

FY24.3 Financial Results Overview, Third Quarter

February 6, 2024

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 nine months of the fiscal year ending March 31, 2024, our full-year performance forecast, the status of our business segments, and progress on the medium-term business plan.
- I will begin with our financial results for the first nine months. Please turn to slide 5.

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Highlights

Financial results for the first nine months of FY24.3

- Owing to a 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 Q3, we made steady progress toward our full-year financial forecasts.
- Our consolidated financial forecast remains unchanged from our announcement on November 7.
- 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 increased from Q2.
- In the hotel business, ADR and occupancy rates rose from Q2.
- In the retail and restaurant business, store sales remain favorable.

Progress on the medium-term business plan

- We plan to introduce Japan's first GOA 2.5 self-driving trains in March 2024.
- In the railway business, we have decided to launch a ticketless services using QR codes.
- URESHINO YADOYA opened on October 1, followed by the New Nagasaki Station Building on November 10. We are also promoting developments in the Fukuoka area.

I Financial Results for the First Nine-Months of FY24.3

Consolidated Financial Highlights for the Nine-Month Period Ended December 31, 2023

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
Operating revenue	261.2	292.9	31.6	112.1%
Operating income	22.5	43.1	20.6	191.7%
Ordinary income	23.5	44.8	21.2	190.5%
Extraordinary gains and losses	2.7	6.7	3.9	246.7%
Net income attributable to owners of the parent	21.5	40.7	19.1	189.1%
EBITDA [※]	44.2	67.1	22.8	151.7%

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

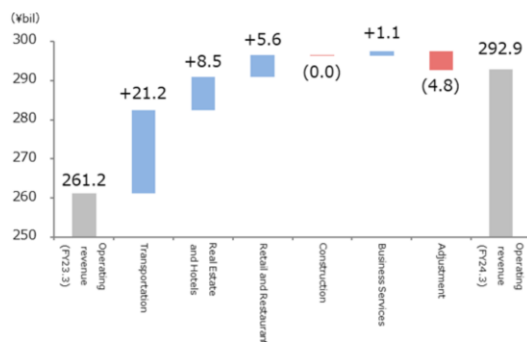
Operating revenue · income

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

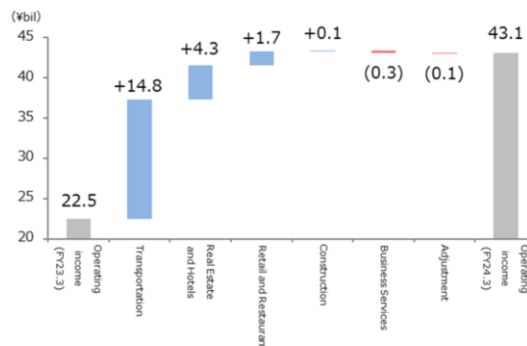
Extraordinary gains and losses

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

Change in operating revenue by segment



Change in operating income by segment



- Operating revenue rose ¥31.6 billion year on year, to ¥292.9 billion. This was due in part to demand recovery in the railway and other businesses, as socioeconomic activity normalized further.
- Buoyed by the rise in operating revenue, operating income increased ¥20.6 billion year on year, to ¥43.1 billion. EBITDA also rose ¥22.8 billion year on year, to ¥67.1 billion.
- We posted an extraordinary gain due to the sale of Drug Eleven shares. As a result, net income attributable to owners of the parent grew ¥19.1 billion year on year, to ¥40.7 billion.
- Next, I will discuss our financial forecast for the full year. Please turn to slide 9.

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

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY		Major factors
Operating revenue	261.2	292.9	31.6	112.1%	
Transportation	100.9	122.2	21.2	121.1%	
Railway Business (non-consolidated)	99.9	120.0	20.1	120.1%	Increase due to moderate recovery in demand
Real Estate and Hotels	74.7	83.2	8.5	111.4%	
Real Estate Lease	46.2	51.2	4.9	110.7%	Increase in revenues from leases due to recovery in demand
Real Estate Sales	16.4	13.7	(2.7)	83.3%	Decrease in the sale of properties
Hotel Business	11.9	18.2	6.3	152.9%	Increase due to recovery in demand
Retail and Restaurant	40.2	45.8	5.6	113.9%	Increase due to recovery in demand
Construction	56.8	56.8	(0.0)	99.9%	
Business Services	51.9	53.1	1.1	102.1%	
Operating income	22.5	43.1	20.6	191.7%	
Transportation	4.3	19.1	14.8	438.2%	
Railway Business (non-consolidated)	5.0	19.5	14.4	387.8%	
Real Estate and Hotels	13.2	17.6	4.3	133.1%	
Real Estate Lease	11.6	12.7	1.0	109.2%	
Real Estate Sales	0.9	1.5	0.5	158.8%	
Hotel Business	0.6	3.4	2.7	515.9%	
Retail and Restaurant	1.0	2.8	1.7	266.3%	
Construction	1.0	1.2	0.1	115.6%	
Business Services	2.9	2.6	(0.3)	89.0%	
EBITDA	44.2	67.1	22.8	151.7%	
Transportation	12.2	27.9	15.7	229.0%	
Railway Business (non-consolidated)	12.6	28.0	15.3	220.9%	
Real Estate and Hotels	23.7	29.1	5.4	122.8%	
Real Estate Lease	20.4	22.3	1.9	109.4%	
Real Estate Sales	0.9	1.5	0.5	158.0%	
Hotel Business	2.3	5.3	2.9	223.8%	
Retail and Restaurant	2.0	3.7	1.7	186.6%	
Construction	1.8	1.9	0.1	106.9%	
Business Services	4.8	4.8	0.0	100.2%	

Non-consolidated Results for the First Nine Months of FY24.3

(¥bil)

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY		Major Factors
Operating revenue	140.1	161.1	21.0	115.0%	
Railway transportation revenues	88.7	108.5	19.8	122.3%	Moderate recovery in demand
Shinkansen	31.6	43.2	11.6	136.7%	
Conventional Lines	57.0	65.2	8.1	114.3%	
Other revenue	51.3	52.5	1.1	102.3%	
Operating expense	123.6	128.4	4.8	103.9%	
Personnel expense	30.1	31.7	1.5	105.3%	Increase in bonus
Non-personnel expense	71.0	72.4	1.3	102.0%	
Energy cost	7.8	7.9	0.1	101.7%	
Maintenance cost	18.2	18.5	0.3	101.8%	
Other	44.9	45.9	0.9	102.1%	
Taxes	9.1	9.3	0.1	102.1%	
Depreciation cost	13.2	14.9	1.6	112.4%	
Operating income	16.5	32.6	16.1	198.0%	
Non-operating income and expense	3.8	6.5	2.6	167.9%	
Ordinary income	20.3	39.2	18.8	192.3%	
Extraordinary gain and losses	2.8	6.9	4.1	245.9%	Increase due to a gain on the sale of Drug Eleven shares
Net income	20.7	38.2	17.5	184.8%	

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

(¥bil)

		9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
Railway business	Operating revenue	99.9	120.0	20.1	120.1%
	Operating income	5.0	19.5	14.4	387.8%
Related businesses	Operating revenue	40.1	41.0	0.8	102.2%
	Operating income	11.4	13.1	1.6	114.7%

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

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%

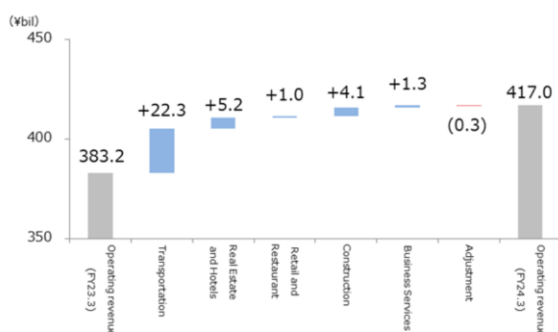
Operating revenue

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.

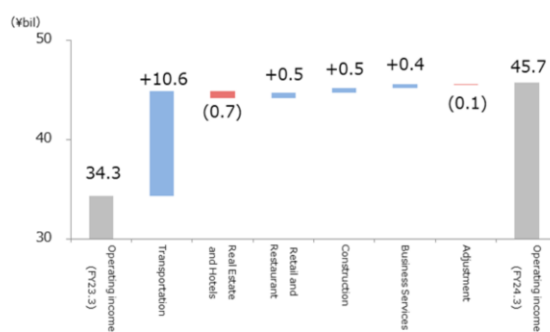
Operating income

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 consolidated earnings and dividend forecasts for the current fiscal year remain unchanged from those announced on November 7.
- We will continue to closely monitor revenue trends, scrutinize necessary expenses, and promote various measures to achieve the numeric targets in the earnings forecast for the current fiscal year and the medium-term business plan.
- Next, I will discuss the status of our business 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%	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)

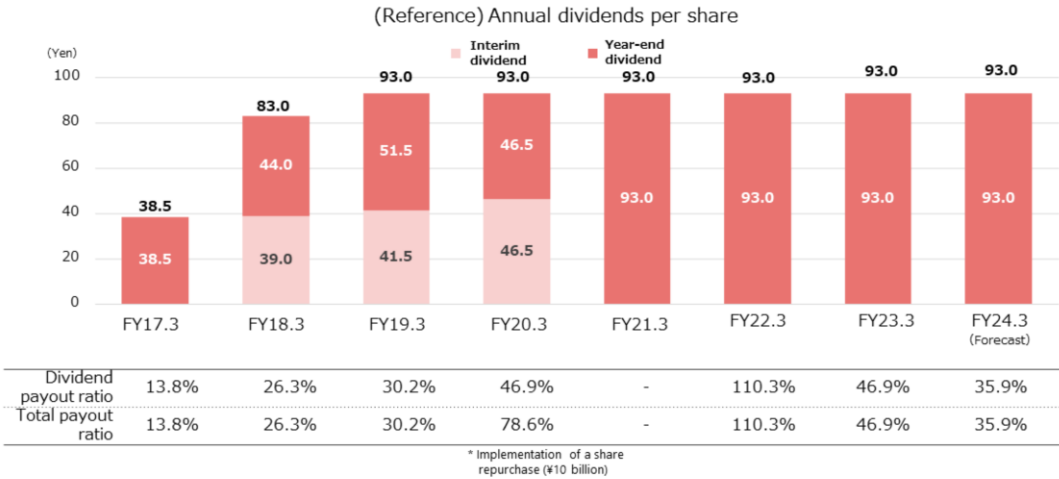
(¥bil)

		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).



III Status of Segments

Transportation Segment

● Overall, railway transportation revenues were at anticipated levels.

【Results】

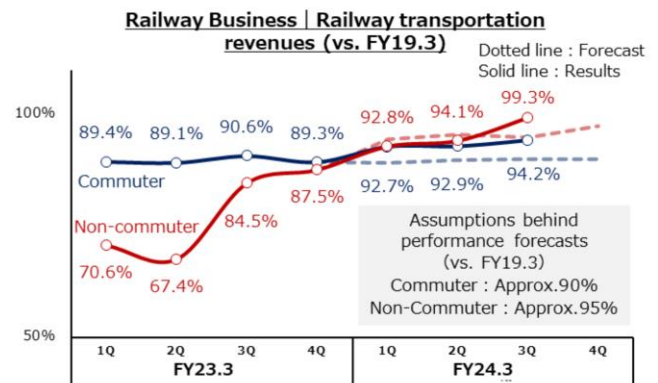
	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
				(¥bil)
Operating revenue	100.9	122.2	21.2	121.1%
Railway Business (non-consolidated)	99.9	120.0	20.1	120.1%
Railway transportation revenues	88.7	108.5	19.8	122.3%
Operating income	4.3	19.1	14.8	438.2%
Railway Business (non-consolidated)	5.0	19.5	14.4	387.8%
EBITDA	12.2	27.9	15.7	229.0%
Railway Business (non-consolidated)	12.6	28.0	15.3	220.9%

【Forecast】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
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	422.7%
EBITDA	13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%

Status of key businesses

- Railway transportation revenues were in line with overall expectations, with the rate of recovery rising for both commuter and non-commuter revenues.
[Railway transportation revenues (vs. FY19.3)]
Cumulative Q3 results: 95.0%
Vs. full year expectations: 94.3%
- With regard to expenses in the railway business, energy costs were lower than expected. Maintenance costs were somewhat delayed, being shifted to Q4.
- In Q4, we expect maintenance costs to increase more than we assumed as we resume repairs that were postponed in the face of COVID-era emergency restraints. In addition, we expect to incur costs for operational improvements based on the content of the opinion exchange events between management and employees.



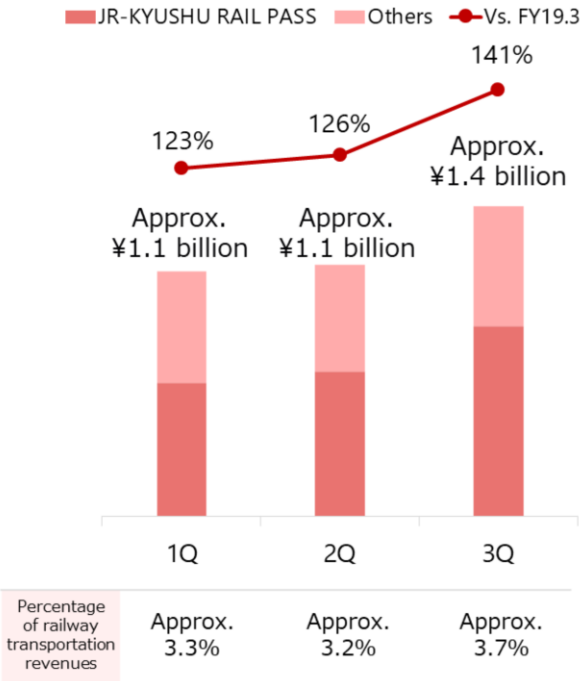
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- In the transportation segment, the rate of recovery of railway transportation revenues increased.
- The rate of recovery was notably high for non-commuter revenues, which reached 99.3% of their level in the fiscal year ended March 31, 2019. This was partly thanks to favorable autumn weather. There is no change in our understanding that the gradual recovery trend since last May, when COVID-19 was reclassified as a category 5 illness, is continuing. We will closely monitor the rate of recovery going forward.
- With regard to expenses in the railway business, energy costs were lower than expected. In Q4, we expect maintenance costs to increase more than we assumed as we resume repairs that were postponed in the face of COVID-era emergency restraints. In addition, we expect to incur costs for operational and workplace environment improvements based on the content of opinion exchange events between management and employees.
- Please turn to the next slide.

Status of Inbound Measures in the Railway Business

- In Q3, inbound revenue was higher than in Q2, partly owing to the effect of revised prices on JR-KYUSHU RAIL PASS.

Inbound revenue (approximate)

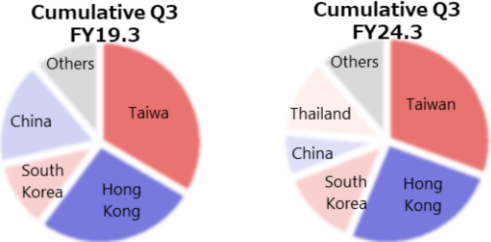


Demand for JR-KYUSHU RAIL PASS

	Cumulative Q3 FY19.3	Cumulative Q3 FY24.3	
	Results	Results	Vs. FY19.3
Number of tickets sold	177,000	188,000	106%
Sales	¥1.69 billion	¥2.35 billion	139%
(Reference) Unit price※	¥8,500	~9.30 ¥10,000 10.1~ ¥12,000	118% 141%

※Amount for northern Kyushu (3 days)

Sales by nationality



Price change (3 days, northern Kyushu)



- I would like to explain the status of inbound demand in the railway business.
- In the third quarter, inbound revenue was higher than in the second quarter, and was also favorable in comparison to levels during the fiscal year ended March 31, 2019.
- JR-KYUSHU RAIL PASS accounts for the majority of inbound revenue. In addition to increased pass sales, in October 1, 2023, we successfully revised prices of the pass. Sales by nationality were showed no major change from the second quarter to the third quarter.
- Please turn to slide 17.

Railway Business (Transportation Data)

Railway transportation revenues

(¥bil)

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY		Major Factors
Total	88.7	108.5	19.8	122.3%	
Commuter pass	22.2	23.1	0.8	104.0%	
Non-commuter pass	66.4	85.3	18.9	128.5%	
Cargo	0.0	0.0	0.0	121.6%	
Shinkansen	31.6	43.2	11.6	136.7%	
Commuter pass	2.0	2.2	0.2	110.3%	Gradual recovery in demand, opening of the Nishi-Kyushu Shinkansen
Non-commuter pass	29.6	41.0	11.4	138.5%	
Conventional Lines	57.0	65.2	8.1	114.3%	
Commuter pass	20.2	20.9	0.6	103.3%	Gradual recovery in demand
Non-commuter pass	36.8	44.3	7.5	120.4%	

Passenger-kilometers

(Millions of passenger-kilometer)

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
Total	5,582	6,373	790	114.2%
Commuter pass	2,931	3,011	80	102.7%
Non-commuter pass	2,651	3,361	710	126.8%
Shinkansen	1,121	1,473	351	131.3%
Commuter pass	151	166	14	109.6%
Non-commuter pass	970	1,306	336	134.7%
Conventional Lines	4,460	4,900	439	109.8%
Commuter pass	2,779	2,845	65	102.4%
Non-commuter pass	1,681	2,054	373	122.2%

Real Estate and Hotels Segment: Real Estate Leasing Business

- Station building tenant sales were robust, buoyed mainly by JR Hakata City.
- The JR Nagasaki Station Building opened on November 10, 2023.

【Results】

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
				(¥bil)
Operating revenue	46.2	51.2	4.9	110.7%
Operating income	11.6	12.7	1.0	109.2%
EBITDA	20.4	22.3	1.9	109.4%

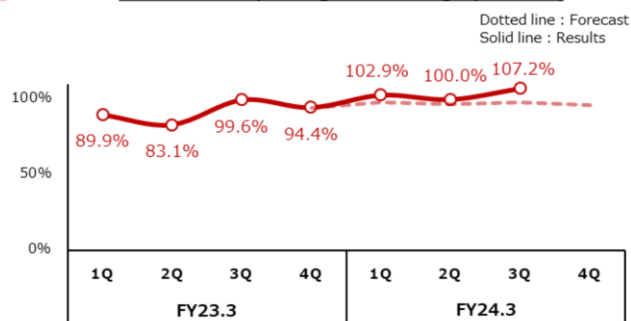
【Forecast】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
	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 sustained a recovery trend, driven mainly by JR Hakata City.
- Vacancy rates for office buildings and rental apartments remained firm, with no major changes.
- Leasing of office buildings that have already opened or are scheduled to open this fiscal year is generally steady.
- JR Nagasaki Station Building opened on November 10, 2023, incurring opening costs in Q3.

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



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

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- Next, I will discuss the real estate and hotels segment.
- First, in the real estate leasing business, tenant sales at key existing station buildings continued to recover in line with our expectations.
- Vacancy rates for office buildings and rental apartments remained firm, with no major changes.
- Also, the leasing of office buildings that have already opened or are scheduled to open this fiscal year is generally steady.
- Meanwhile, JR Nagasaki Station Building opened on November 10, 2023, incurring opening costs in the third quarter. I will discuss JR Nagasaki Station Building in more detail later.
- Please turn to the next slide.

Real Estate and Hotels Segment: Real Estate Sales Business

- Condominium sales were up year on year.
- Although we sold rental apartments to third parties in Q1 and Q3, sales of company properties were down, reflecting the sale of an office building to a third party in FY23.3.

[Results]

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
			(¥bil)	
Operating revenue	16.4	13.7	(2.7)	83.3%
Operating income	0.9	1.5	0.5	158.8%
EBITDA	0.9	1.5	0.5	158.0%

[Forecast]

	FY23.3 Results	FY24.3 Forecasts	YoY	
			(¥bil)	
	43.5	38.7	(4.8)	88.8%
	6.2	5.1	(1.1)	81.6%
	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 3Q, we plan to deliver the Company's first development property in Tokyo.
- With regard to the sale of company properties to third parties, we sold RJR Precia Shin-Yokohama in Q1 and RJR Precia Hakataeki-Minami in Q3. We expect to generate annual operating revenues of approximately ¥10.0 billion from the sales of properties to a private REIT and third parties. (FY23.3 result: Approx. ¥17.0 billion)



RJR Precia Shin-Yokohama

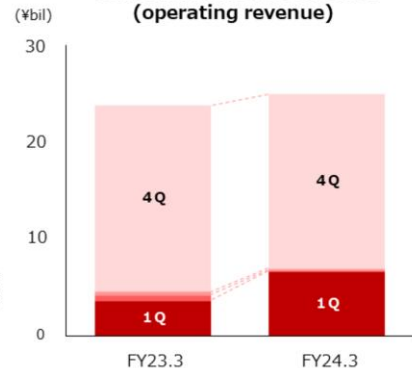
Acquisition date: October 2018
Location: Kohoku-ku, Yokohama
Structure: 10 floors above ground,
one below
Construction date: May 2009
Units: 110



RJR Precia Hakataeki-Minami

Acquisition date: February 2019
Location: Hakata-ku, Fukuoka
Structure: 14 floors above ground
Construction date: February 2019
Units: 139

Condominium sales forecast (operating revenue)



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- In the real estate sales business, condominium sales were up slightly year on year, in line with expectations.
- As in the first quarter, we sold one rental apartment building to a third party in the third quarter.
- Please turn to the next slide.

Real Estate and Hotels Segment: Hotel Business

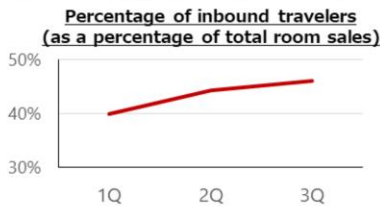
- Due to a further increase in accommodation demand, ADR reached the ¥20,000 level, and the occupancy rate rose from Q2.
- The percentage of inbound travelers rose from Q2 as a percentage of total room sales.

	[Results]		[Forecast]	
	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	YoY
Operating revenue	11.9	18.2	6.3	152.9%
Operating income	0.6	3.4	2.7	515.9%
EBITDA	2.3	5.3	2.9	223.8%

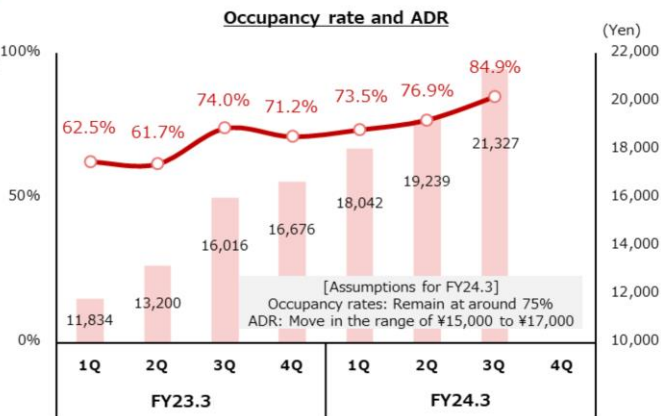
	[Results]		[Forecast]	
	FY23.3 Results	FY24.3 Forecasts	YoY	YoY
Operating revenue	16.9	21.0	4.0	124.2%
Operating income	0.9	1.0	0.0	104.0%
EBITDA	3.2	3.7	0.4	112.4%

Status of key businesses

- Facilities with a high percentage of inbound travelers, centered on Tokyo and Fukuoka, drove up ADR. On the other hand, occupancy rates rose overall, including facilities with a high percentage of domestic travelers.



- URESHINO YADOYA opened on October 1, 2023, and the Nagasaki Marriott Hotel opened on January 16, 2024, so we forecast opening expenses in Q3 and Q4.



- Next, I will discuss the status of the hotel business.
- In the third quarter, the continued rise in inbound demand pushed up ADR. Domestic demand also grew, lifting occupancy rates above second quarter levels.
- URESHINO YADOYA opened on October 1, 2023, and the Nagasaki Marriott Hotel opened on January 16, 2024, which will result in opening expenses in the third and fourth quarters.
- Please turn to the next slide.

Retail and Restaurant Segment

- Owing to a recovery in foot traffic, performance was favorable, both at retail stores and at food and beverage establishments.

[Results]

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
				(¥bil)
Operating revenue	40.2	45.8	5.6	113.9%
Operating income	1.0	2.8	1.7	266.3%
EBITDA	2.0	3.7	1.7	186.6%

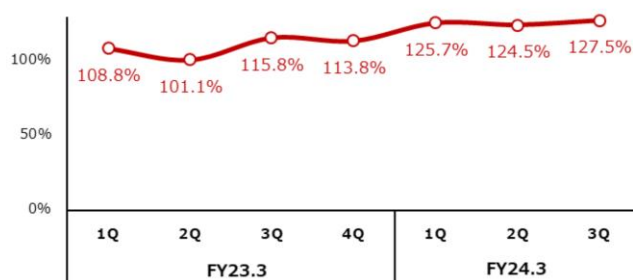
[Forecast]

	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

- Existing store sales exceeded the previous year's levels, centered on major subsidiaries.
- Revenue increases in convenience stores and Japanese-style pubs owed mainly to an increase in the customer numbers, while those in fast food restaurants owed mainly to a rise in the average spend per customer.

Segment store sales (vs. FY19.3)



Note: Excludes DRUG ELEVEN (all shares held transferred in May 2023) and Train D'or (held shares transferred in May 2023); includes Manbou (made a subsidiary in December 2019) and Nurubon (business transferred in October 2021).

- In the retail and restaurant segment, owing to a recovery in foot traffic, performance was favorable, both at retail stores and at food and beverage establishments.
- Existing store sales exceeded the previous year's levels. At convenience stores and Japanese-style pubs, the increase was mainly due to a rise in customer numbers, which had fallen due to restrained foot traffic during COVID-19. The main reason for higher sales at fast-food restaurants, which were favorable during the pandemic, was a rise in the average spend per customer, stemming from price revisions.
- Next, I will discuss our progress on initiatives under the medium-term business plan. Please turn to slide 23.

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】

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
				(¥bil)
Operating revenue	56.8	56.8	(0.0)	99.9%
Operating income	1.0	1.2	0.1	115.6%
EBITDA	1.8	1.9	0.1	106.9%

【Forecast】

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】

	9 months ended December, 31 2022	9 months ended December, 31 2023	YoY	
				(¥bil)
Operating revenue	51.9	53.1	1.1	102.1%
Operating income	2.9	2.6	(0.3)	89.0%
EBITDA	4.8	4.8	0.0	100.2%

【Forecast】

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

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 Strategy ① Completing Business Structural Reforms : Railway Business Through The Future Railway Project

- Promoting operational efficiency by automating tasks and seamless mobile services.



Japan's first GOA2.5 self-driving trains

- We plan to commence operation of GOA 2.5 self-driving trains* on the Kashii Line in March 2024.

Note: Operation in which crew members of self-driving trains (staff with in-house qualifications other than the driver) are on board at the front of the train to perform emergency stop operations, etc.

Note: GOA = Grade of Automation

- The system will be introduced on the Kashii Line between Saitozaki Station and Umi Station (25.4 km), and all trains operating on this section will be self-driving trains (including driver-operated trains).

[(Expected) results of deployment]

- Easing of driver shortages
- Reduction of crew training costs



Ticketless service using QR codes

- Of those tickets purchased online for travel within Kyushu, this service will be available for travel on major limited express trains departing from and arriving at Hakata Station and the Nishi-Kyushu Shinkansen service section.
- Service is scheduled to begin in the fall of 2024.
(The service area will be expanded in fiscal 2025 and beyond).

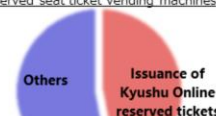
[(Expected) results of deployment]

- Increased customer convenience
- An easing of congestion at station ticket windows and reserved-seat ticket vending machines
(reducing the number of users of reserved-seat ticket vending machines by 25–30% at Hakata station)

Note: When the ticketless service is launched, it will apply to about half of Internet-only tickets.

Usage purpose of Hakata Station reserved seat ticket vending machines

Service image



Note: Study conducted in July 2023

- First, I will discuss business structural reforms in the railway business. I would like to introduce two examples showcasing the use of new technologies.
- The first is Japan's first GOA2.5 self-driving trains, which we will begin operating in March 2024. GOA is a standard that defines the level of automatic operation of railroads. Level 2.5 means that an attendant other than a driver can be assigned to the front of the train and perform emergency stop and other operations.
- In addition to reducing the burden of operation, which is expected to make it easier to recruit crew members, automating operations will shorten the time required to train crew members.
- The second example is a ticketless service using QR codes that we will launch this autumn. Of those tickets purchased online for travel within Kyushu, this service will be available for travel on major limited express trains departing from and arriving at Hakata Station and the Nishi-Kyushu Shinkansen service section.
- Our current service requires reserved tickets to be issued at the ticket counter or ticket vending machine before boarding, but we believe that the introduction of this service will greatly contribute to improving customer convenience and reducing congestion. We plan to expand service coverage in fiscal 2025 and beyond.
- 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

- The opening of the JR Nagasaki Station Building, a core of city-building in the Western Kyushu area is contributing to an increase in rail service.
- Usage of the Nishi-Kyushu Shinkansen continues to surpass the recovery trend of the Kyushu Shinkansen.

Opening of the JR Nagasaki Station Building

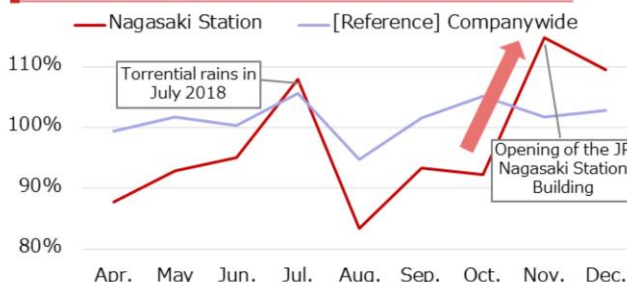


[Overview of increased area]

- Opening date: November 10, 2023
- Note: The Nagasaki Marriott Hotel opened on January 16, 2024.

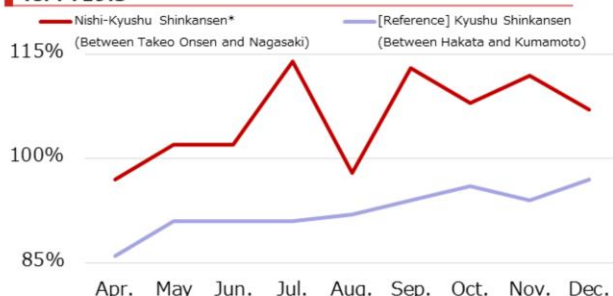
- Floor space: Approx. 102,000m²
- Commercial: Approx. 41,000m²
- Office: Approx. 9,000m²
- Hotel: Approx. 20,000m², 207 rooms
- Parking lot: 900 vehicles

Short distance revenues generated in the Nagasaki Station vs. FY19.3*



Note: As Shinkansen revenues are aggregated as medium- to long-distance revenues regardless of distance, short-distance revenues at Nagasaki Station since the opening of the Nishi-Kyushu Shinkansen have tended to be lower vs. FY19.3 levels.

Number of people using the Nishi-Kyushu Shinkansen vs. FY19.3



Note: Usage is in comparison with the Kamome express between Isahaya and Nagasaki on the same days.

Visitors in the first month since opening

Approx. 2.56 million people
234% year on year



Office leasing status

Offers on approximately 90%



- Next, I will discuss initiatives under our second key strategy, “creating a model for building cities that promote well-being.”
- In November 2023, we opened the JR Nagasaki Station Building, which is a core of city-building in the Western Kyushu area. Since its opening, the building has been used by a large number of customers, and tenant sales and office leasing are progressing steadily against expectations.
- The opening of the station building has contributed to a rise in Nagasaki Station’s short-distance revenues, and travel on the Nishi-Kyushu Shinkansen continues to exceed the recovery trend of the Kyushu Shinkansen.
- This January, the Nagasaki Marriott Hotel opened for business, putting a finishing touch on our city-building. We will continue contributing to the creation of a lively atmosphere in the Western Kyushu area.
- 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 in wide-ranging domains through the development and operation of residential fee-based nursing homes and outdoor experience-type complex facilities.

Project to utilize the former site of Sunoko elementary school (Risunoko Square)



Aburayama Shimin no Mori and other renewal projects



Scheme		Scheme	
Fukuoka City Lease of entire land Sakurajyuji Group (Development and operation of Sakurajyuji Medical Forest) Partial sublease of land JR Kyushu Group (Development and operation of SJR The Class Otomon)		Fukuoka City Partial lease of land and buildings Designated management of administrative facilities JR Kyushu Group Designated management of administrative facilities Development and operation of facilities for private use (Basically, business entities including franchisees, some tenants)	
[SJR The Class Otomon] Type of facility: residential fee-based nursing home Start of move-in: January 2024 Configuration: 13 floors above ground Total rooms: 168		Phase 1 [Opened in spring 2023] Store, restaurant, camping field, cafe, BBQ, shared farm	
		Phase 2 [Opened in fall/winter 2023] Shared office Forest adventure, botanical cafe	
		Phase 3 [Scheduled to open in spring 2024] Glamping facilities	

- In the Fukuoka area, this January we opened Risunoko Square, a joint development with the Sakurajyuji Group. SRJ The Class Otomon, managed by the JR Kyushu Group, is the Group's eighth condominium for seniors. It features the convenience of being close to the city center and offering medical cooperation with the Sakurajyuji Group.
- In addition, ABURAYAMA FUKUOKA, an outdoor experience-type complex facility, has entered its second phase of operation, with the opening of a shared office, forest outdoor park, and other new facilities. Glamping and other facilities are scheduled to open this spring.
- We will continue to promote city-building in a wide range of areas in the city of Fukuoka and surrounding areas, which continue to grow.
- I would like to conclude by explaining the status of the Hisatsu Line. Please turn to the next slide.

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

Main issues for discussion

Main Issues for Discussion

- (1) Restoration method: Undecided (Kumamoto Prefecture prefers to restore by rail based on the assumption of a separate in-out system)
- (2) Restoration cost: Total of ¥23.5 billion

(1) Restoration costs



(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

Note: Income and expenditure are as of FY20.3, before the disaster



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

Kumamoto Prefecture's draft reconstruction policy for the JR Hisatsu Line (December 2023)

- The basic policy for the section of the JR Hisatsu Line between Yatsushiro and Hitoyoshi, if it is to be restored by rail.
- The Hisatsu Line is positioned as an important sightseeing route, and measures for its utilization with a focus on the promotion of sightseeing are summarized.

- The Hisatsu Line was damaged due to heavy rains in July 2020, and we have participated in a review conference in this regard, held by the Ministry of Land, Infrastructure, Transport and Tourism and Kumamoto Prefecture.
- At the review conference held in December 2023, Kumamoto Prefecture proposed a draft reconstruction policy. This was a basic policy for the section of the JR Hisatsu Line between Yatsushiro and Hitoyoshi, if it is to be restored by rail. The Hisatsu Line is positioned as an important sightseeing route, and measures for its utilization with a focus on the promotion of sightseeing are summarized.
- We take the proposed policy very seriously, and after careful consideration, we would like to present our views at the next review conference.
- This concludes my presentation. Thank you for your attention.

Forward-Looking Statements

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

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/