

FY23.3
Financial Results Overview,
First Quarter

August 2, 2022

KYUSHU RAILWAY COMPANY

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I Financial Results for the First Three-Months of FY23.3

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2022

	(¥bil)			
	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	
Operating revenue	72.0	90.4	18.3	125.5%
Operating income	(1.3)	7.8	9.2	-
Ordinary income	0.3	8.5	8.1	-
Extraordinary gains and losses	0.0	(0.2)	(0.2)	-
Net income attributable to owners of the parent	0.9	6.9	5.9	746.0%
EBITDA※	5.0	14.7	9.7	292.5%

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

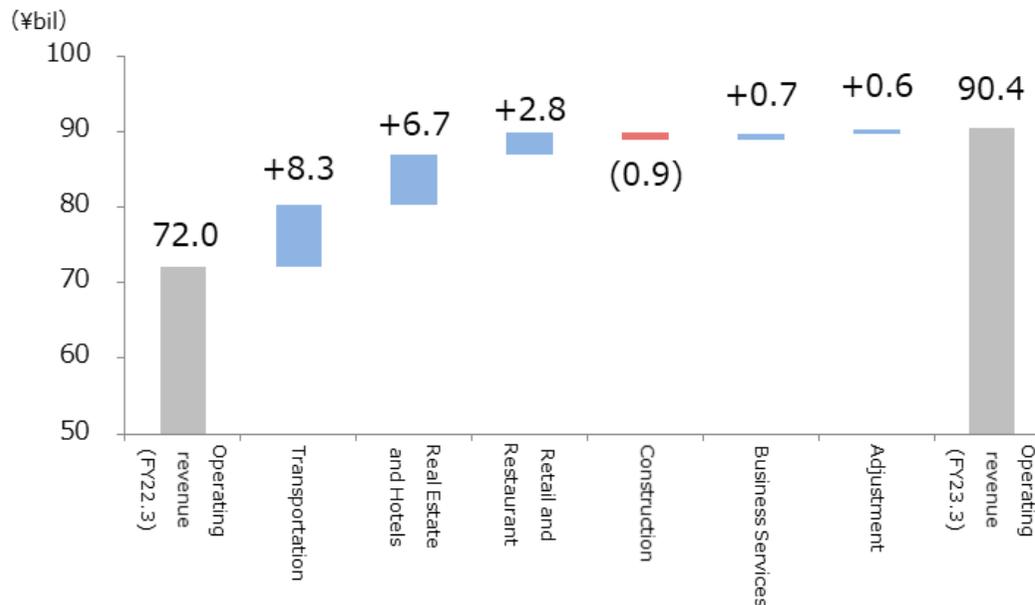
Operating revenue

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

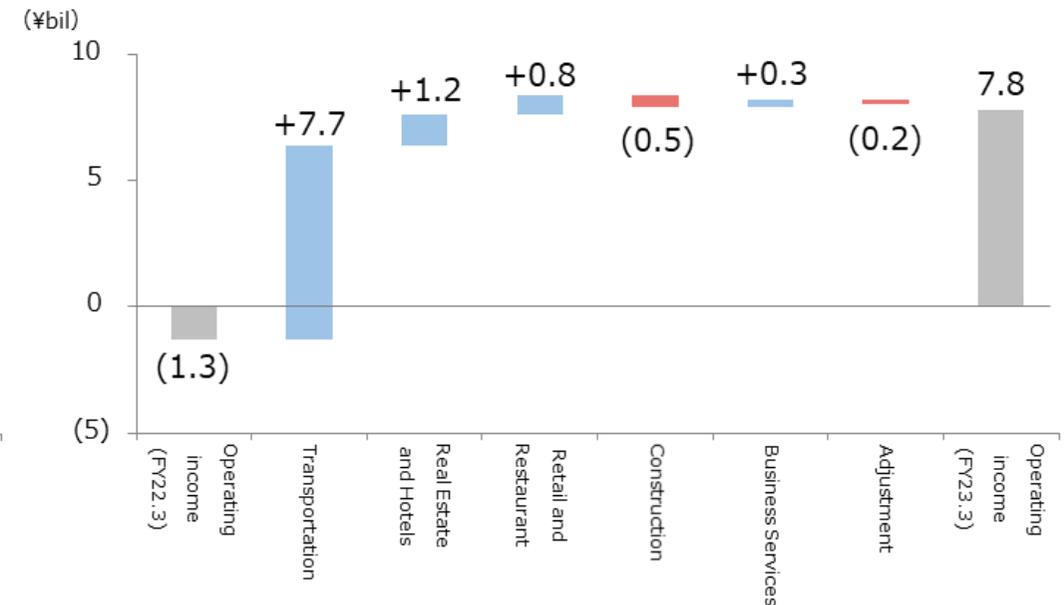
Operating income

Operating income increased due to higher operating revenue and the effect of reducing fixed costs in the railway business, among other factors. (Moving into the black in Q1 for the first time since FY20.3)

Change in operating revenue by segment*



Change in operating income by segment*



* New segment categorization

Results for the First Three Months of FY23.3 (by segment) (Shown According to New Segments)

(¥bil)

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY		Major factors
Operating revenue	72.0	90.4	18.3	125.5%	
Transportation	23.0	31.4	8.3	136.4%	
Railway Business (non-consolidated)	22.8	31.1	8.3	136.4%	Increase due to moderate recovery in demand
Real Estate and Hotels	25.9	32.6	6.7	125.9%	
Real Estate Lease	14.0	14.9	0.8	105.9%	
Real Estate Sales	10.2	14.4	4.2	141.9%	Increase from the sale of a property, decrease in revenue from sales of condominiums
Hotel Business	1.6	3.2	1.5	197.1%	Increase due to moderate recovery in demand
Retail and Restaurant	9.4	12.3	2.8	130.1%	Increase due to moderate recovery in demand
Construction	17.2	16.3	(0.9)	94.5%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	16.0	16.7	0.7	104.8%	
Operating income	(1.3)	7.8	9.2	-	
Transportation	(5.3)	2.3	7.7	-	
Railway Business (non-consolidated)	(5.0)	2.5	7.5	-	
Real Estate and Hotels	3.9	5.1	1.2	132.2%	
Real Estate Lease	3.7	3.7	0.0	101.2%	
Real Estate Sales	1.3	1.5	0.1	111.8%	
Hotel Business	(1.1)	(0.1)	1.0	-	
Retail and Restaurant	(0.8)	(0.0)	0.8	-	
Construction	0.1	(0.4)	(0.5)	-	
Business Services	0.6	0.9	0.3	148.8%	
EBITDA	5.0	14.7	9.7	292.5%	
Transportation	(3.2)	4.8	8.0	-	
Railway Business (non-consolidated)	(3.1)	4.9	8.1	-	
Real Estate and Hotels	7.4	8.6	1.2	116.3%	
Real Estate Lease	6.6	6.6	0.0	100.2%	
Real Estate Sales	1.3	1.5	0.1	111.8%	
Hotel Business	(0.6)	0.3	1.0	-	
Retail and Restaurant	(0.5)	0.2	0.8	-	
Construction	0.4	(0.1)	(0.5)	-	
Business Services	1.0	1.5	0.4	143.0%	

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

(¥bil)

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY		Major factors
Operating revenue	40.5	53.4	12.9	132.0%	
Railway transportation revenues	19.6	27.5	7.9	140.3%	Increase due to moderate recovery in demand
Shinkansen	5.3	9.0	3.6	168.2%	
Conventional Lines	14.3	18.5	4.2	129.8%	
Other revenue	20.8	25.8	5.0	124.3%	Increase due to the sale of a property, decrease in revenue from sales of condominiums
Operating expense	40.3	45.7	5.4	113.5%	
Personnel expense	10.4	9.7	(0.6)	93.5%	
Non-personnel expense	23.3	29.0	5.7	124.8%	
Energy cost	1.9	2.2	0.2	114.9%	Unit price increases due to sharply higher crude oil prices
Maintenance cost	4.6	4.6	(0.0)	99.9%	
Other	16.6	22.1	5.4	132.9%	Rise in cost of sales due to sale of a property, decline in cost of sales due to lower revenue from sales of condominiums
Taxes	2.6	2.7	0.0	101.1%	
Depreciation cost	3.9	4.2	0.3	107.8%	
Operating income	0.1	7.7	7.5	-	
Non-operating income and expense	3.6	4.4	0.7	121.3%	Increase in dividend income
Ordinary income	3.8	12.1	8.3	317.4%	
Extraordinary gain and losses	0.1	(0.0)	(0.1)	-	
Net income	4.6	10.7	6.1	231.4%	

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

Consolidated Financial Forecast Highlights for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY	
Operating revenue	329.5	381.4	51.8	115.7%
Operating income	3.9	29.0	25.0	735.2%
Ordinary income	9.2	30.0	20.7	324.8%
Net income attributable to owners of the parent	13.2	24.5	11.2	184.9%
EBITDA	30.7	58.2	27.4	189.1%

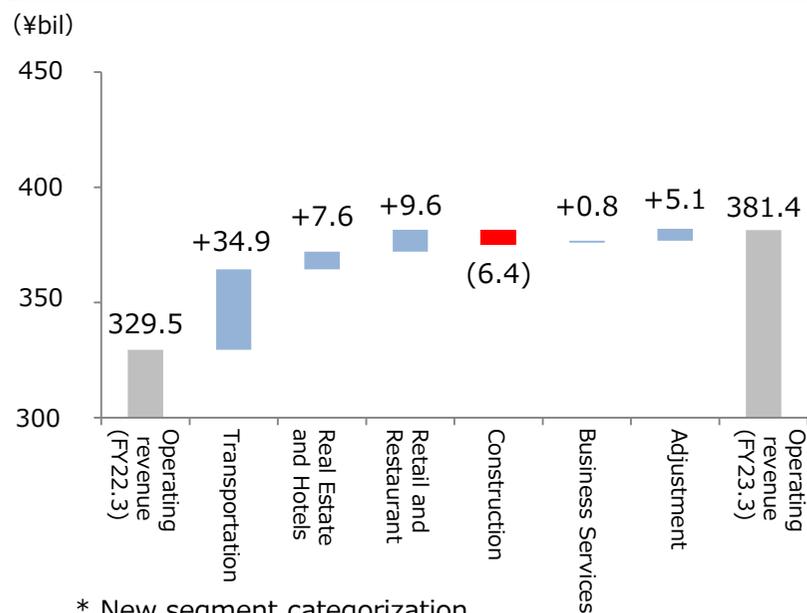
Operating revenue

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

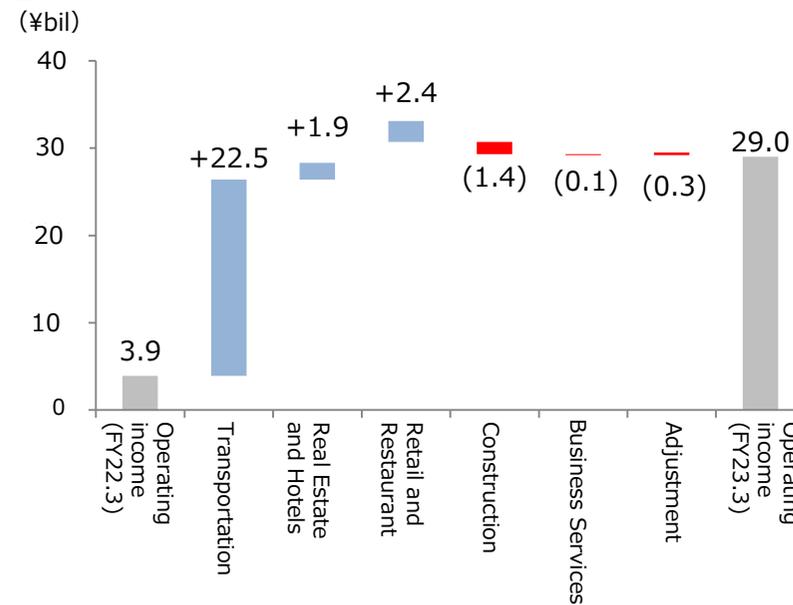
Operating income

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

Change in operating revenue by segment*



Change in operating income by segment*



Consolidated Financial Forecasts for FY23.3 (by segment)

(Shown According to New Segments)

(¥bil)

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

Non-consolidated Financial Forecasts for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY		Major factors
Operating revenue	179.9	210.5	30.5	117.0%	
Railway transportation revenues	89.3	122.6	33.2	137.2%	Increase due to moderate recovery in demand
Shinkansen	27.4	43.8	16.3	159.5%	
Conventional Lines	61.9	78.8	16.8	127.3%	
Other revenue	90.6	87.9	(2.7)	97.0%	
Operating expense	181.3	192.3	10.9	106.1%	
Personnel expense	40.8	40.8	(0.0)	100.0%	
Non-personnel expense	113.2	121.2	7.9	107.0%	
Energy cost	8.6	10.1	1.4	116.4%	Unit price increases due to sharply higher crude oil prices
Maintenance cost	30.0	30.4	0.3	101.2%	
Other	74.5	80.7	6.1	108.3%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	12.2	0.8	107.6%	
Depreciation cost	15.9	18.1	2.1	113.6%	
Operating income	(1.3)	18.2	19.5	-	
Non-operating income and expense	3.5	4.5	0.9	125.7%	
Ordinary income	2.2	22.7	20.4	-	
Extraordinary gain and losses	(2.0)	(0.4)	1.6	-	
Net income	8.9	21.1	12.1	235.7%	

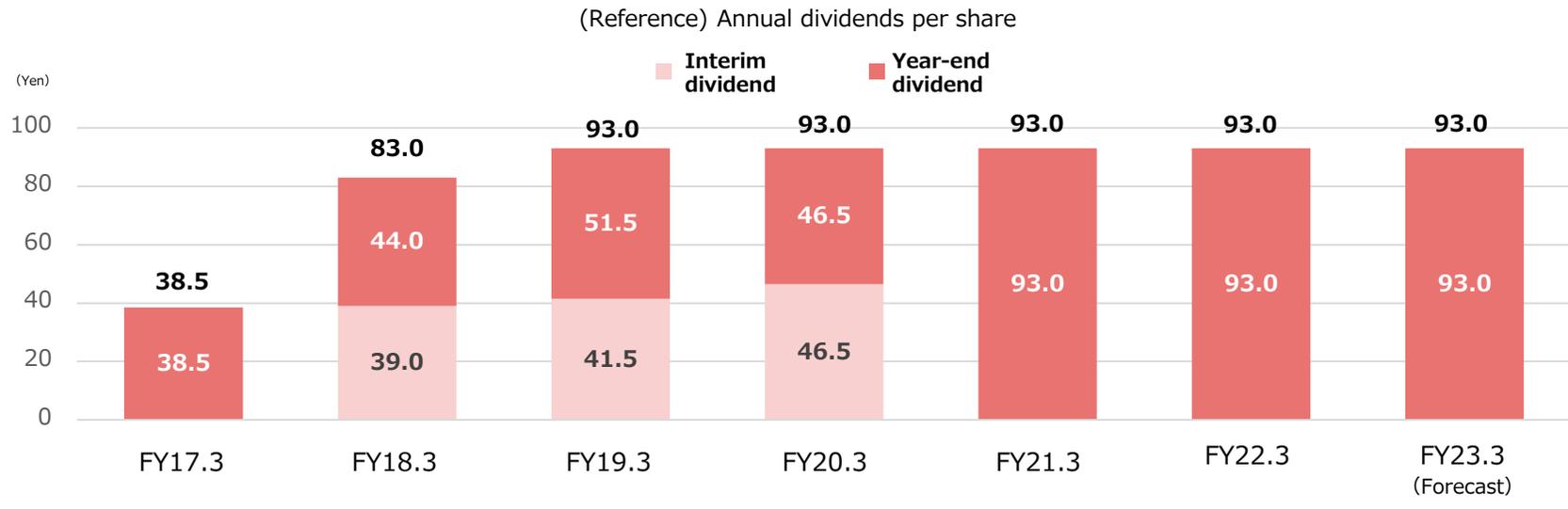
FY23.3 dividend forecasts

Shareholder return policy

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

FY23.3 dividend forecasts

- We are forecasting continued extremely severe results for FY23.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY23.3 is ¥93.0 per share.**
- In FY23.3 we plan to pay dividends in one part, which will be the year-end dividend, with no interim dividend.** This is due to the need to carefully consider the influence on future results of matters such as the COVID-19 infection.



Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	110.3%	59.6%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	110.3%	59.6%

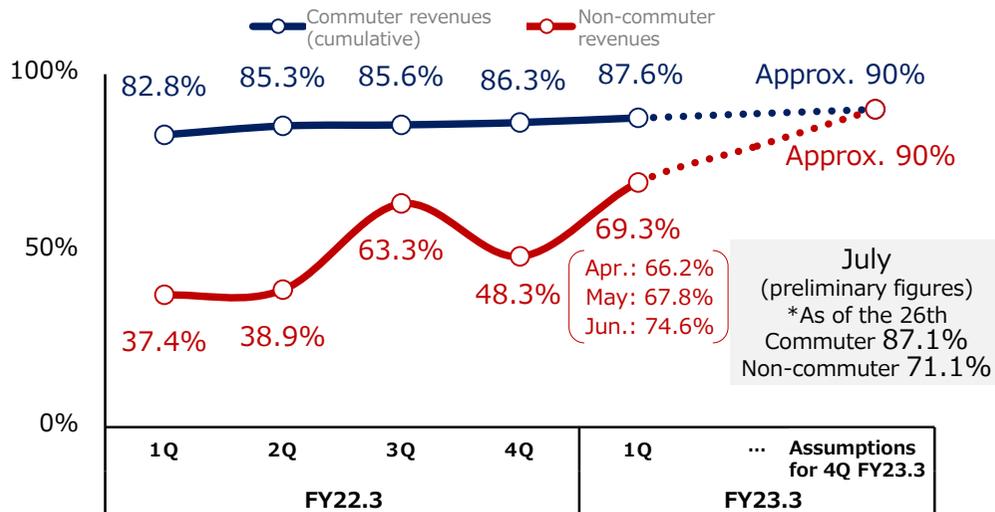
* Implementation of a share repurchase (¥10 billion)

III Status of Segments

Status of Segment Revenues

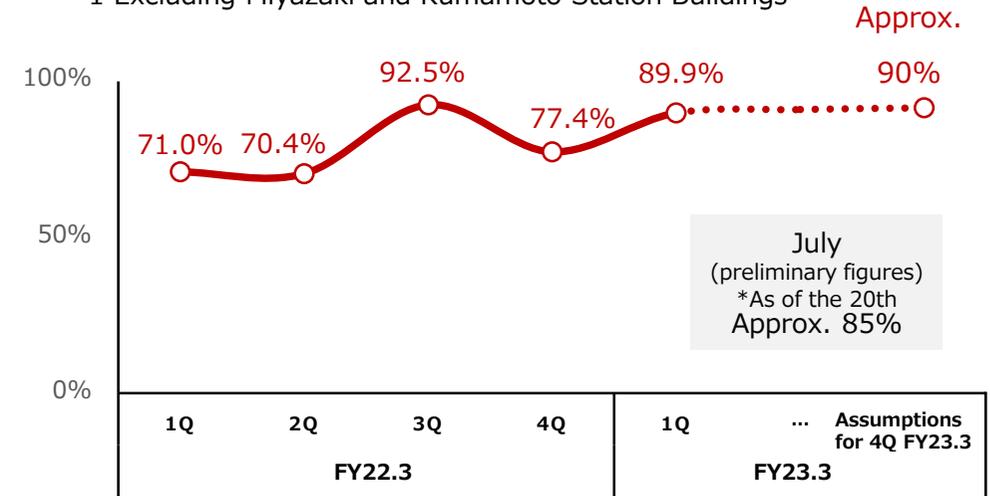
- We continue to anticipate a gradual recovery in mobility demand and personal consumption due to the combination of efforts to suppress infections and consumer activity.
- In Q1, performance was robust, centered on the railway business. However, the pace of recovery is now slowing, owing to the resurgence of COVID-19.

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



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

*1 Excluding Miyazaki and Kumamoto Station Buildings

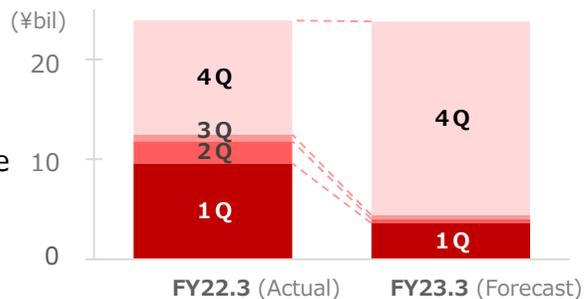


Real Estate Sales Business

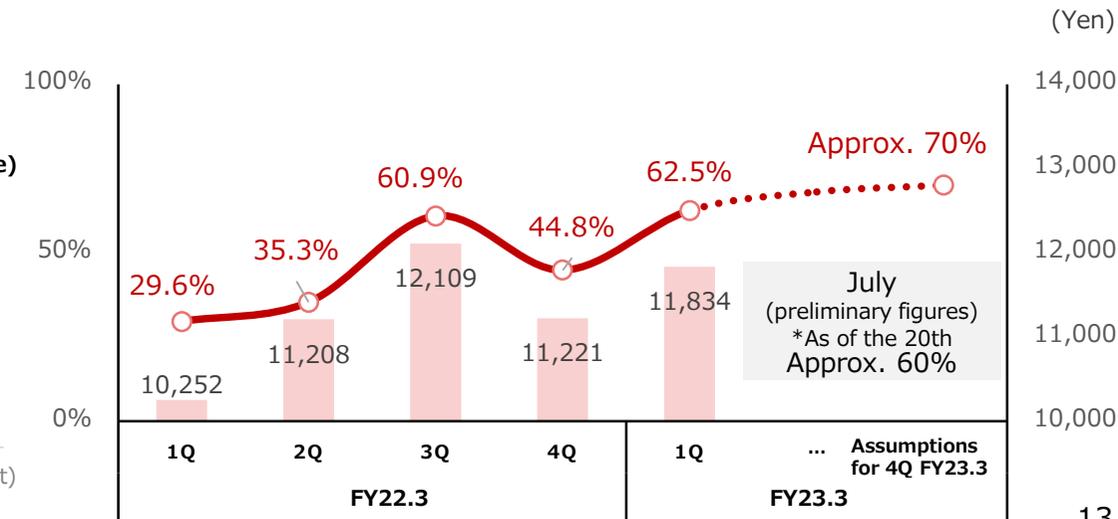
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.

- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of rental apartments and other properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.

Condominium sales forecast (operating revenue)



Hotel business | Occupancy rate and ADR



Transportation Segment

- The number of COVID-19 infections remained high in Q1. However, absent any strict restrictions on behavior, demand recovered more quickly than we had anticipated.
- BPR in the railway business was favorable, and we expect to reduce fixed costs for the full year by ¥14.0 billion.

【Results】

			¥bil	
	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	
Operating revenue	23.0	31.4	8.3	136.4%
Railway Business (non-consolidated)	22.8	31.1	8.3	136.4%
Railway transportation revenues	19.6	27.5	7.9	140.3%
Operating income	(5.3)	2.3	7.7	-
Railway Business (non-consolidated)	(5.0)	2.5	7.5	-
EBITDA	(3.2)	4.8	8.0	-
Railway Business (non-consolidated)	(3.1)	4.9	8.1	-

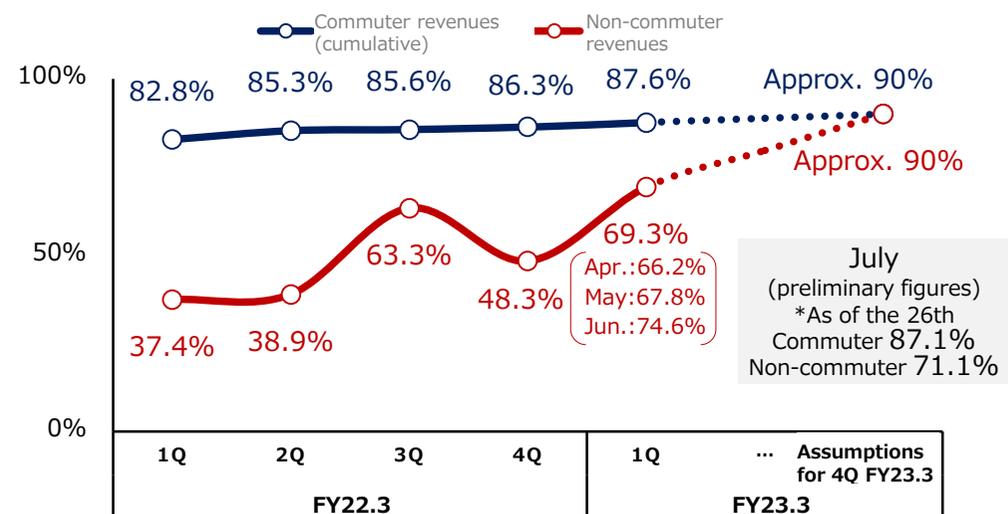
【Forecasts】

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

Assumptions behind performance forecasts

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

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



Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY		Major factors
Total	19.6	27.5	7.9	140.3%	
Commuter pass	7.2	7.4	0.2	103.5%	
Non-commuter pass	12.4	20.1	7.6	161.7%	
Cargo	0.0	0.0	0.0	366.5%	
Shinkansen	5.3	9.0	3.6	168.2%	
Commuter pass	0.6	0.6	0.0	103.2%	Increase due to gradual recovery in demand
Non-commuter pass	4.7	8.3	3.6	177.1%	
Conventional Lines	14.3	18.5	4.2	129.8%	
Commuter pass	6.5	6.8	0.2	103.5%	Increase due to gradual recovery in demand
Non-commuter pass	7.7	11.7	4.0	152.2%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	
Total	1,496	1,816	319	121.4%
Commuter pass	993	1,023	30	103.1%
Non-commuter pass	503	792	289	157.5%
Shinkansen	201	319	118	158.7%
Commuter pass	47	50	2	105.9%
Non-commuter pass	153	269	115	175.0%
Conventional Lines	1,294	1,496	201	115.6%
Commuter pass	945	973	27	103.0%
Non-commuter pass	349	522	173	149.7%

Real Estate and Hotels Segment: Real estate leasing business

- Station building tenant sales showed a modest recovery in Q1, although COVID-19 continues to affect performance.
- In office buildings and rental apartments, performance was affected by the sale of properties to a private REIT in Q4 FY22.3. However, performance remained robust, with no major changes to vacancy rates at currently owned properties.

【Results】

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	(¥bil)
Operating revenue	14.0	14.9	0.8	105.9%
Operating income	3.7	3.7	0.0	101.2%
EBITDA	6.6	6.6	0.0	100.2%

【Forecasts】

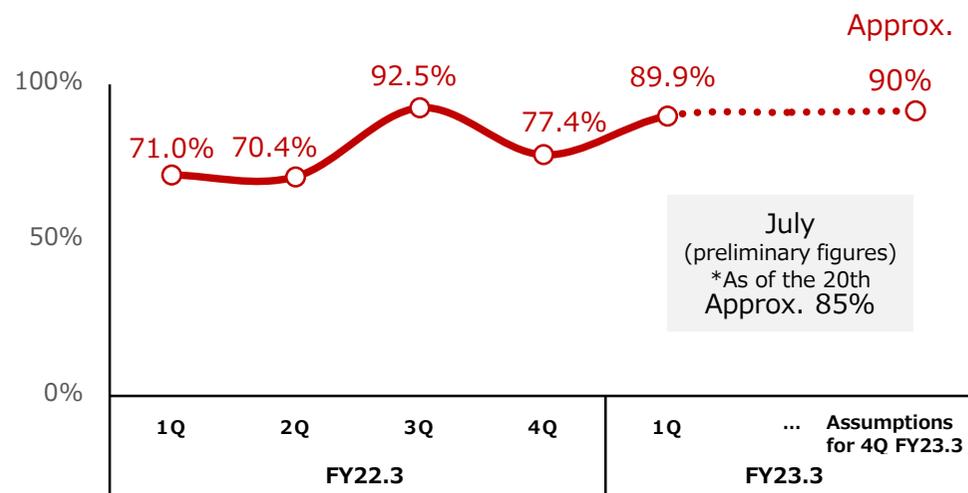
	Results FY22.3	Forecasts FY23.3	YoY	(¥bil)
Operating revenue	58.5	61.6	3.0	105.2%
Operating income	14.7	13.9	(0.8)	94.2%
EBITDA	26.5	25.8	(0.7)	97.3%

Assumptions behind performance forecasts

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

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

*1 Excluding Miyazaki and Kumamoto Station Buildings



Real Estate and Hotels Segment: Real estate sales business

- In Q1, sales of condominiums were down year on year, but revenues and profit increased due to the sale to a third party of a Company-owned office building (Shinkawa East Building).

【Results】

(¥bil)

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	
Operating revenue	10.2	14.4	4.2	141.9%
Operating income	1.3	1.5	0.1	111.8%
EBITDA	1.3	1.5	0.1	111.8%

【Forecasts】

(¥bil)

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

Assumptions behind performance forecasts

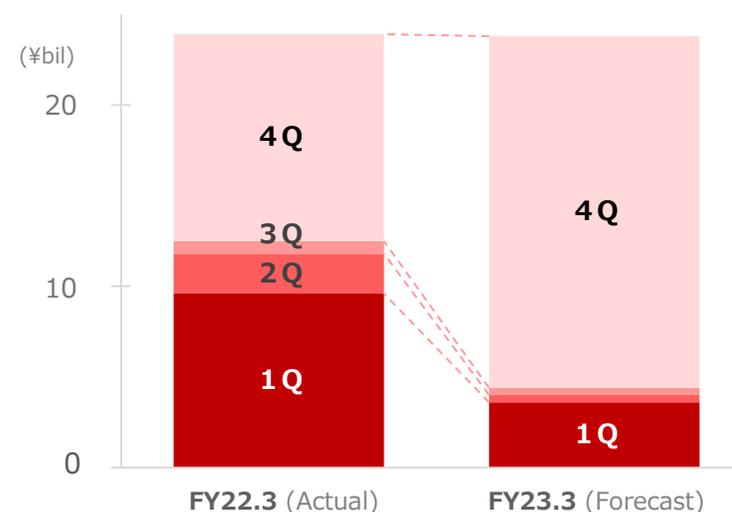
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.
- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of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

Shinkawa East Building



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

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel business

- In Q1, the government postponed its nationwide tourism support program due to the resurgence of COVID-19. However, prefectural discount programs, which also cover neighboring prefectures, continued.
- Although occupancy rates were up compared with Q4 of FY22.3, we posted a loss of ¥0.1 billion.

【Results】

	3 months ended June, 30 2021	3 months ended June, 30 2022	YoY	(¥bil)
Operating revenue	1.6	3.2	1.5	197.1%
Operating income	(1.1)	(0.1)	1.0	-
EBITDA	(0.6)	0.3	1.0	-

【Forecasts】

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

Assumptions behind performance forecasts

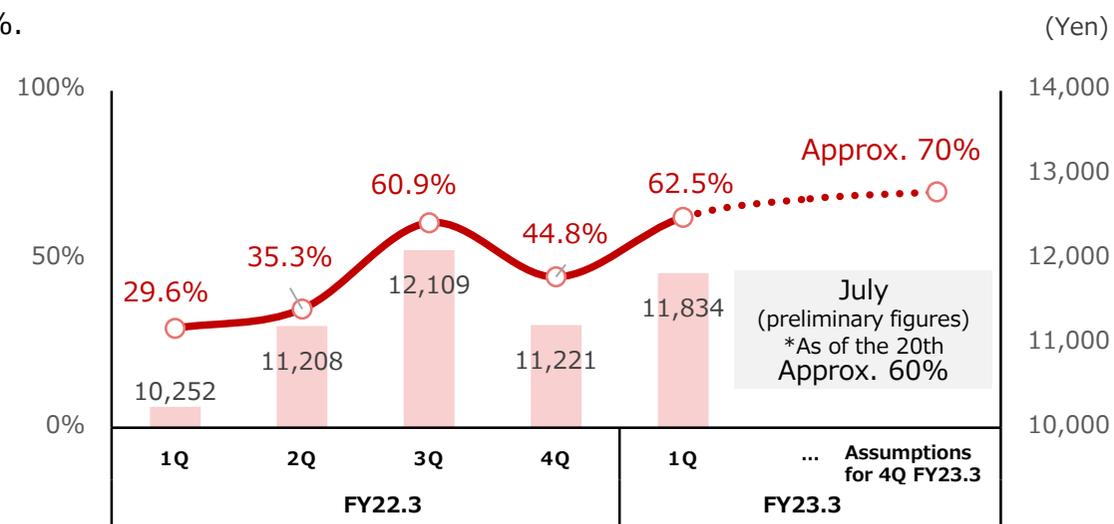
- THE BLOSSOM KYOTO is scheduled to be open on 26th August
- In Q4 FY23.3, we expect occupancy rates to recover to around 70%.

THE BLOSSOM KYOTO



Date of open: 26th August, 2022
 Location: Shimogyo-ku, Kyoto City
 Guest rooms: 180
 Floor space : Approx. 9,600m²

Hotel business | Occupancy rate and ADR



IV Progress on the Three Key Strategies 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.

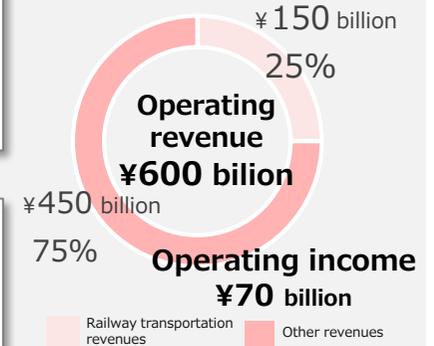
Policy ①

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)



Numerical targets, etc. (FY25.3)

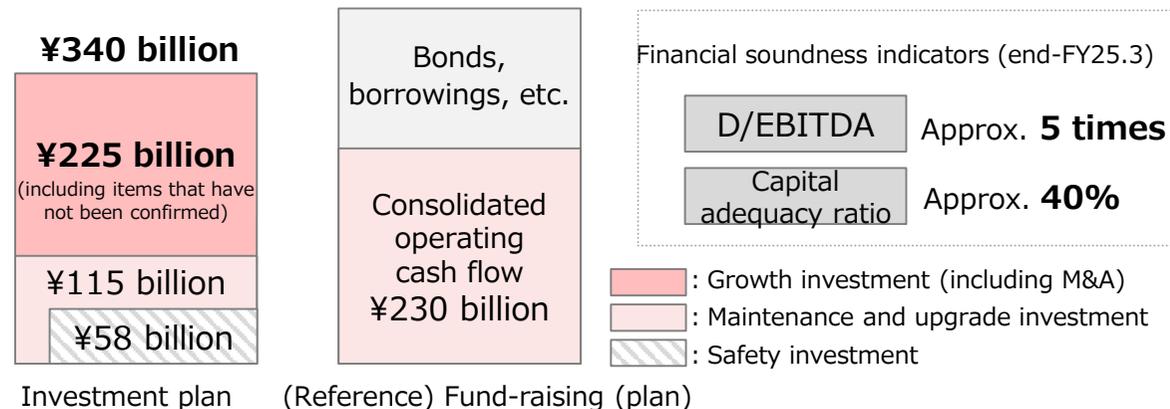
[Consolidated]

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

[Cumulative investment planned for 2022–2024]



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

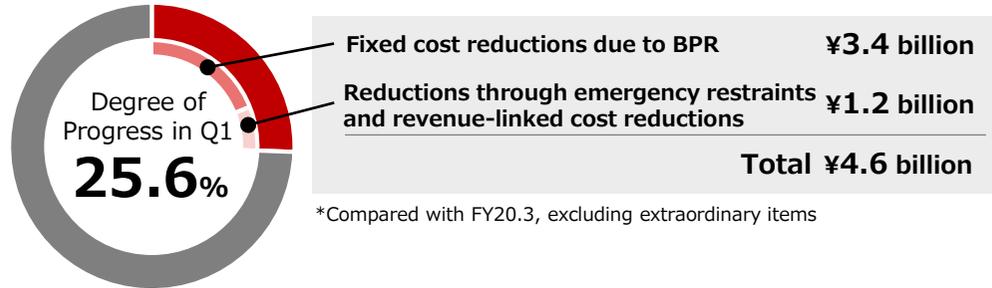
* Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

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

* Business Process Re-engineering

We expect to make steady progress on an ¥18.0 billion cost reduction in the current year, centering on BPR-related cost reductions in the railway business.

Progress on reducing costs (Q1 results)



Main measures that have been effective

- **Establish new service systems**
By utilizing DX and other initiatives, realize employee-free stations, discontinue ticket-sales counters, and reduce operating hours.
- **Establish a new rolling stock and ground equipment systems**
Handle internally those operations related to rolling stock and equipment that are currently being outsourced, eliminate ticket gate equipment, etc.
- **Increase efficiency of inspection and maintenance**
Revise replacement standards by enhancing inspection accuracy, revise inspection/maintenance operations based on train lines' state of use, reduce labor requirements by changing rolling stock materials, etc.

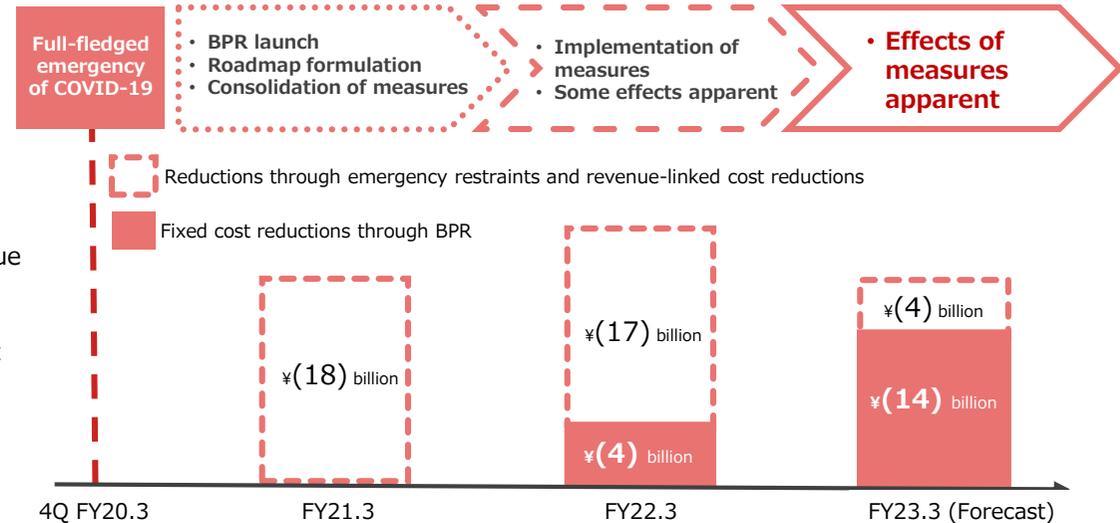
Main measures from Q2

Optimize timetables (autumn 2022 timetable revisions)

- Revise the operating system to match passenger usage
- Particularly on conventional lines, revise operating system centering on the Fukuoka metro area, expand number of segments where trains are operated by a single person, and introduce other measures.

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

History of cost-structure reforms



Establish a new rolling stock and ground equipment systems

As we expand the number of segments where trains are operated by a single person, we will ensure safety by installing cameras on rolling stock and installing platform railings at some stations.



Camera on rolling stock

Promote employee acquisition of multiple skills

On the Nishi-Kyushu Shinkansen, which is scheduled to open in September, the driver will conduct vehicle inspections along with the staff in charge of rolling stock.



Securing Revenues in the Railway Business: Improving convenience and revising tickets

- Create added value by introducing the EX Service, and revise the Shinkansen rate structure
- Foster ongoing increases in convenience and service through proactive DX and other measures

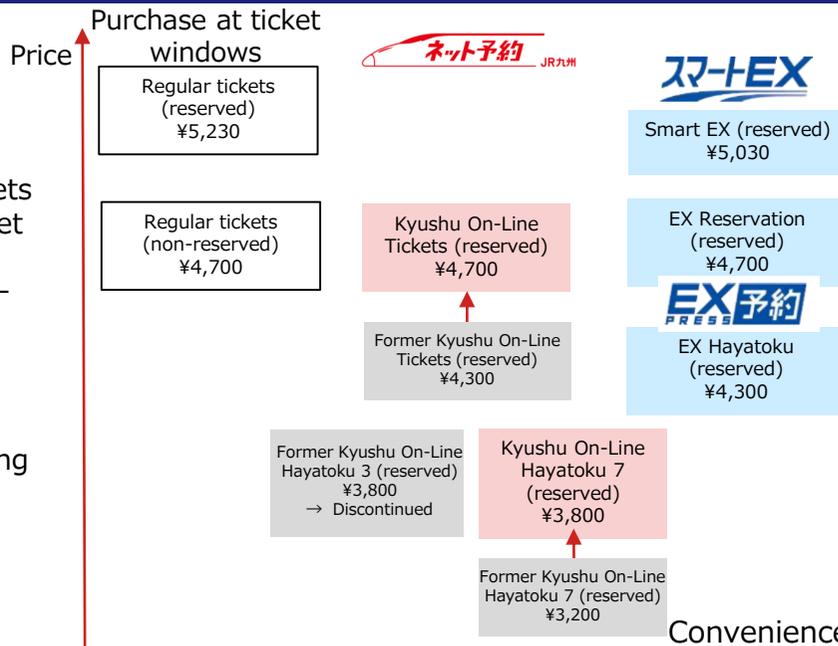
Introduction of EX Service and revisions on various tickets (from 6/25)

- Enhanced convenience by **shifting to ticketless service** on Shinkansen
- **Revised rate structure** of various tickets according to their characteristics

Comparison of various membership systems	ネット予約 JR九州		スマートEX	EX予約 PRESSE
	Annual fee	Free of charge	Free of charge	¥1,100 (including tax)
Tickets	Pick up at vending machines or ticket windows	Ticketless (transport system IC)	Ticketless (specialized IC)	

Example of rate structure revisions: One-way fare on the Hakata–Kumamoto Shinkansen

- Revised prices on Kyushu On-Line Tickets to match regular ticket prices for EX reservations and non-reserved seats
- Set EX Hayatoku (“special early”) pricing and revised and discontinued some Hayatoku pricing for Kyushu On-Line



Introduction of new payment and ticketless service options

- **Visa touch payment (verification testing)**



We became the first company in the JR Group to introduce, on a trial basis, a service that allows passengers to use trains by passing a Visa touch payment-compatible card or smartphone over a dedicated terminal at an automatic ticket gate.

- **Purchase of limited express tickets using PayPay (verification testing → continued setup)**



In January–March 2022, we introduced functionality on some limited express trains that allowed the purchase of limited express tickets using PayPay’s QR codes. Having confirmed operational safety and the increase in convenience, we are continuing this setup.

Reevaluating limited express surcharges on conventional lines (from 4/1)

- Completely reviewed limited express surcharges on non-reserved seats (**revising average prices by around 40%**)
- **Introduced new peak season rates** for reserved-seating limited express tickets
- **Added a surcharge when purchasing limited express tickets for non-reserved seats on board** for some routes

Key strategy ① Completing business structural reforms: Retail and Restaurant business

In light of the COVID-19 situation, we have reviewed our store opening strategy. We are working to improve profitability and enhance competitiveness by strengthening existing brands and taking on the challenge of new business formats.

	FY19.3 (before COVID)	FY22.3 (actual)	During the current medium-term business plan	
			FY23.3 (plan)	FY25.3 (target)
Operating revenue	¥104.0 billion	¥43.6 billion	¥53.3 billion	¥65.0 billion
Operating income margin	3.3%	(2.8)%	2.3%	4.6%

- Became unprofitable, affected by the increase in COVID-19 infections
- Stores/restaurants in areas surrounding stations were particularly hard-hit
- Performance at suburban and takeout locations remained firm
- Transferring and selling businesses, as necessary
 - Made Manbou, a processed marine products company, into a subsidiary (December 2019)
 - Sold some shares of JR Kyushu Drug Eleven (May 2020)
 - Acquired the Narubon business (suburban barbecue restaurant) (October 2021)

- Withdraw from unprofitable stores, regardless of location
- Apply our accumulated expertise and competitive strength to open suburban stores and take on the challenge of new business formats

Work to improve profitability and competitiveness



We opened restaurants in suburban commercial facilities, such as Mitsui Shopping Park LaLaport FUKUOKA (Hakata-ku, Fukuoka: opened April 2022) and THE OUTLETS KITAKYUSHU (Kitakyushu, Fukuoka Prefecture; opened April 2022).



Entering the Chateraise business, we opened a roadside confectionery shop (first shop opened in April 2022).

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

As the date for opening the Nishi-Kyushu Shinkansen nears, we are starting promotions that involve the local community in an effort to maximize the impact of the opening.

Overview

	Nishi-Kyushu Shinkansen (opening 9/23)
Kilometers of operation	69.6km (Reference) Kyushu Shinkansen: 288.9km
Stations	Five (including two new stations)
Trains	47/day
Trains' Nickname	Kamome
Time savings (Hakata–Nagasaki)	Approx. 30 minutes (Around 1 hour, 50 minutes → around 1 hour, 20 minutes)
D&S trains from arriving stations	TWO STARS 4047 36+3 (Sanju-Roku plus San)

New station:
Ureshino Onsen Station

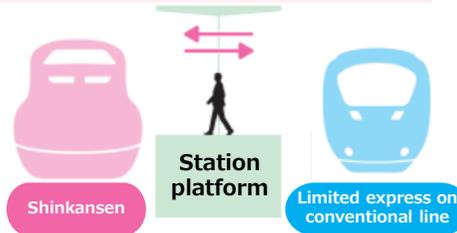


New station:
Shin-Omura Station



Note: Courtesy of the Japan Railway Construction, Transport and Technology Agency

Use cross-platform change at
Takeo Onsen Station



Promotion



Kamome promotion



Kamome Gakudan (8/7)

We are planning to hold a one-day event with local participants greeting the "Kamome" train at each Nishi-Kyushu Shinkansen station by singing and dancing.



Nishi-Kyushu Tourism Urban Development AWARD

Created an award to be presented to people who are rooted in the community and contribute to the development of attractive towns in the Western Kyushu area.



Test ride for the general public (9/18, 19)



Saga, Nagasaki Destination Campaign (from 10/1)

TWO STARS 4047

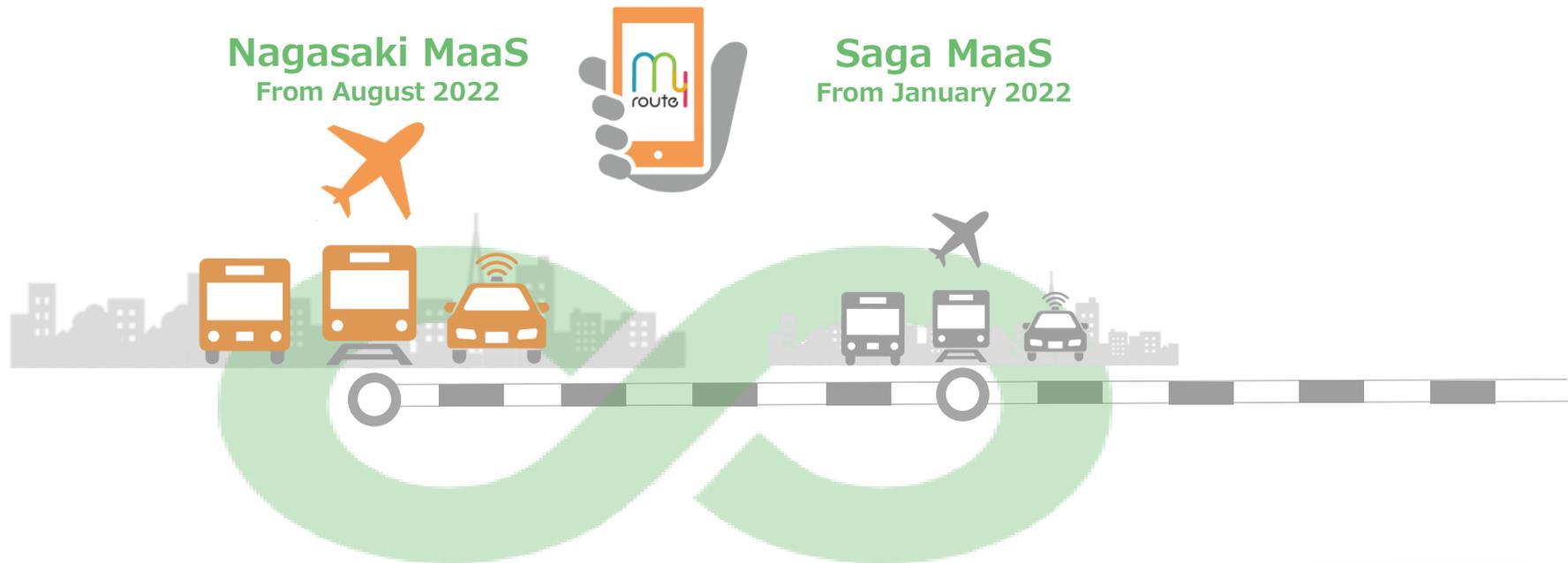


Start of operation: September 23, 2022
Operating segment: Takeo Onsen–Nagasaki
Concept: "A train to tour the seas of West Kyushu"



Key strategy② Creating a model for building cities that promote well-being: Promoting MaaS

- Following our efforts in the Saga area, we will introduce a MaaS initiative in the Nagasaki area in August 2022.
- In conjunction with the opening of the Nishi-Kyushu Shinkansen, we aim to provide seamless travel throughout the Western Kyushu area by linking the Nagasaki and Saga areas through MaaS.



Nagasaki MaaS initiative using “my route”

- Provide tourist information on “my route*” and link “my route” to regional tourist sites
- Based on multimodal route search results (connects all modes of transportation and suggests optimal routes), connect with JR Kyushu Internet reservation site, airline and bus reservation sites, and car sharing and car rental sites
- Sell digital tickets that include train tickets, admission tickets to tourist and commercial facilities, etc. (We also expect to offer products linked to Saga and Nagasaki destination campaigns.)
- Provide local lifestyle information in cooperation with local governments and commercial facilities



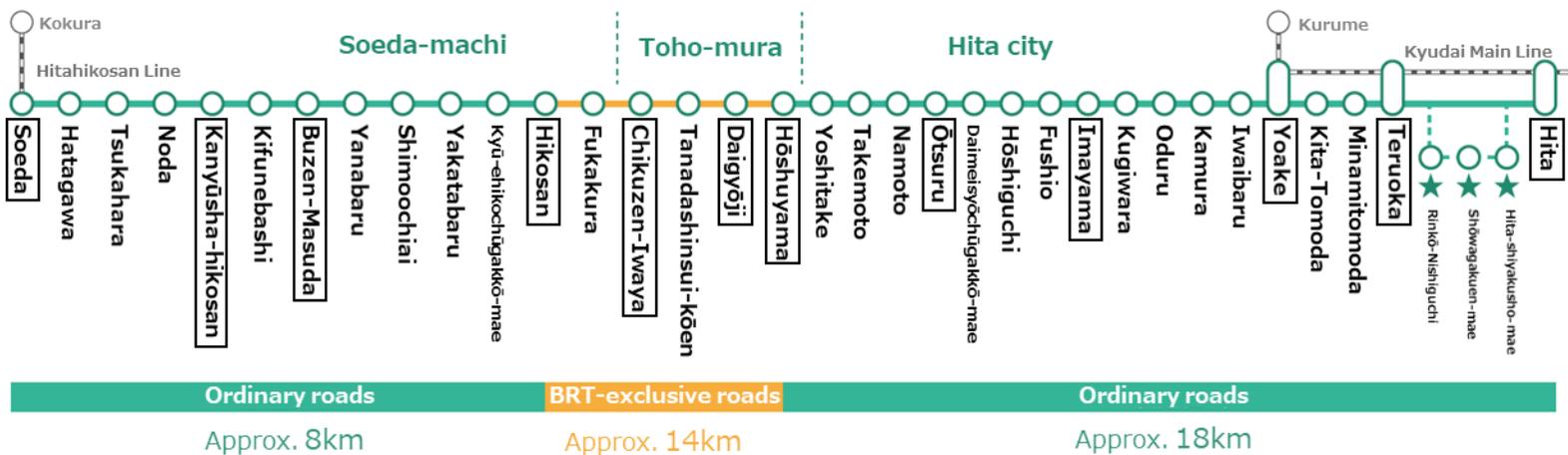
*my route: A MaaS app provided by the Toyota Group

We will work to strengthen and expand MaaS in cooperation with other businesses and local governments.

Key strategy ② Creating a model for building cities that promote well-being: Transitioning to BRT for the Hitahikosan Line

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

Stations on the Hikoboshi Line (official name: Hitahikosan Line BRT)



Concept
 “Friendly to people, communities, and the future”



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



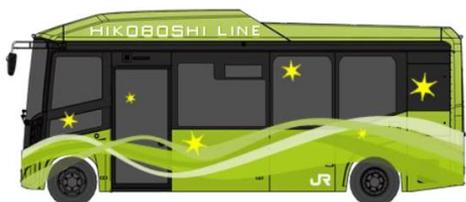
Conceptual design of a BRT station

Note: Boxes indicate the names of railway stations operating prior to the heavy rains in northern Kyushu in July 2017. BRT stations shown with dotted lines “—★—” will provide partial morning and evening service. Information is based on current plans and is subject to change.

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

Environmental considerations

Introduction of electric buses



BRT vehicles will include environmentally friendly electric buses.

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

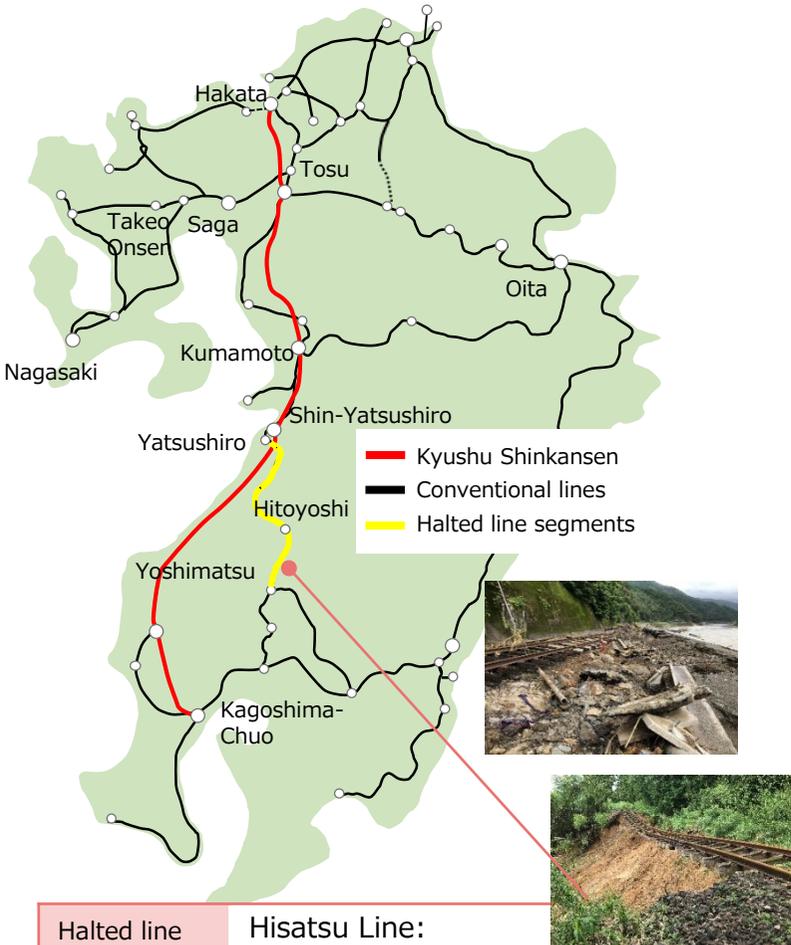
Resource recycling initiatives



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

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

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



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

JR Hisatsu Line Review Conference

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

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

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

ESG Initiatives

- We are promoting ESG initiatives based on the materiality we established to accomplish the 2030 Long-Term Vision.
- As one non-financial KPI under the medium-term business plan, we have decided to link an employee awareness survey to director compensation.

E Realization of a decarbonized society

At Hakata Station, use of electricity produced using renewable energy



- We have switched to renewable energy for the electricity*¹ used at JR Kyushu's Hakata Station (from July 1, 2022).
- *1 Excluding electricity for station buildings and train operations
- Some of the electricity will come from Kusu Solar Power Station (owned by a Group company), allowing us to utilize renewable electricity within the Group.
- We expect to reduce annual CO₂ emissions by 2,651 tons.

Considering the introduction of energy conversion technologies through cooperation with other companies



- We conducted a performance test of engines using 100% biofuel refined from waste oil (April 2022).
- We are continuing to consider possible introduction.

S Sustainable city-building

Participation in the Aburayama Shimin no Mori and other renewal projects

- Located 10km south of central Fukuoka, the area where this renewal project is taking place has long been a popular place to get in touch with nature. (The project was publicly solicited by the city of Fukuoka.)
- A total of nine companies, including JR Kyushu as leader and Snow Peak, Inc., are working together on this development project, which is scheduled to open in FY24.3 once the renewal is complete.
- This is being positioned as a leading project under "Fukuoka Green NEXT," and we are promoting initiatives in cooperation with the city of Fukuoka and other businesses.

Project vision:

"The coexistence of people, cities, and nature"



Camping/glamping Forest Outdoor Park



A vision to preserve Fukuoka's forests for future generations

G Sound corporate management

Linking an employee awareness survey to director compensation

- As one of the non-financial KPIs under our medium-term business plan, we have decided to link the results of an employee awareness survey with director*² compensation.
- The results of the employee awareness survey are an important quantitative indicator of the degree to which the human resource strategy, which is the source of value creation, has been realized. The management team will be held accountable and provided with an incentive by using the same indicators as evaluation items.

*2 Excludes outside directors and directors who are Audit and Supervisory Committee members

New director compensation system (from July 1, 2022)			
Basic remuneration: performance-linked remuneration = 8 : 2			
(Performance-linked remuneration (short-term incentives) generally does not exceed 20% of total compensation for each fiscal year.)			
▼ Overview of performance-linked remuneration			
Monetary compensation	KPIs (short-term incentives)	New Consolidated operating income for each fiscal year	
	Benefit period	New Monthly benefit during tenure	
Stock compensation	Fixed remuneration		
	KPIs	Benefits based on position	
		Short-term incentives	Consolidated operating income for each fiscal year
		Long-term incentives	TSR (compared with industry peers) during the period of the medium-term business plan Note: Varies depending on the TOPIX growth rate
Non-financial (long-term incentives)	New Employee awareness survey during the period of the medium-term business plan		
Benefit period		Provided upon director retirement	

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/