognition of our efforts from the capital market.
- As part of our efforts to maintain and improve ROE over the medium to long term, we have been continuously reviewing our business portfolio and improving the profitability of our existing businesses. We will continue to implement these initiatives and engage in dialogue with members of the capital market to ensure a full understanding of the details of these initiatives.
- This concludes my presentation. Thank you for your attention.

# APPENDIX

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# Balance Sheet and Cash Flow Statement

## Balance Sheet

(¥bil)

	Results FY23.3	6 months ended September, 30 2023	YoY	Major factors
Total Assets	996.6	1,011.4	14.7	
Cash and time deposits	37.2	40.4	3.1	
Securities	15.0	21.5	6.4	
Property, plant and equipment	632.2	649.5	17.3	Increase due to acquisition of real estate
Railway business fixed assets	138.6	136.9	(1.7)	
Interest-bearing debt	351.6	363.0	11.4	Increase in long-term loans
Net assets	406.8	426.9	20.1	
Capital and paid-in capital	241.8	241.7	(0.0)	
Retained earnings	164.4	177.8	13.3	
Equity ratio	40.8%	42.1%		

## Cash Flow Statement

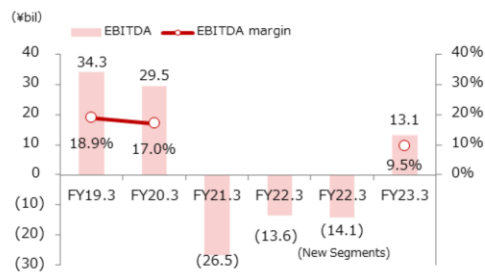
(¥bil)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	Major factors
Cash flows from operating activities	26.7	50.1	23.3	Increase in income before income taxes
Depreciation expense	15.1	16.6	1.4	
Cash flows from investing activities	(49.6)	(36.8)	12.7	Increase due to proceeds from sale of shares in affiliated companies
Capital expenditures	(55.6)	(52.7)	2.8	
Free cash flow	(22.8)	13.2	36.1	
Cash flows from financing activities	(6.3)	(4.1)	2.1	
Cash and cash equivalents	49.6	61.4	11.8	

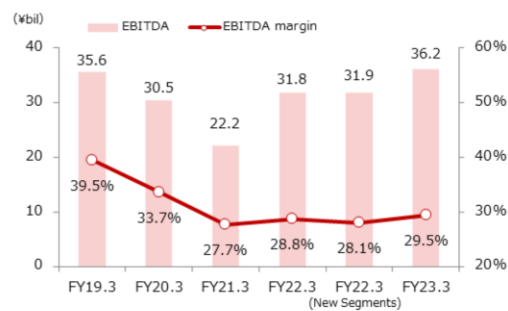


# EBITDA by Segment

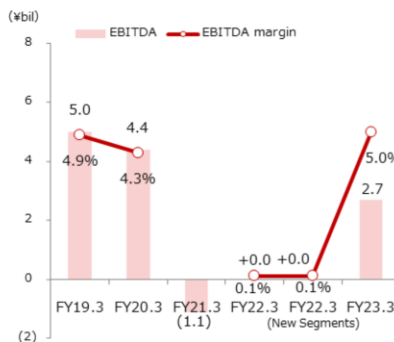
## Transportation



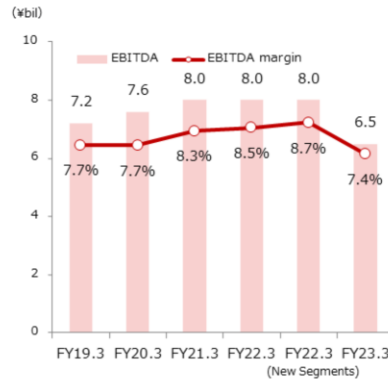
## Real Estate and Hotels



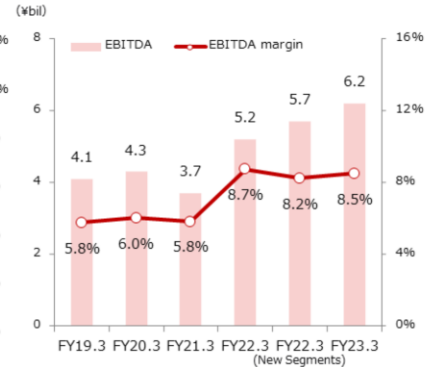
## Retail and Restaurant



## Construction



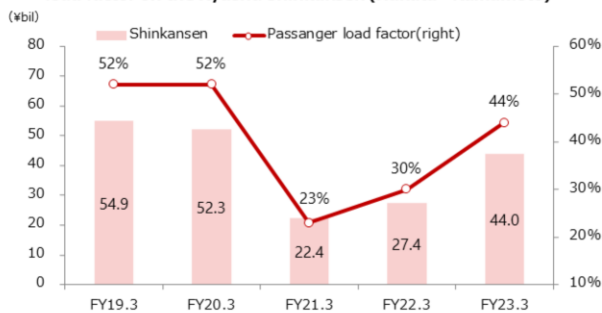
## Business Services



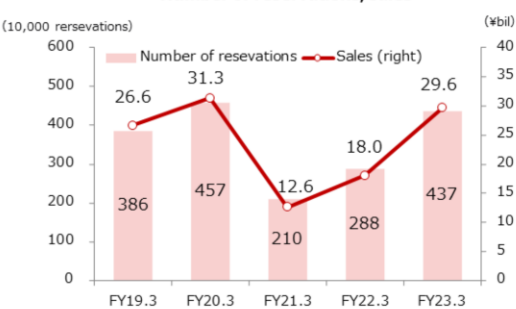
\* Figures by segment are prior to eliminating intersegment transactions.

# Trends in the Railway Business

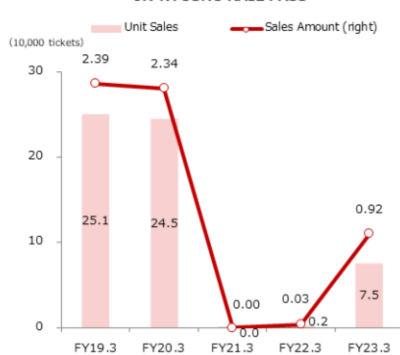
**Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)**



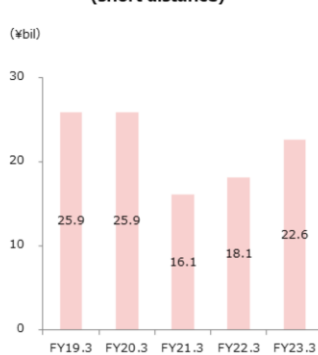
**Internet train reservation services: Number of reservations, sales**



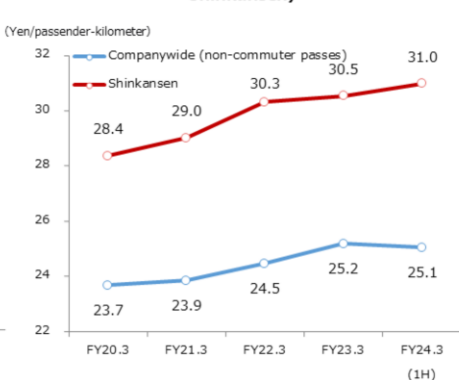
**Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS**



**Railway transportation revenues (short distance)**

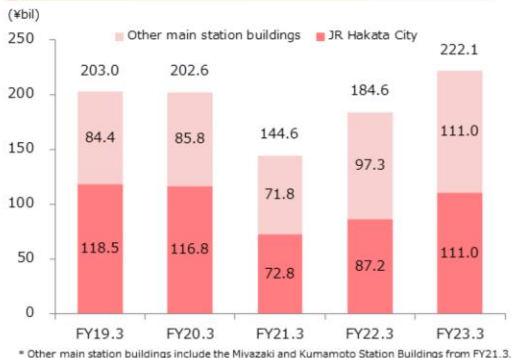


**Yield (Companywide (non-commuter passes), Shinkansen)**

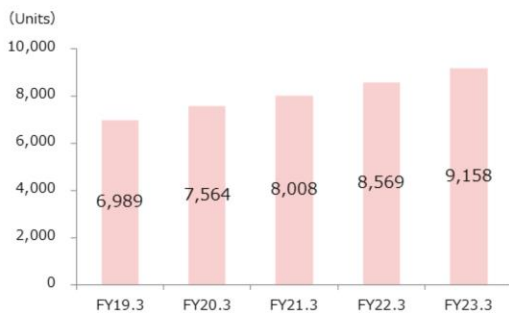


# Trends in the Real Estate and Hotel Businesses

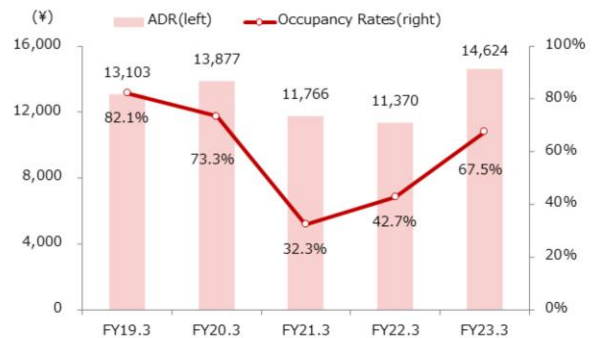
## Station building tenant sales



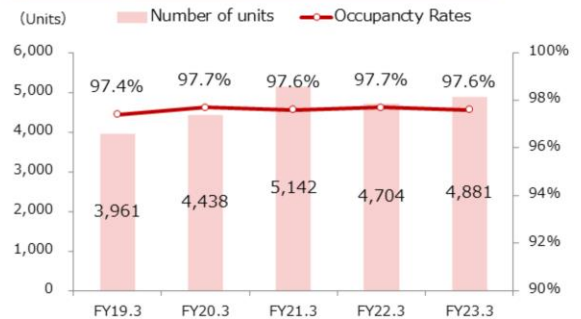
## Unit sales of condominiums (cumulative)



## Hotel occupancy rates and average unit prices



## 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.)
<b>Nagasaki Station area development</b>	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks November 2023: Opening of new station building Early 2024: Opening of hotel* * Revised from plans to open in fall 2023	Floor space: Approx. 102,000㎡	• Integrated development incorporating commercial facilities, hotels, offices, etc. • Considering environment burden reduction measures, use of AI/ICT
<b>Kagoshima-Chuo Station West Entrance Development</b>	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction April 2023: Phase 1 development opened Phase 2 development and opening to be FY2025 or later	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (Phase 1 development)	• Phase 1: commercial facilities, offices, multistory parking garage; Phase 2: integrated development, including residences, etc. • Considering infection countermeasures, environment burden reduction measures, use of ICT
<b>Project to utilize the former site of Sunoko elementary school</b> * Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company	Chuo-ku, Fukuoka City	November 2021: Start of construction January 2024: Planned opening	Lot area: Approx. 8,560㎡ Floor space: Approx. 27,000㎡	Integrated development incorporating private retirement home, hospital, gymnasium, a square, etc.
<b>Project for effective use of site of Fukuoka Prefecture east government building (building name: CONNECT SQUARE HAKATA)</b> *Joint development by three companies, with JR Kyushu as the representative company	Hakata-ku, Fukuoka City	Spring 2022: Start of construction March 2024: Planned opening	Lot area: Approx. 2,700㎡ Floor space: Approx. 22,000㎡	• Office buildings (section of commercial facilities and stores) • Introducing automatic cleaning robot, photovoltaic power generation, etc.
<b>Toranomon 2-chome category 1 urban redevelopment project</b> * Joint development by six companies, with NIPPON STEEL KOWA REAL ESTATE CO., LTD., as the Group representative for the acquisition of reserved floor area.	Minato-ku, Tokyo	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> * Joint development by nine companies, with JR Kyushu as the representative company	Minami-ku, Fukuoka City	July 2022: Start of construction April 27, 2023: Opening Spring 2024: Steady rollout of activities, lodging facilities, etc.	Lot area: Approx. 140ha	• Opened in April : camping, food and beverage/sale of merchandise, farms, etc. • Opened in October 2023: Shared office • To open by spring 2024: Forest activities, lodging facilities
<b>Project utilizing the space above the tracks at Hakata Station</b>	Hakata-ku, Fukuoka City	End 2028: Scheduled opening	Lot area: Approx. 5,200㎡ Floor space: Approx. 50,000㎡	Offices, hotels, and commercial operations, and plazas, etc.

Note: Schedules are subject to change.

# Railway Business Expenses

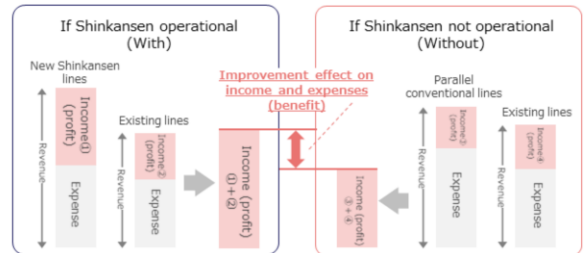
## Leasing and other fees for the Shinkansen facility

- We lease facilities from the Japan Railway Construction, Transport and Technology Agency, which owns the Shinkansen facilities, and pay certain leasing and other fees for to operate the Shinkansen for 30 years  
[Leasing and other fees]  
Fixed leasing fee + property tax and other equivalent and other fees
- The fixed leasing fees on Kyushu Shinkansen were paid in full up to 30 years after opening, and currently only property tax and other equivalent fees are being paid.
- Property tax and other equivalent fees vary annually. Special tax measures exist and are currently being applied to the Nishi-Kyushu Shinkansen.

Name	Item	Details of the special measures			Settlement item
		5 years after taxation	6-10 years	after 10 years	
Shinkansen special measures	Property tax <sup>*1</sup>	1/6	1/3	Ended	Non-personnel expenses

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

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



## Depreciation costs

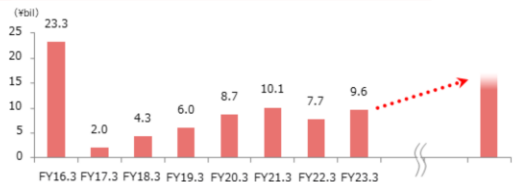
### Change in depreciation method

- 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



## 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/)