

# **FY21.3**

# **Annual Investors Meeting**

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May 13, 2021

**KYUSHU RAILWAY COMPANY**

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# Highlights

## Financial results and year-end dividend for FY21.3

- Due to the influence of the COVID-19 infection, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all declined.
- Planning a year-end dividend of ¥93 per share (annual dividend: ¥93)

## Performance forecasts and dividend forecasts for FY22.3

- Despite the anticipated influence of the COVID-19 infection, we expect a return to profitability due to, in each segment, a moderate recovery in demand and thorough cost reduction initiatives.
- In regard to dividends, planning annual dividend of ¥93 per share (year-end dividend only)

## Future Courses of Action and issues for the next medium-term business plan

- Reviewing the past year with COVID-19, clarifying the Company's issues and current courses of action
- Course of action (1): "Business management with the highest priority on safety and peace of mind," "city-building that further enhances the value of stations," and "advancing new business that do not depend on the flow of people"
- Course of action (2): "Advancing cost structure reforms"
- Course of action (3): "Strengthening initiatives to invigorate Kyushu"
- Issues for the next Medium-Term Business Plan: "Business strategies for the realization of the three courses of action," "financial strategies to support the business strategies," "sustainable business value creation"

# **I FINANCIAL RESULTS FOR FY21.3**

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# Consolidated Financial Highlights for FY21.3

	Results FY20.3	Results FY21.3	YoY	(¥bil)
Operating revenue	432.6	293.9	(138.7)	67.9%
Operating income	49.4	(22.8)	(72.2)	-
Ordinary income	50.6	(19.3)	(69.9)	-
Extraordinary gains and losses	(7.5)	(2.9)	4.5	-
Net income attributable to owners of the parent	31.4	(18.9)	(50.4)	-
EBITDA <sup>(※)</sup>	75.0	4.6	(70.4)	6.2%

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

## Operating revenue

Substantial decline in revenue due to such factors as the decrease in railway transportation revenues resulting from the influence of the spread of the COVID-19 infection [¥(71.0) billion] and the influence of JR Kyushu Drug Eleven Co., Ltd. becoming an equity-method affiliate [¥(39.7) billion].

## Operating income

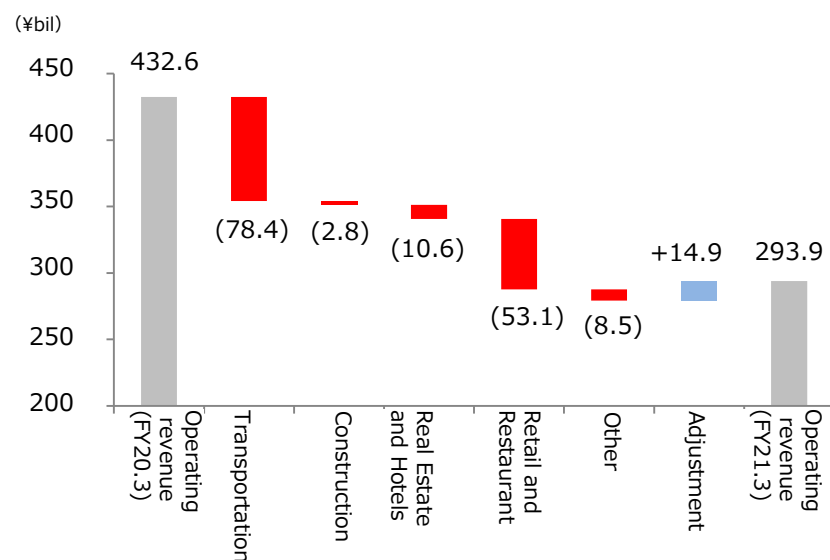
Despite efforts to reduce costs (non-consolidated: approximately ¥18.0 billion; Group companies: approximately ¥4.0 billion), profits were lower due to significant decrease in revenues.

## Extraordinary gains and losses

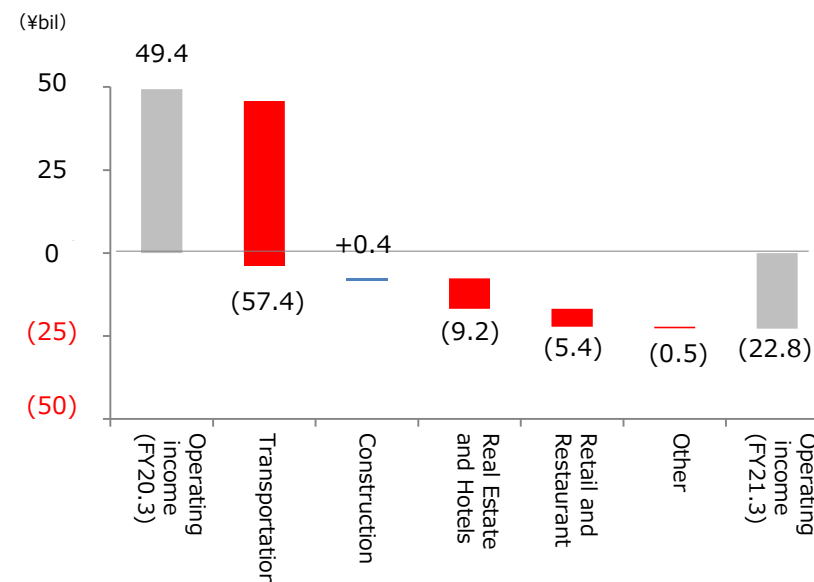
Recorded gain on sale of JR Kyushu Drug Eleven Co., Ltd. shares (+¥9.1 billion), provision for loss on disaster [¥(2.1) billion] related to the restoration of the Hitahikosan Line, and disaster-damage losses [¥(3.2) billion] due to heavy rains in July 2020.

\* FY20.3 impairment loss on new-style passenger ship QUEEN BEETLE: ¥ (6.1) billion  
FY21.3 impairment loss on THE BLOSSOM HIBIYA hotel: ¥ (5.6) billion

## Change in operating revenue by segment



## Change in operating income by segment



# FY21.3 Segment settlement

(¥bil)

	Results FY20.3	Results FY21.3	YoY		Major factors
<b>Operating revenue</b>	432.6	293.9	(138.7)	67.9%	
<b>Transportation</b>	173.7	95.2	(78.4)	54.9%	Decrease in passenger demand (railway, hydrofoil ferry, bus) due to influence of the COVID-19 infection
<b>Railway Business (non-consolidated)</b>	165.2	89.7	(75.4)	54.3%	
<b>Construction</b>	99.3	96.5	(2.8)	97.1%	Decrease in JR Kyushu-related construction
<b>Real Estate and Hotels</b>	90.7	80.1	(10.6)	88.3%	
<b>Real Estate Lease</b>	55.2	49.7	(5.4)	90.1%	Decrease in revenues from leases (mainly station buildings) due to influence of the COVID-19 infection
<b>Condominium Sales</b>	18.9	23.5	4.6	124.5%	Increase in revenue from sales of condominiums
<b>Hotel Business</b>	16.6	6.8	(9.7)	41.0%	Decrease in number of guests due to influence of the COVID-19 infection
<b>Retail and Restaurant</b>	104.6	51.4	(53.1)	49.2%	Decrease due to transfer of a portion of holdings of shares of JR Kyushu Drug Eleven and to the influence of the COVID-19 infection
<b>Other</b>	72.1	63.6	(8.5)	88.2%	Decrease due to decline in construction material revenues and to the transfer of the leasing and installment financing businesses
<b>Operating income</b>	49.4	(22.8)	(72.2)	-	
<b>Transportation</b>	19.8	(37.6)	(57.4)	-	
<b>Railway Business (non-consolidated)</b>	20.0	(36.6)	(56.6)	-	
<b>Construction</b>	6.5	6.9	0.4	106.2%	
<b>Real Estate and Hotels</b>	19.1	9.9	(9.2)	51.8%	
<b>Real Estate Lease</b>	16.7	12.0	(4.7)	71.9%	
<b>Condominium Sales</b>	1.5	2.6	1.0	168.6%	
<b>Hotel Business</b>	0.7	(4.7)	(5.5)	-	
<b>Retail and Restaurant</b>	2.8	(2.5)	(5.4)	-	
<b>Other</b>	2.2	1.7	(0.5)	76.7%	
<b>EBITDA</b>	75.0	4.6	(70.4)	6.2%	
<b>Transportation</b>	29.5	(26.5)	(56.0)	-	
<b>Railway Business (non-consolidated)</b>	28.8	(26.4)	(55.2)	-	
<b>Construction</b>	7.6	8.0	0.3	104.6%	
<b>Real Estate and Hotels</b>	30.5	22.2	(8.3)	72.6%	
<b>Real Estate Lease</b>	26.1	22.0	(4.1)	84.2%	
<b>Condominium Sales</b>	1.5	2.6	1.0	168.3%	
<b>Hotel Business</b>	2.8	(2.4)	(5.3)	-	
<b>Retail and Restaurant</b>	4.4	(1.1)	(5.6)	-	
<b>Other</b>	4.3	3.7	(0.6)	85.4%	

# FY21.3 Non-consolidated settlement

(¥bil)

	Results FY20.3	Results FY21.3	YoY		Major Factors
<b>Operating revenue</b>	214.8	144.7	(70.1)	67.3%	
<b>Railway transportation revenues</b>	147.3	76.3	(71.0)	51.8%	Influence of the COVID-19 infection
<b>Shinkansen</b>	52.3	22.4	(29.8)	43.0%	
<b>Conventional Lines</b>	95.0	53.8	(41.2)	56.6%	
<b>Other revenue</b>	67.5	68.4	0.8	101.3%	Increase in revenue from sales of condominiums
<b>Operating expense</b>	180.4	165.3	(15.1)	91.6%	
<b>Personnel expense</b>	48.7	39.3	(9.4)	80.7%	Decrease due to urgent control measures, decrease due to transfer of hospital business, natural decrease due to decline in number of employees
<b>Non-personnel expense</b>	105.5	97.5	(7.9)	92.5%	
<b>Energy cost</b>	9.2	7.9	(1.2)	86.6%	Decrease due to suspension of train service
<b>Maintenance cost</b>	33.4	29.0	(4.4)	86.7%	Decrease due to urgent control measures
<b>Other</b>	62.8	60.5	(2.2)	96.4%	Decrease in operational expenses and consignment expenses due to urgent control measures
<b>Taxes</b>	10.7	10.8	0.0	100.7%	
<b>Depreciation cost</b>	15.4	17.5	2.1	113.7%	
<b>Operating income</b>	34.3	(20.5)	(54.9)	-	
<b>Non-operating income and expense</b>	6.1	9.7	3.5	157.4%	Increase in dividend income
<b>Ordinary income</b>	40.5	(10.8)	(51.4)	-	
<b>Extraordinary gains and losses</b>	(6.3)	(5.7)	0.5		Increase due to sale of a portion of holdings of the shares of JR Kyushu Drug Eleven (+9.0) Increase in THE BLOSSOM HIBIYA impairment losses (-4.9) - Increase in provision for loss on disaster related to restoration of Hitahikosan Line (-2.1) Increase in disaster expenses associated with heavy rains in July 2020 (-3.4)
<b>Net income</b>	28.6	(11.1)	(39.8)	-	

# **II PERFORMANCE FORECASTS AND DIVIDEND FORECASTS FOR FY22.3**

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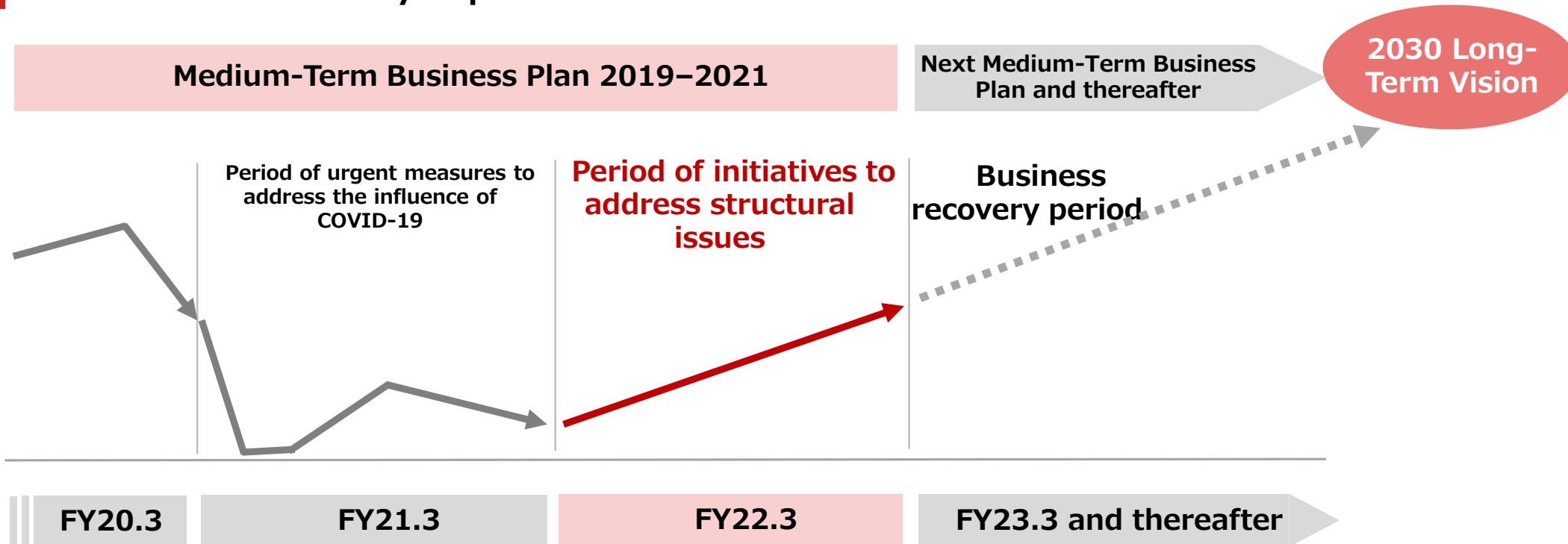


# Positioning of the FY22.3

## Implementing initiatives to address structural issues and measures for a V-shaped recovery

- In FY22.3, which will be the final year of the current Medium-Term Business Plan, **we will accelerate initiatives to address structural issues, such as “cost structure reform” and “business reform and growth model creation.”**
- The influence of the COVID-19 infection still remains, and we have positioned the year as a period for trials, with a focus on the post COVID-19 period.
- We will implement measures for a future V-shaped recovery and consider the next Medium-Term Business Plan.

## Illustration of recovery in performance



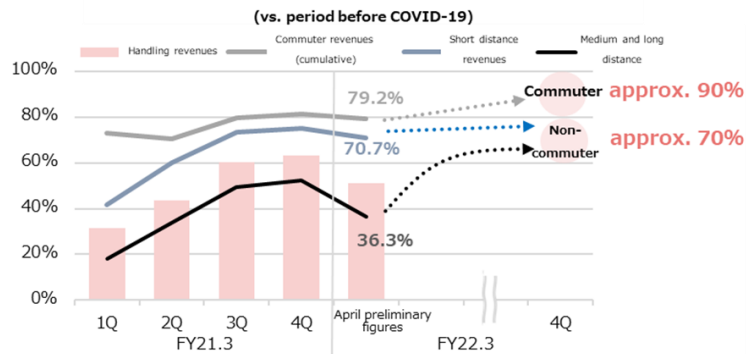
# Performance Forecast Assumptions for FY22.3

- With consideration for the lengthening of the influence of the COVID-19 infection, we anticipate a certain level of influence on each business in FY22.3.

## Railways

**Commuter:** Approximately 90% of level before COVID-19  
**Non-commuter:** Gradual recovery. As of 4th quarter, recovering to approximately 70% of level before COVID-19

Revenues from railway transportation: trend and forecast

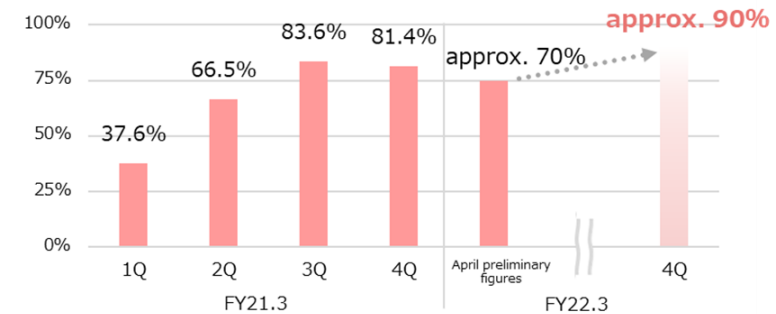


## Station buildings

**Tenant sales:** As of 4th quarter, recovering to approximately 90% of the level before COVID-19

Tenant sales at five major station buildings

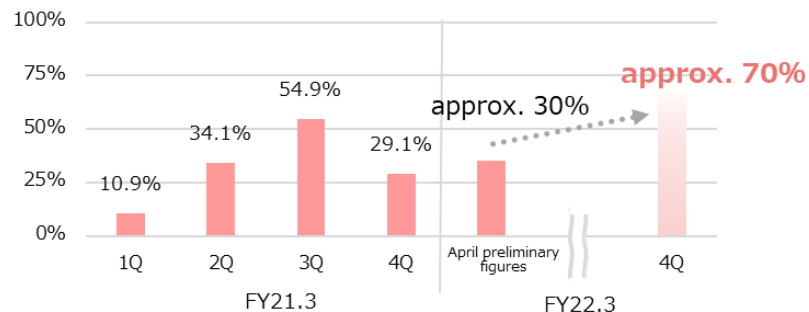
(vs. period before COVID-19)



## Hotels

**Occupancy rate:** As of 4th quarter, recovering to approximately 70%

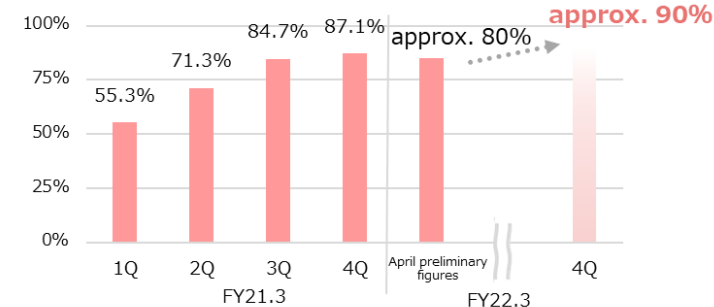
Occupancy rate



## Retail and restaurants

**Segment sales:** Recovering to approximately 90% of level before COVID-19

Segment sales (vs. period before COVID-19) \*



\* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the 1st quarter of FY21.3. Versus figures from the period before COVID-19.  
 \* April preliminary figures are the total of sales of major Group companies.

## Amount of influence vs. initial expectations due to changes in accounting policies (implemented April 1, 2021)

- Application of revenue recognition accounting standard
- Change in method of depreciation for railway business fixed assets. (\*)

Consolidated operating revenues: -¥5.0 billion;  
 Consolidated operating income: basically no influence

Consolidated operating income: +¥3.1 billion  
 (Decrease in depreciation accompanying change: -¥3.1 billion)

\* In regard to the method of depreciation for railway business fixed assets, from FY22.3, change from declining-balance method to straight-line method.  
 In regard to rolling stock, change to useful life in line with usage condition.

# Transportation Segment

## Advancing measures to secure revenues and to reduce costs

- Working to secure revenues through large-scale discontinuance of tickets sold at counters and price increases on discount tickets (implemented April 1, 2021). Advancing cost reductions through BPR while continuing urgent control measures.

	Measures	Effects
Secure revenues	<ul style="list-style-type: none"> <li>Strengthening yield management by shifting to on-line sales through discontinuance of discount tickets sold at counters (complete discontinuance of two-part tickets on the Shinkansen, discontinuance of two-part tickets on conventional lines on 60% of sections)</li> <li>Price increases on tickets sold on-line/at counters, with consideration for competitiveness with other transportation companies (price increases on 20% of sections, average price revision rate of tickets for which prices have been increased: approximately +8%)</li> <li>Discontinuance of ordinary sets of tickets for multiple rides</li> </ul>	<ul style="list-style-type: none"> <li>✓ Higher revenues due to ticket price increases</li> <li>✓ Increase in station system efficiency, decrease in opportunities for contact at time of purchase <b>Will continue to consider price revisions in line with conditions</b></li> </ul>
Reduce costs	<ul style="list-style-type: none"> <li>Implementing continued urgent control measures, such as control/postponement of maintenance</li> <li>Advancing BPR strategy (details provided in the section starting on page 28)               <ul style="list-style-type: none"> <li>Reevaluating transportation capacity by reducing number of trains through timetable revisions (train-kilometers: -5% YoY) etc.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Railway business cost reduction target (vs. FY20.3, excluding special factors) <b>Approximately -¥14.0 billion</b> <b>(personnel costs: ¥4.0 billion: non-personnel expenses: ¥10.0 billion)</b></li> </ul>

# Real Estate and Hotels Segment

## Contribution to consolidated results from opening effect of Kumamoto and Miyazaki station buildings

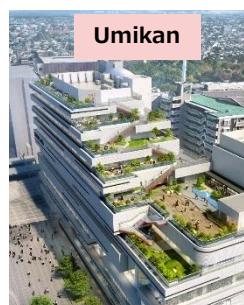
- Full-year contribution to consolidated results from Kumamoto Station Building opening (April 23, 2021) and Miyazaki Station Building Opening (November 20, 2020)
- In FY22.3, continued aggressive advancement of capital investment related to city-building initiatives in areas surrounding stations, which will become a growth driver

### Kumamoto Station area development



- ✓ “Amu Plaza Kumamoto” opened on April 23, 2021.
- ✓ **Expecting tenant sales on about the same scale as Oita Station Building and Kagoshima Station Building**
- ✓ There were some contract cancellations in the commercial area due to the influence of the COVID-19 infection, but all stores were determined.
- ✓ “THE BLOSSOM KUMAMOTO” hotel also opened on the same day as “Amu Plaza Kumamoto”
- ✓ For two office buildings, leasing progress is solid, and the contract rate is approximately 90%.

### Miyazaki Station west entrance development



- ✓ “Amu Plaza Miyazaki” opened on November 20, 2020. (“Himuka Kirameki Ichiba” had an advance opening on October 14)
- ✓ **Tenant sales on a smaller scale than Kokura Station Building**
- ✓ There were some contract cancellations in the commercial area due to the influence of the COVID-19 infection, but all stores were determined by the opening.
- ✓ In the office area, we continue to implement measures to attract tenants.

# Consolidated Financial Highlights for FY22.3

	Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	293.9	344.2	50.2	117.1%
Operating income	(22.8)	10.6	33.4	-
Ordinary income	(19.3)	10.6	29.9	-
Net income attributable to owners of the parent	(18.9)	12.9	31.8	-
EBITDA	4.6	37.9	33.2	817.0%

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

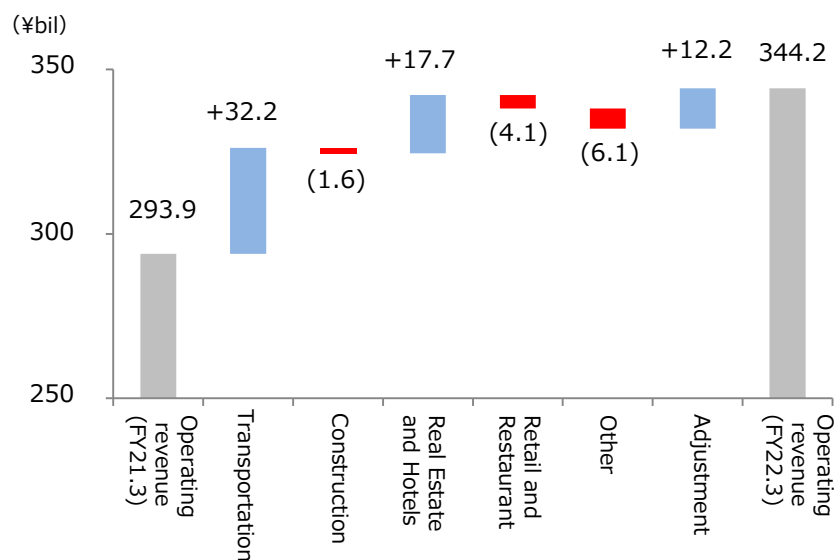
## Operating revenue

Increase in revenue due to moderate recovery in demand in the Transportation Segment and other segments

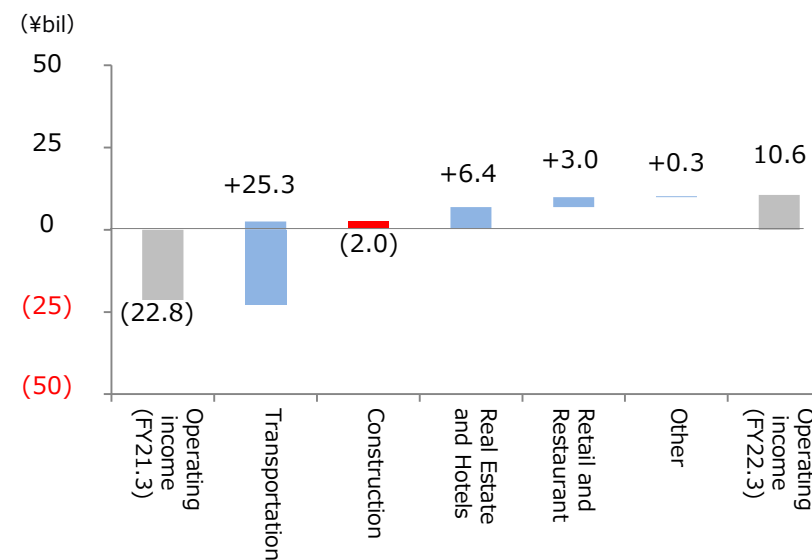
## Operating income

Moderate recovery in each segment. Increase in profit due to expense reductions of approximately ¥14.0 billion in railway business. Anticipating return to profitability.

## Change in operating revenue by segment



## Change in operating income by segment



# Consolidated Financial Forecasts for FY22.3(by segment)

(¥bil)

	Results FY21.3	Forecasts FY22.3	YoY		Major factors
<b>Operating revenue</b>	293.9	344.2	50.2	117.1%	
<b>Transportation</b>	95.2	127.5	32.2	133.8%	Increase due to moderate recovery in demand in railway business
<b>Railway Business (non-consolidated)</b>	89.7	120.4	30.6	134.1%	
<b>Construction</b>	96.5	94.9	(1.6)	98.3%	Decrease in railway construction orders from JR Kyushu
<b>Real Estate and Hotels</b>	80.1	97.9	17.7	122.2%	
<b>Real Estate Lease</b>	49.7	59.4	9.6	119.4%	Increase due to opening of Kumamoto Station building and Miyazaki station building, increase in revenues from leases due to moderate recovery in demand
<b>Condominium Sales</b>	23.5	23.0	(0.5)	97.6%	Rebound decrease in revenues from condominium sales
<b>Hotel Business</b>	6.8	15.5	8.6	227.7%	Increase in number of guests due to moderate recovery in demand, increase due to Kumamoto hotel opening
<b>Retail and Restaurant</b>	51.4	47.3	(4.1)	91.9%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
<b>Other</b>	63.6	57.5	(6.1)	90.3%	Decrease due to lower sales of construction materials
<b>Operating income</b>	(22.8)	10.6	33.4	-	
<b>Transportation</b>	(37.6)	(12.3)	25.3	-	
<b>Railway Business (non-consolidated)</b>	(36.6)	(12.5)	24.1	-	
<b>Construction</b>	6.9	4.9	(2.0)	70.1%	
<b>Real Estate and Hotels</b>	9.9	16.4	6.4	165.4%	
<b>Real Estate Lease</b>	12.0	14.0	1.9	116.0%	
<b>Condominium Sales</b>	2.6	2.2	(0.4)	83.3%	
<b>Hotel Business</b>	(4.7)	0.2	4.9	-	
<b>Retail and Restaurant</b>	(2.5)	0.5	3.0	-	
<b>Other</b>	1.7	2.1	0.3	119.9%	
<b>EBITDA</b>	4.6	37.9	33.2	817.0%	
<b>Transportation</b>	(26.5)	(3.4)	23.1	-	
<b>Railway Business (non-consolidated)</b>	(26.4)	(3.9)	22.5	-	
<b>Construction</b>	8.0	5.8	(2.2)	72.1%	
<b>Real Estate and Hotels</b>	22.2	30.6	8.3	137.7%	
<b>Real Estate Lease</b>	22.0	25.8	3.7	117.2%	
<b>Condominium Sales</b>	2.6	2.2	(0.4)	82.9%	
<b>Hotel Business</b>	(2.4)	2.6	5.0	-	
<b>Retail and Restaurant</b>	(1.1)	1.7	2.8	-	
<b>Other</b>	3.7	4.6	0.8	124.1%	

# Non-consolidated Financial Forecasts for FY22.3

(¥bil)

	Results FY21.3	Forecasts FY22.3	YoY		Major factors
<b>Operating revenue</b>	144.7	177.2	32.4	122.4%	
<b>Railway transportation revenues</b>	76.3	106.0	29.6	138.9%	Increase due to moderate recovery in demand
Shinkansen	22.4	36.0	13.5	160.1%	
Conventional Lines	53.8	70.0	16.1	130.0%	
<b>Other revenue</b>	68.4	71.2	2.7	104.1%	
<b>Operating expense</b>	165.3	173.7	8.3	105.1%	
<b>Personnel expense</b>	39.3	42.1	2.7	107.0%	Increase due to results recovery
<b>Non-personnel expense</b>	97.5	103.5	5.9	106.1%	
Energy cost	7.9	8.3	0.3	103.8%	Increase due to moderate recovery in demand
Maintenance cost	29.0	31.7	2.6	109.1%	Increase due to moderate recovery in demand
Other	60.5	63.5	2.9	104.9%	Increase due to moderate recovery in demand
<b>Taxes</b>	10.8	11.4	0.5	105.4%	
<b>Depreciation cost</b>	17.5	16.7	(0.8)	95.0%	Decrease due to revision of depreciation method
<b>Operating income</b>	(20.5)	3.5	24.0	-	
<b>Non-operating income and expense</b>	9.7	1.1	(8.6)	11.3%	Decrease in dividend income
<b>Ordinary income</b>	(10.8)	4.6	15.4	-	
<b>Extraordinary gains and losses</b>	(5.7)	-	5.7	-	
<b>Net income</b>	(11.1)	10.1	21.2	-	

# FY22.3 dividend forecasts

## Shareholder return policy

- The Company views the return of profits to shareholders as one of its most important management tasks. Accordingly, the Company believes it is important to provide stable shareholder returns over the long term.

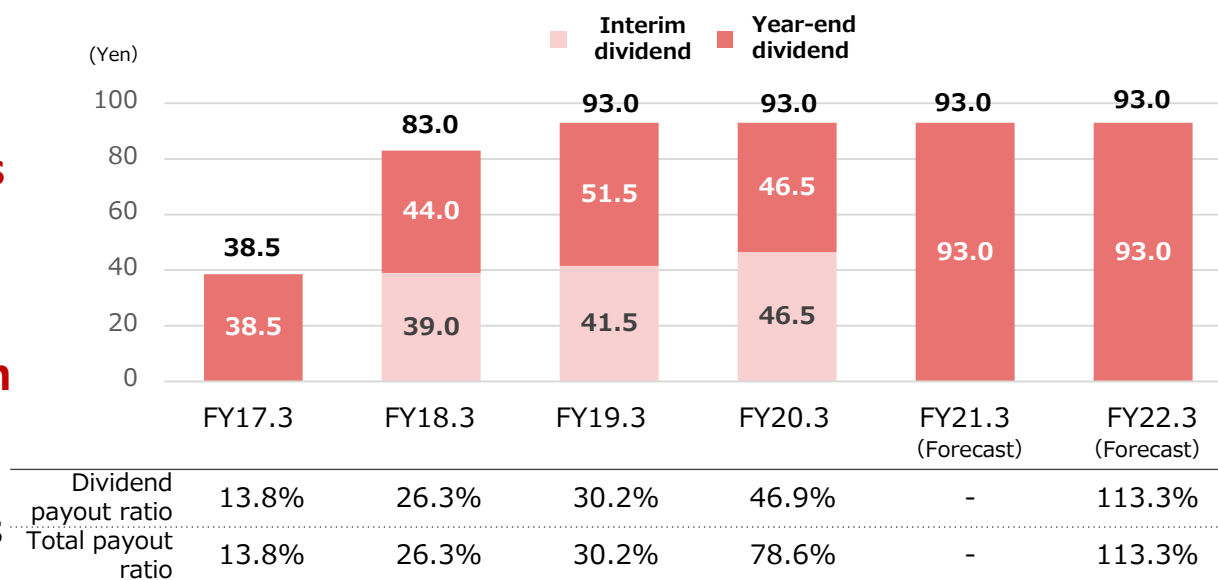
(Policy up to FY22.3)

- **Aim for a dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0**
- **To increase capital efficiency, implement share repurchases depending on the situation**

## FY22.3 dividend forecasts

- We are forecasting continued extremely severe results for FY22.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY22.3 is ¥93.0 per share.**
- As in FY21.3, **in FY22.3 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.

(Reference) Annual dividends per share



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



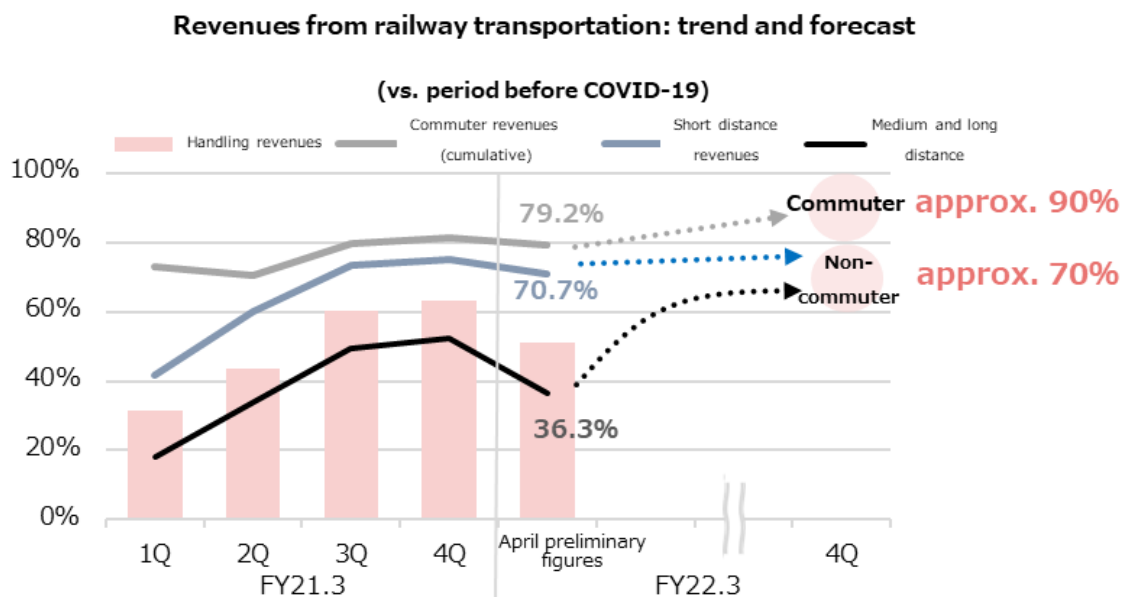
# (Reference) Transportation Segment

	【Results】		(¥bil)	
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	173.7	95.2	(78.4)	54.9%
Railway Business (non-consolidated)	165.2	89.7	(75.4)	54.3%
Railway transportation revenues	147.3	76.3	(71.0)	51.8%
Operating income	19.8	(37.6)	(57.4)	-
Railway Business (non-consolidated)	20.0	(36.6)	(56.6)	-
EBITDA	29.5	(26.5)	(56.0)	-
Railway Business (non-consolidated)	28.8	(26.4)	(55.2)	-

	【Forecasts】		(¥bil)	
	Forecasts FY22.3	YoY		
	127.5	32.2	133.8%	
	120.4	30.6	134.1%	
	106.0	29.6	138.9%	
	(12.3)	25.3	-	
	(12.5)	24.1	-	
	(3.4)	23.1	-	
	(3.9)	22.5	-	

## Railway Business

### Quarterly trend / Results forecast assumptions



### Overview

- (FY21.3) Due to the influence of the declaration of the state of emergency that was implemented in April and May, 2020, in the first quarter, revenues from railway transportation were approximately 30% of the level before COVID-19. However, there were signs of a gradual recovery due to the circumstances of the infection and to various measures. Nonetheless, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, there were restraints on the recovery trend. Due to the substantial decline in operating revenues, we worked to urgently reduce operating expenses in the railway business, which has a high percentage of fixed costs. Nonetheless, a large operating loss was recorded.
- (FY22.3) Due to the establishment of teleworking, we expect commuter revenues to be about the same level as in the previous year. However, we anticipate a continued moderate recovery in non-commuter revenues, and we expect operating revenues to be about 70% of the level before COVID-19. On the other hand, looking at operating expenses, we expect effects from the revision of timetables and cost-reduction initiatives with the highest priority on safety. Nonetheless, we are forecasting an operating loss.

# (Reference) Real Estate and Hotels Segment (1)

## Real estate leasing business

### 【Results】

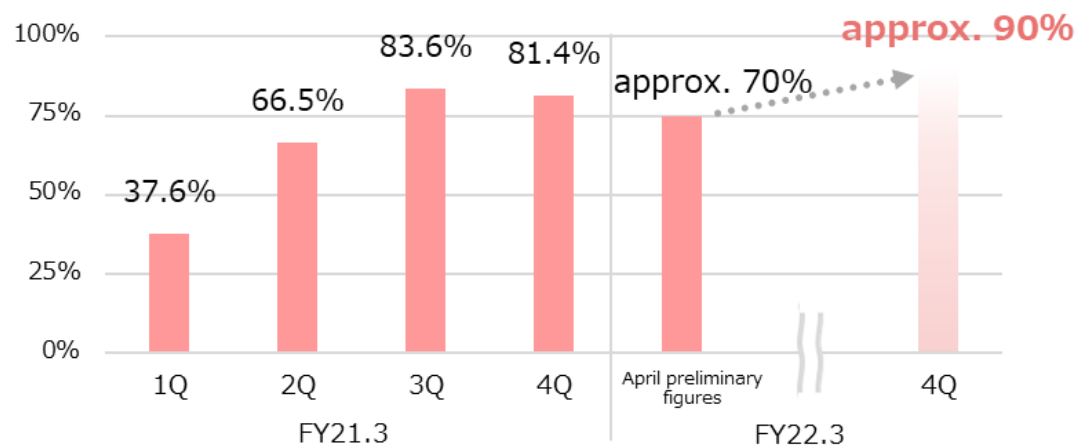
	(¥bil)			
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	55.2	49.7	(5.4)	90.1%
Operating income	16.7	12.0	(4.7)	71.9%
EBITDA	26.1	22.0	(4.1)	84.2%

### 【Forecasts】

	(¥bil)		
	Forecasts FY22.3	YoY	
	59.4	9.6	119.4%
	14.0	1.9	116.0%
	25.8	3.7	117.2%

## Quarterly trend / Results forecast assumptions

Tenant sales at five major station buildings  
(vs. period before COVID-19)



## Overview

### Station buildings

- (FY21.3) In the first quarter, the declaration of the state of emergency, which was implemented in April and May, 2020, had a significant effect, but subsequently there was a recovery trend due to the circumstances of the infection and to various measures. However, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, there were restraints on the recovery trend.  
\*From April to July, 2020, we implemented reduced rents and exemptions from sales promotion expenses for station building tenants (approximately ¥1.9 billion).
- (FY22.3) Other than Kumamoto and Miyazaki, expecting moderate recovery at station buildings throughout the year

### Office buildings, rental apartments

- No signs of major changes in vacancy rates at existing properties, expecting stable trend in FY22.3, the same as in FY21.3

# (Reference) Real Estate and Hotels Segment (2)

## Condominium sales business

	【Results】		(¥bil)	
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	18.9	23.5	4.6	124.5%
Operating income	1.5	2.6	1.0	168.6%
EBITDA	1.5	2.6	1.0	168.3%

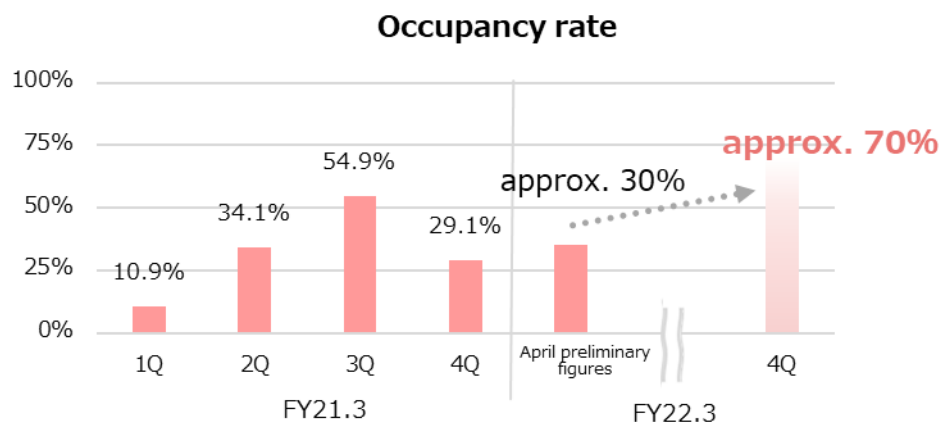
	【Forecasts】		(¥bil)	
	Forecasts FY22.3	YoY		
	23.0	(0.5)	97.6%	
	2.2	(0.4)	83.3%	
	2.2	(0.4)	82.9%	

## Hotel business

	【Results】		(¥bil)	
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	16.6	6.8	(9.7)	41.0%
Operating income	0.7	(4.7)	(5.5)	-
EBITDA	2.8	(2.4)	(5.3)	-

	【Forecasts】		(¥bil)	
	Forecasts FY22.3	YoY		
	15.5	8.6	227.7%	
	0.2	4.9	-	
	2.6	5.0	-	

## Quarterly trend / Results forecast assumptions



## Overview

- (FY21.3) The declaration of the state of emergency, which was implemented in April and May, 2020, had a significant effect. Subsequently, despite the Go To Campaign and other measures, the recovery trend was gradual. In addition, there were concerns about the spread of the infection from late November, and in January a state of emergency was declared in Fukuoka Prefecture. In the fourth quarter, the trend turned toward decline.
- (FY22.3) Operations will be influenced by trends in business and tourism demand. However, we expect a moderate recovery trend overall. We expect that some time will be required for a full-scale recovery in accommodation demand.

# (Reference) Retail and Restaurant segment

## 【Results】

	(¥bil)			
	Results FY20.3	Results FY21.3	YoY	
Operating revenue	104.6	51.4	(53.1)	49.2%
Operating income	2.8	(2.5)	(5.4)	-
EBITDA	4.4	(1.1)	(5.6)	-

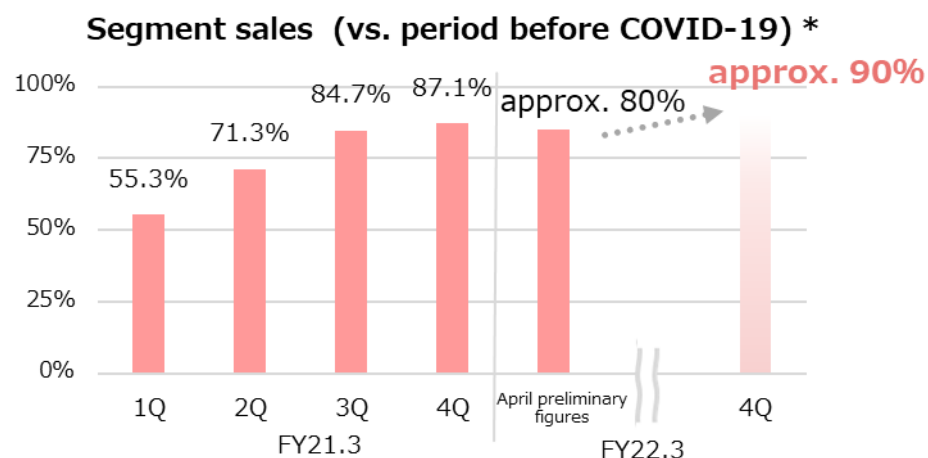
\*Amount of influence of JR Kyushu Drug Eleven becoming an equity-method affiliate : [¥(39.7) billion]

## 【Forecasts】

	(¥bil)		
	Forecasts FY22.3	YoY	
	47.3	(4.1)	91.9%
	0.5	3.0	-
	1.7	2.8	-

\*Amount of influence of JR Kyushu Drug Eleven becoming an equity-method affiliate : [¥(12.4) billion]

## Quarterly trend / Results forecast assumptions



\* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the 1st quarter of FY21.3. Versus figures from the period before COVID-19.

\* April preliminary figures are the total of sales of major Group companies

## Overview

- (FY21.3) Throughout the year, the takeout business and stores in suburbs recorded solid performances. Looking at stores in areas surrounding stations, a decline in railway passengers resulted in a decrease in the number of visitors to facilities in areas surrounding stations. Consumers also refrained from the use of restaurants. These factors had an influence on operations. In particular, in the area in which a state of emergency was declared, in the first quarter the closure of station buildings had an influence. In addition, there was a reduction in operating hours at certain stores, etc. As a result, circumstances were challenging.
- (FY22.3) The takeout business and stores in suburbs are expected to continue to record solid results. Although stores in areas surrounding stations will be affected by COVID-19 infection countermeasures and the infection trend, we anticipate a moderate recovery trend.

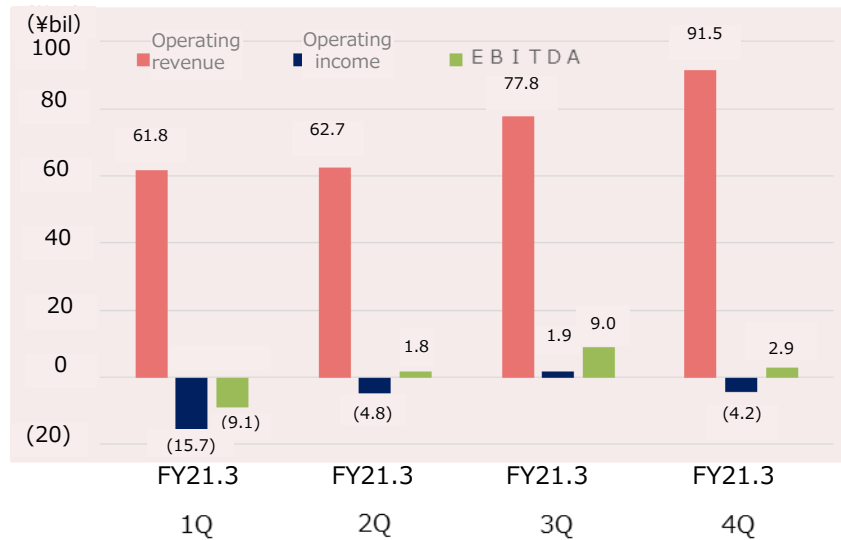
# **III FUTURE COURSES OF ACTION AND ISSUES FOR THE NEXT MEDIUM-TERM BUSINESS PLAN**

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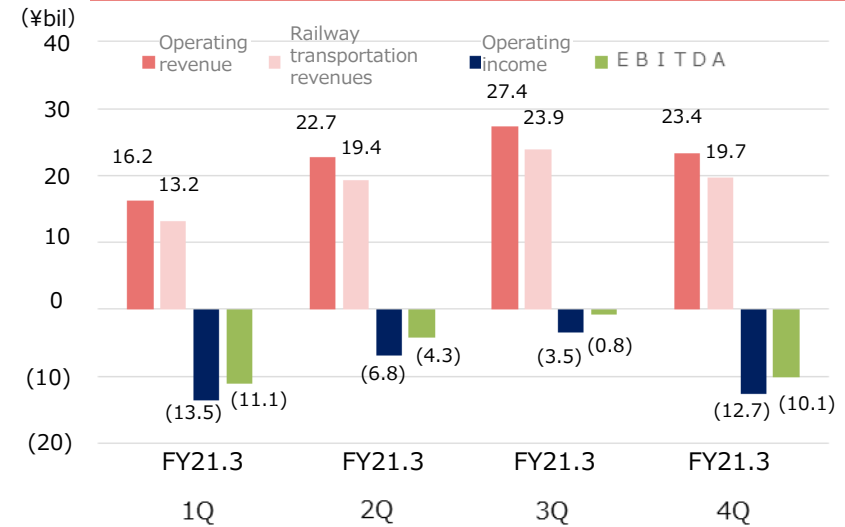
# Review of Results in FY21.3

- While experiencing ups and downs, operating revenues in each business gradually recovered. In addition, we implemented thorough cost management initiatives.
- From the second quarter, consolidated EBITDA turned positive, and overall consolidated EBITDA was positive for FY21.3

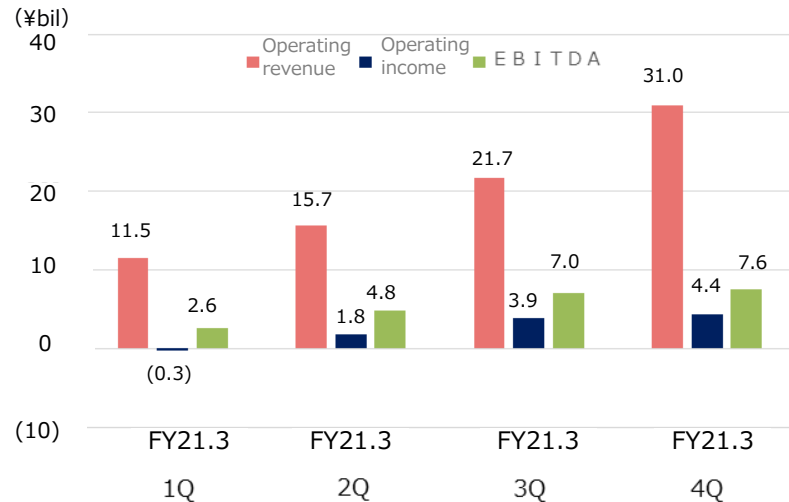
## Consolidated results



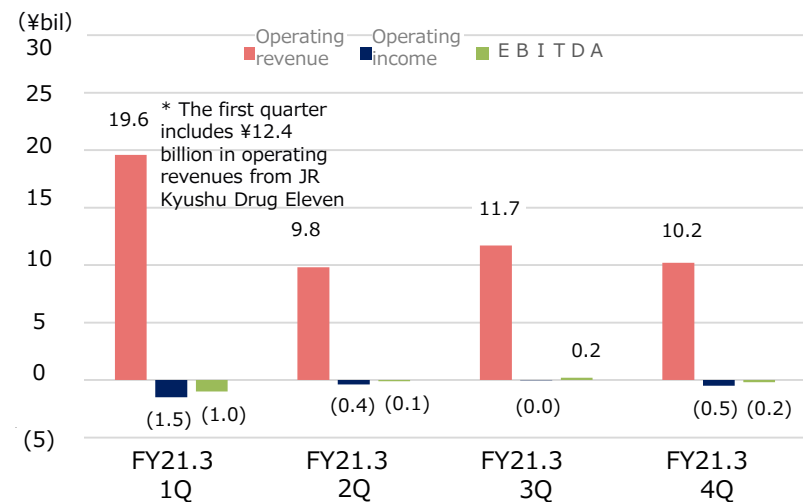
## Non-consolidated, railway business



## Real Estate and Hotels Segment



## Retail and Restaurant Segment



# Issues Revealed by COVID-19 and the Company's Current Courses of Action

## Ongoing issues

- Declining population in Kyushu, where the pace of the decline exceeds the pace of the decline in the nationwide population
- Addressing natural disasters of increased severity

## Impact of COVID-19

### Dramatic changes in consumer behavior

- ✓ Increasing demand for safe and secure products, services, and facilities
- ✓ Adoption of remote working styles (teleworking, on-line meetings, staggered commuting, etc.)
- ✓ Style of consumption that does not involve going out (expansion of e-commerce, delivery, etc.)
- ✓ Tourism demand that is influenced by the infection trend



### New consumption patterns will continue for the time being

Due to the use of vaccines, anticipating return to conditions before COVID-19, to a certain extent

## Newly revealed issues

### [Issue (1)]

#### Business model that depends on the flow of railway users to stations

Reversal of favorable cycle, under which increases in customers using railways led to increases in number of people in areas surrounding stations

### [Issue (2)]

#### Damage to businesses with a high percentage of fixed costs

Due to rapid market contraction, railways and hotels, which have a high-percentage of fixed costs, are recording large losses.

### [Issue (3)]

#### The sustained development of Kyushu is directly linked to the Group's results

Reconfirmation that the Group depends on the status of economic activity in Kyushu

## Current courses of action

### [Course of action (1)]

Business management with the highest priority on safety and peace of mind (page 24)

City-building that further enhances the value of stations (page 25)

Advancing new businesses that do not depend on the flow of people (page 27)

### [Course of action (2)]

#### Advancing cost structure reforms

- Railway operations (page 28)
- Hotels (page 30)

### [Course of action (3)]

#### Strengthening initiatives to invigorate Kyushu

- Specialized regional funds (page 31)
- MaaS (page 32)

# [Course of action (1)] Business management with the highest priority on safety and peace of mind

At this point, when the future is unclear, we will return to the starting point and work to fulfill our social mission and to be a trusted business group by implementing business management with the highest priority on safety and peace of mind.

## Advancing initiatives to enable customers to use our services with peace of mind

Train ventilation



Train disinfection



Station facility disinfection



Reserved seat information guidance (Screen of ticket sales machine)



Providing information about train congestion status (\*only for congested Hakata arrival time periods)

・博多駅に到着する時間帯別に混雑状況の目安を表示しています。  
 ・快速列車および普通列車の混雑状況です。同じ時間帯でも、列車によって混雑状況には差があります。

対象路線・区間	7:00~	7:15~	7:30~	7:45~	8:00~	8:15~	8:30~	8:45~	9:00~	9:15~	9:30~	9:45~
鹿児島本線 下り (香椎⇨博多)	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
鹿児島本線 上り (博多⇨香椎)	↑	↑	↑	↑	↓	↓	↓	↓	↓	↓	↓	↓
篠栗線 下り (篠栗⇨博多)	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
筑肥線 上り (筑前前原⇨経路)	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑

※筑肥線の調査区間は筑前前原駅から鹿児島駅間です。地下鉄線内の混雑状況については福岡市交通局のホームページをご確認ください。

(Other) Encouraging staggered commuting, etc., stopping usage of smart doors, etc.

Initiatives to help prevent the spread of the infection in line with the requests of the national government, etc.

- Temporary closure or reduced operating hours at restaurants, etc.
- Exercising self-restraint in regard to events held by the Group

## Safety/security for business partners

- Securing safety through disinfection of entrance locations, etc.
- Aggressively utilizing on-line meetings
- Implementing support measures in line with circumstances

\*Implementing rent reductions for station building tenants from April to July, 2020

## Facility maintenance/upgrades, measures to address disasters

Steady maintenance/upgrades of facilities



Replacing rolling stock



Transitioning to TPC railroad ties

Measures to address increasingly severe disasters



【Slope countermeasure work】  
 Preventing fallen rocks, landslides caused by changes resulting from localized heavy rains and typhoons, surface weathering, etc.

## Safety/security for employees and their families

- Providing information to employees, such as comments from Company leaders, etc.
- Implementing short-term employment adjustments, such as temporary leave
- Advancing staggered commuting, teleworking
- Enhancing employee health management system



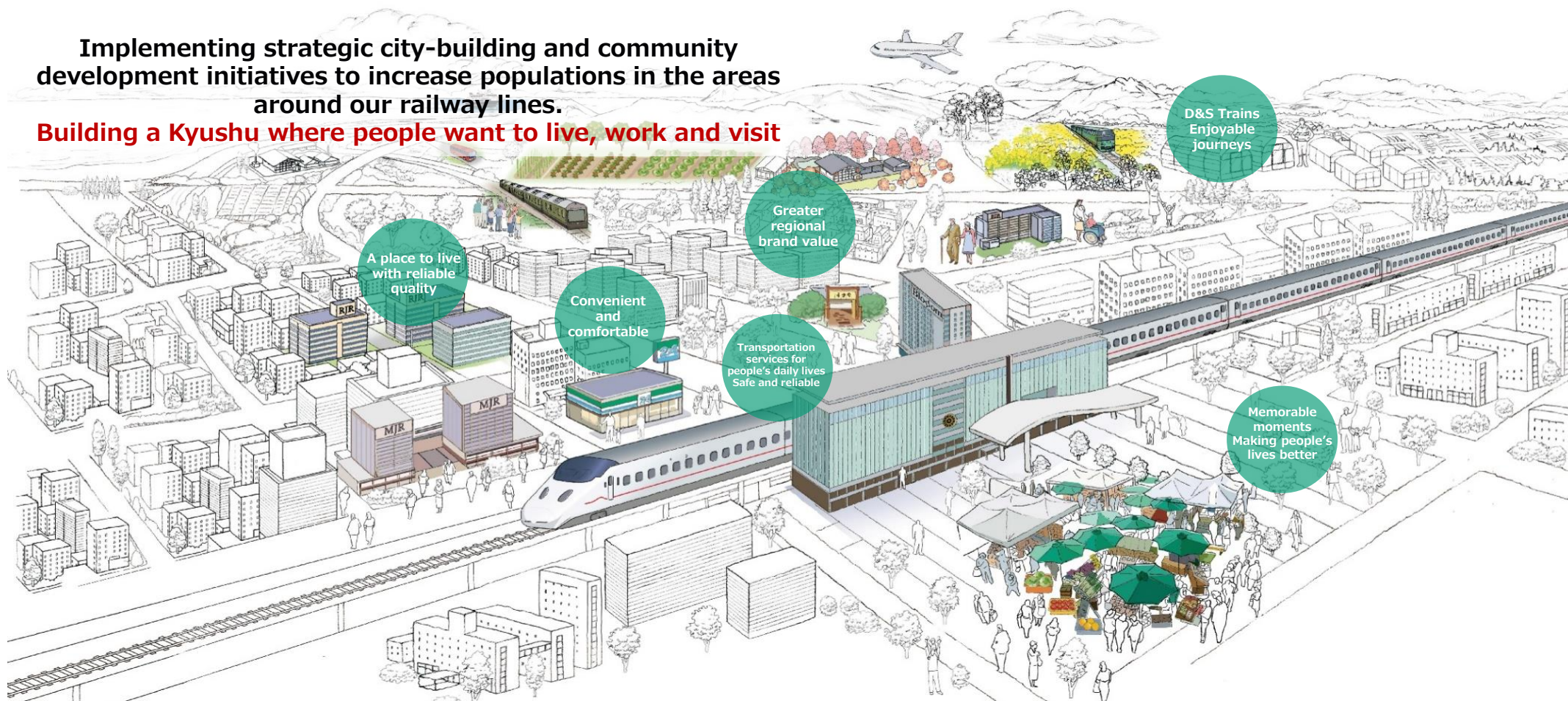
# [Course of action (1)]

## City-building that further enhances the value of stations

- No change to business model centered on stations. Reforming Group businesses with a focus on traditional strengths and value provided to customers. Enhancing value of stations as “places that people make a point of visiting”

Implementing strategic city-building and community development initiatives to increase populations in the areas around our railway lines.

**Building a Kyushu where people want to live, work and visit**



## Participating in shared offices, co-working businesses

- We will aim to “Increase City Value with Stations as Bases” through the invigoration of the Hakata area and the provision of support for start-up companies. To that end, we will implement community formation initiatives through the provision of highly convenient business infrastructure that leverages station locations.



Facility name:  
Q

Location: JR Hakata City, Amu Plaza Hakata, B1  
Facility area: approximately 571 m<sup>2</sup>  
Start of operations: End of June 2021 (plan)

# [Course of action (1)]

## Future city-building initiatives throughout Kyushu

- We will continue to take on the challenge of development plans, such as development in areas surrounding stations and public offerings for which we have already acquired preferred negotiating rights.
- Aiming for sustained growth, we will continue to aggressively consider investment, centered on the Kyushu region

### Nagasaki Station area development

- Spring 2022: Opening under elevated railway tracks (planned)
- Fall 2023\* : Full opening of new station building (planned)
- \* Moved forward from plan of FY26.3

### ■ Details of revision of new station building development plan

Advancing COVID-19 countermeasures, initiatives to address new lifestyles, and environmental measures for de-carbonization

#### Measures to address COVID-19

Utilizing anti-bacterial, antiviral construction materials, air conditioning/ventilation measures, room entry/exit management linked with temperature measuring devices, systems for tracking congestion status, etc.

#### De-carbonization

Utilizing construction materials with high thermal insulation, utilizing high-efficiency equipment (air conditioning, lighting, etc.) , greening wall surfaces, etc.

【Illustration of new Nagasaki Station building】



【Illustration of store under elevated railway tracks】



### Development in the Fukuoka city metropolitan area

#### Project to utilize the former site of Sunoko elementary school

- Joint venture with the Sakurajyuji Group
- Uses: incorporating private retirement home, commercial facilities, etc.
- Scheduled opening: January 2024



#### Project for effective use of site of Fukuoka east government building

- Joint venture with Fukuoka Jisho Co., Ltd. and Aso Corporation
- Uses: commerce, offices
- Scheduled opening: Spring 2024



#### Plan for utilizing the space above the tracks at Hakata Station

New urban development plan utilizing three-dimensional aerial images of the tracks at Hakata Station



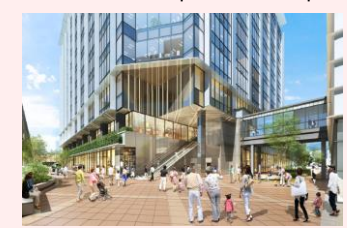
### Development at the west entrance of Kagoshima-Chuo Station

- Commercial facilities, offices, multi-story parking garage (phase 1 development, opening spring 2023)
- Residences, etc. (phase 2 development, time of opening not yet determined)
- Implementing infection countermeasures, measures to reduce environmental burdens (de-carbonization), etc.

【Illustration of phase 1 development】



【Illustration of pedestrian space】



# [Course of action (1)]

## Advancing new businesses that do not depend on the flow of people

- Due to new lifestyles, the flow of people will not return in the short term.
- While making full use of the Group's strengths and management resources, we will build a portfolio of new businesses by taking on the challenge of new business fields that do not depend on the flow of people.

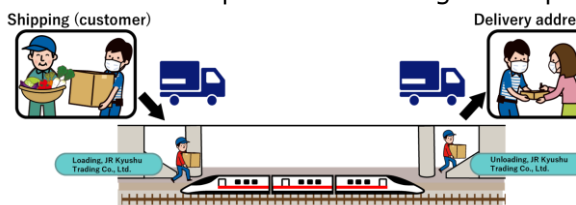
### Cargo transport using the Kyushu Shinkansen

- Starting a cargo transport business based on collaboration between the Company's directly operated cargo transport operations and Sagawa Express Co., Ltd. (from May 18, 2021)

"Haya! Delivery"—directly operated cargo delivery business



Illustration of cooperation with Sagawa Express



- Continuing to implement verification testing of the transport of Kyushu local specialties to the Kansai area through collaboration with JR-West



Opportunities

Unutilized space on Kyushu Shinkansen trains

×

Strengths

Shinkansen speed and regular schedule

### Advancing into logistics facility leasing business

- Acquiring logistics facilities near the Kyushu Expressway/Fukuoka Interchange (completion scheduled for February 2023)

(Overview of property)

Location: Tobaru 825, Kasuyagun Kasuyamachi, Fukuoka Prefecture

(approximately 5 minutes by car from Fukuoka Interchange)

Lot area: 12,061m<sup>2</sup>; Floor space: 12,375m<sup>2</sup>; structure and scale: steel frame, 2 stories

Opportunities

Growth in market surrounding logistics facilities against a background of e-commerce market growth, etc.

×

Strengths

Comprehensive city-building experience (providing additional value to warehouses); customer base, such as station building tenants, etc.



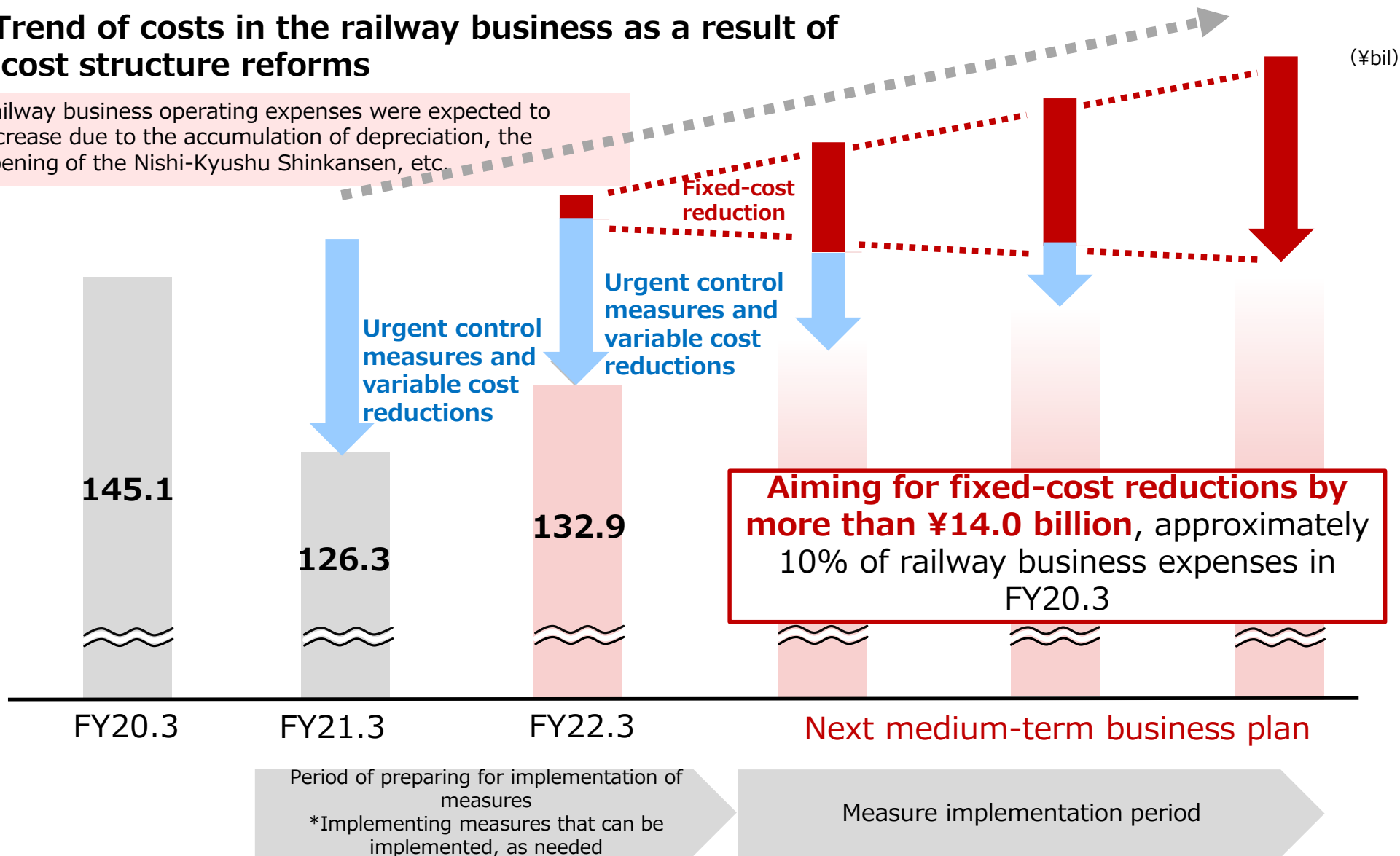
Illustration of acquired property

## BPR Strategy for Railway Business Cost Structure Reform (1)

- With the objective of generating stable profits even through railway transportation revenues do not return to the level before COVID-19, we will rebuild business operations processes and systems and **aim to reduce fixed-costs by more than ¥14.0 billion in the period of the next medium-term business plan.**
- We have positioned FY22.3 as a period for preparing for the implementation of measures. We will continue working to control costs on an urgent basis, striving to reduce costs in the railway business by ¥14.0 billion in comparison with FY20.3.

### Trend of costs in the railway business as a result of cost structure reforms

Railway business operating expenses were expected to increase due to the accumulation of depreciation, the opening of the Nishi-Kyushu Shinkansen, etc.



### Direction of BPR strategy

- With safety as the major precondition, continually advancing measures with ongoing cost reduction effects, rather than temporary measures

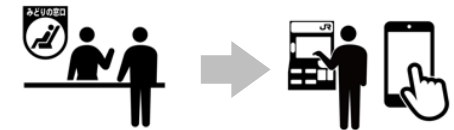
### Direction of measures

#### Further advancing existing measures

- ✓ **Providing services aligned with demand**

Reevaluating timetables and rolling stock use  
Reevaluating station administration systems (reevaluating number of ticket offices, number of sales machines, etc.)

#### Reevaluating number of ticket offices



- ✓ **Streamlining rolling stock/facilities**

Reducing quantity of rolling stock needed through the use of longer seats, etc.  
Disposing of unnecessary facilities

#### Using longer seats on rolling stock



- ✓ **Optimizing inspection/maintenance levels**

Reevaluating inspection standards related to ground equipment and equipment replacement standards

#### Bottom-up measures

- ✓ **Realizing 4,000 ideas submitted by employees (fostering a sense of participation)**

Digitizing publications; utilizing information sharing tools; streamlining meetings; reevaluating number of telephone lines, etc.

#### Top-down measures

- ✓ **Organizational streamlining**

Building operational administration systems transcending organization areas

- ✓ **Flexible use of human resources**

Implementing strategic seconding initiatives inside and outside the Group

- ✓ **Reevaluating cost/administrative structures of functional subsidiaries**

Reducing overlapping operations/functions between parent and subsidiaries, reevaluating contracts, etc.

# [Course of action (2)] Hotel business cost structure reform

## Reducing break-even point through sustained cost reductions

- In FY21.3, the COVID-19 infection had a major influence. However, we are forecasting a return to profitability in FY22.3 as a result of cost structure reform initiatives. (\*FY21.3 : THE BLOSSOM HIBIYA impairment loss)
- In the short-term, with no expectation for demand at the level before COVID-19, we are working to further reduce the break-even point while maintaining our brand image.

### Cost reductions (measures already implemented)

### Medium to long term cost reduction policy

Fixed costs

- ✓ Reducing administration staff at existing hotel: **-25%**  
(vs. April 2020)  
Halting certain operations, reevaluating shifts, controlling hiring, expanding seconding to positions outside of hotels, etc.

- ✓ Further reevaluating operations
- ✓ Building efficient operational administration systems through the advancement of DX

Variable costs

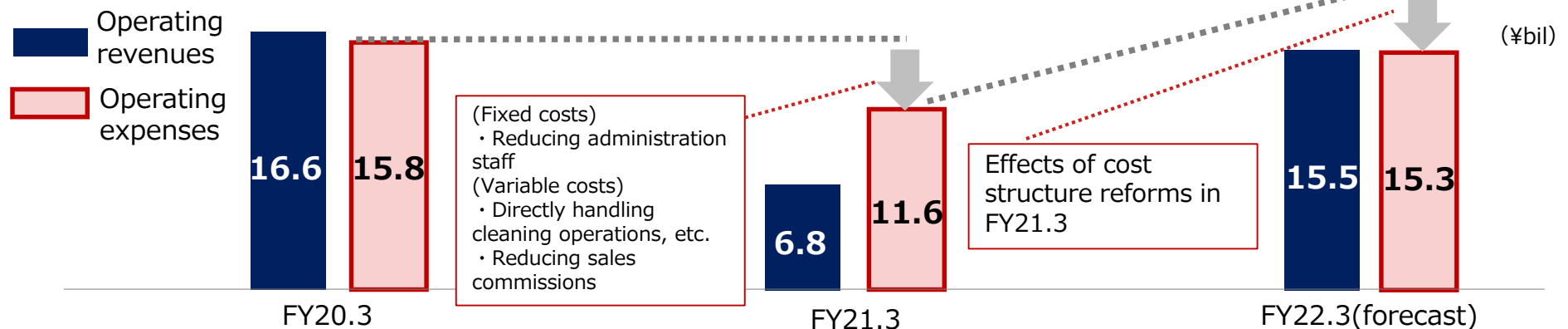
- ✓ Directly handling housekeeping rather than outsourcing  
Utilizing workforce under circumstances in which there are temporarily too many employees

- ✓ Reducing variable cost rate  
(promoting reservations through in-house web-site, etc.)
- ✓ In line with promotion of ESG, reducing use of equipment/supplies and linens, etc.  
(eco-cleaning)

## Results trend in the hotel business

- Advancing cost structure reform in order to absorb FY22.3 cost increase factors

【FY22.3 cost increase factors】  
 • Opening of a hotel in Kumamoto  
 • Variable cost increase



# [Course of action (3)] Establishing specialized regional funds

## Reason for establishment

JR  
Kyushu  
issues

Focus on growth fields, with consideration for changes in management environment during COVID-19.

Regional  
issues

Increase in small and medium sized companies in challenging business environment (COVID-19, succession issues, labor shortage, disasters, etc.)

■ We will conduct investment in small and medium-sized companies that have their operational base in Kyushu and in companies that provide products and services closely tied to local communities, thereby supporting the business continuity and further growth of the companies in which we invest. In this way, we will support development and growth for the region.

✓ In addition to providing capital, **resolving local issues** through management improvement, such as human resources support and sales route expansion

✓ **Strengthening the JR Kyushu Group's core businesses and expanding its business fields** by having more flexible, agile investment configurations in addition to conventional M&A

✓ **Expanding earnings opportunities** through participation in fund business

■ Joint investment scheme with J-WILL Group

■ Total amount of investment: **¥5.0 billion**

Contributing to the sustained development of Kyushu



**Accelerating initiatives for “Invigorating Kyushu” through agile investment via funds**

# [Course of action (3)] Invigorating Local Communities through MaaS

## Direction of MaaS

### Public transportation challenges

Declining birth rate and aging population, declining population, labor shortage  
Decline in people visiting central urban districts  
+ COVID-19 threat

Rise of new mobility services  
Trend toward digitalization

Integration with digital content

## Toward the utilization of MaaS

### Aims

- Enhancing convenience for community residents/tourists
- Promoting usage of public transportation institutions
- Promoting visits to urban districts / enhancing suitability for excursions
- Collaboration with various transportation modes
- Realizing seamless transportation services
- Collaboration between transportation and commerce/tourism

### Major verification testing initiatives

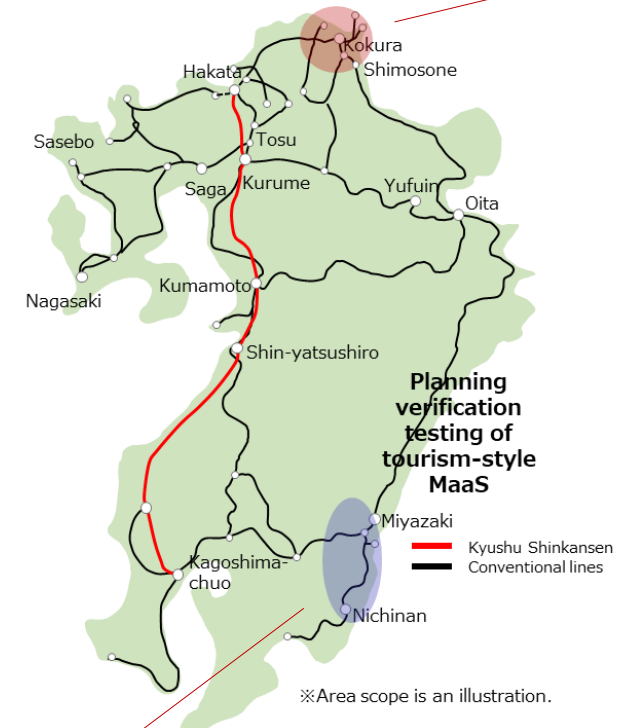
**“Creating mobility demand” and “building sustainable public transportation networks”**  
**New regional infrastructure to invigorate local communities**

## Expanding/enhancing initiatives in each region of Kyushu

### Initiatives in Kitakyushu City

#### Shimosone Station

- In conjunction with spring 2020 timetable revision, enhancing access to major stations, strengthening information/guidance for buses/trains, enhancing waiting areas, etc.
- Considering the expansion to other areas of this model, which is called the “Shimosone Model,” based on the station where it was implemented **Mojiko Station, Moji Station, Orio Station, Tobata Station, Kusami Station**
- On Nishitetsu buses, the JR timetable is displayed on the fare monitor.



### Initiatives in Miyazaki City, Nichinan City, and the surrounding areas

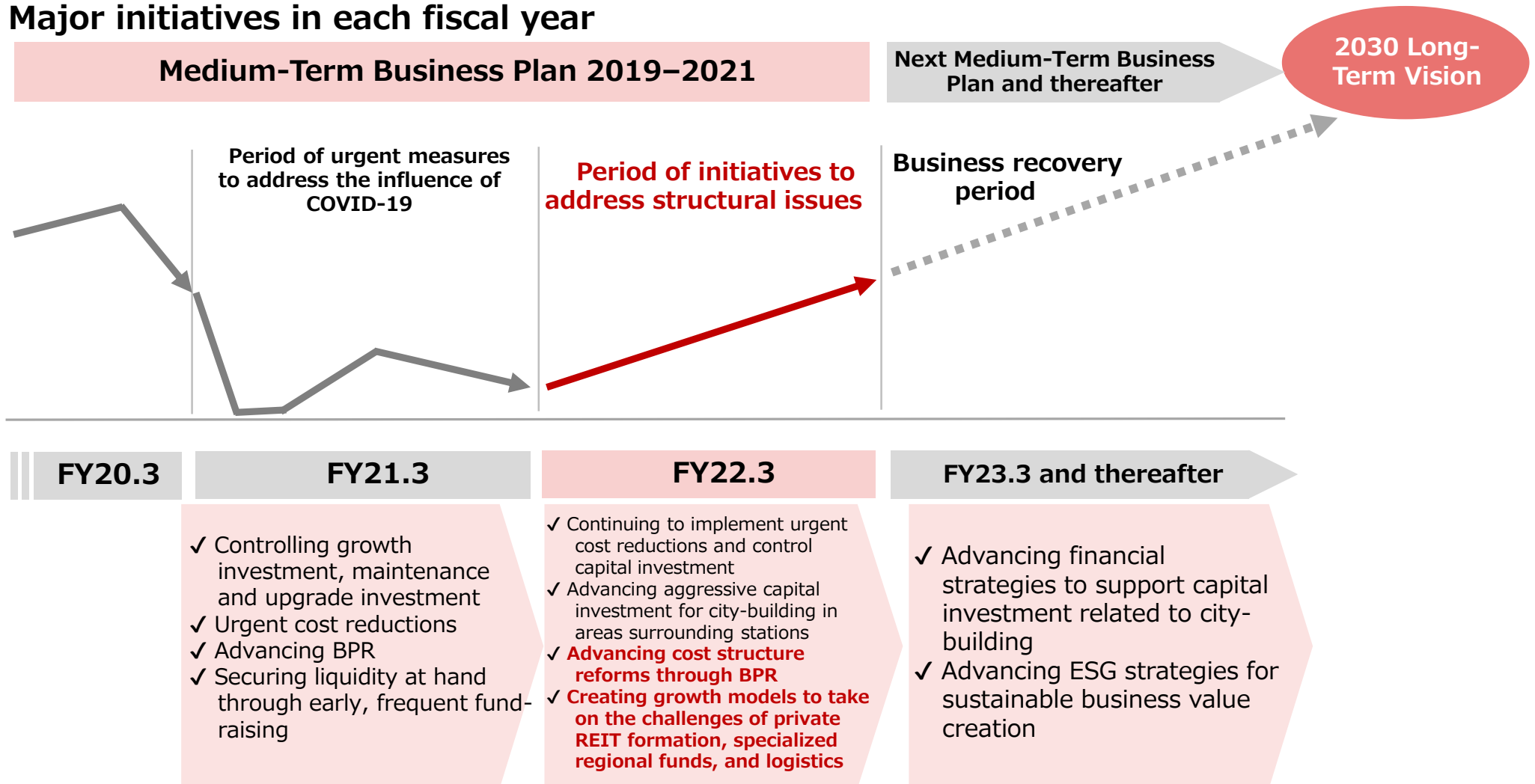
- The Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan
- Implementing verification testing for model building (November 6, 2020 to March 12, 2021)
- Providing multiple route searching, ticket reservation, and other services and providing a variety of content combining mobility services with lifestyle services and tourism.



# Issues for the Next Medium-Term Business Plan

- In the final year of the current Medium-Term Business Plan, with consideration for the influence of COVID-19, we will advance initiatives for “cost structure reform” and “business reform and growth model creation”
- In addition, we will need to continue to implement measures to address existing issues, such as the “population decline in Kyushu” and “addressing natural disasters of increased severity.”
- **We will return to the starting point and accelerate capital investment and ESG initiatives related to city-building in Kyushu as we prepare for the next Medium-Term Business Plan.**

## Major initiatives in each fiscal year



# Issues for the Next Medium-Term Business Plan

## Capital investment in FY22.3

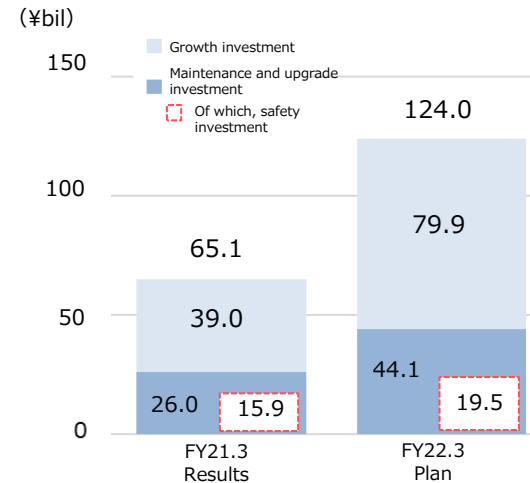
### Balance sheet at end of FY21.3

Balance sheet at end of FY21.3 (¥bil)	
Assets	891.3
Liabilities	495.9
Capital	395.4

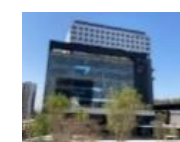
- Increase in interest-bearing debt due to influence of COVID-19 infection  
Balance of interest-bearing debt: ¥250.9 billion
- The influence of the COVID-19 infection was not worse than expectations, and accordingly we avoided further damage to capital.  
Equity ratio: 43.8%



### FY22.3 (with COVID-19)



- In FY22.3, we will invest in city-building in the Kumamoto Station area and investment in the Nishi-Kyushu Shinkansen, which is scheduled to open in fall 2022. In addition, there will be a rebound from measures to control investment in FY21.3. **Accordingly, the total amount of investment will increase.**



- Including the funds raised in FY21.3, we will implement capital investment utilizing operating cash flow, which is expected to improve substantially in FY22.3.

## Approach to future business strategies and financial strategies

### Business strategies

#### Advancing growth investment and increased efficiency

Advancing “city-building and community development” initiatives that leverage regional characteristics, centered on sustainable mobility services

Implementing growth field focus, M&A investment

In addition to operating cash flow, which is expected to improve, through real estate securitization via private REIT formation, achieve both sustained growth strategies/increase capital efficiency and sustained financial soundness.

### Financial strategies

#### Maintain financial soundness and provide stable shareholder return over the long term

Necessity of a certain level of capital in accordance with the perspective of business sustainability. Maintaining ratings, securing sufficient financial strength to purchase superior properties

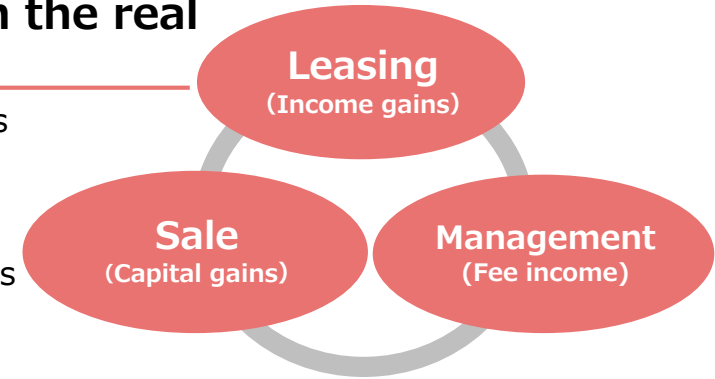
Implementing stable shareholder return over the long term

**Aiming for sustainable corporate growth and increases in corporate value over the medium to long term**

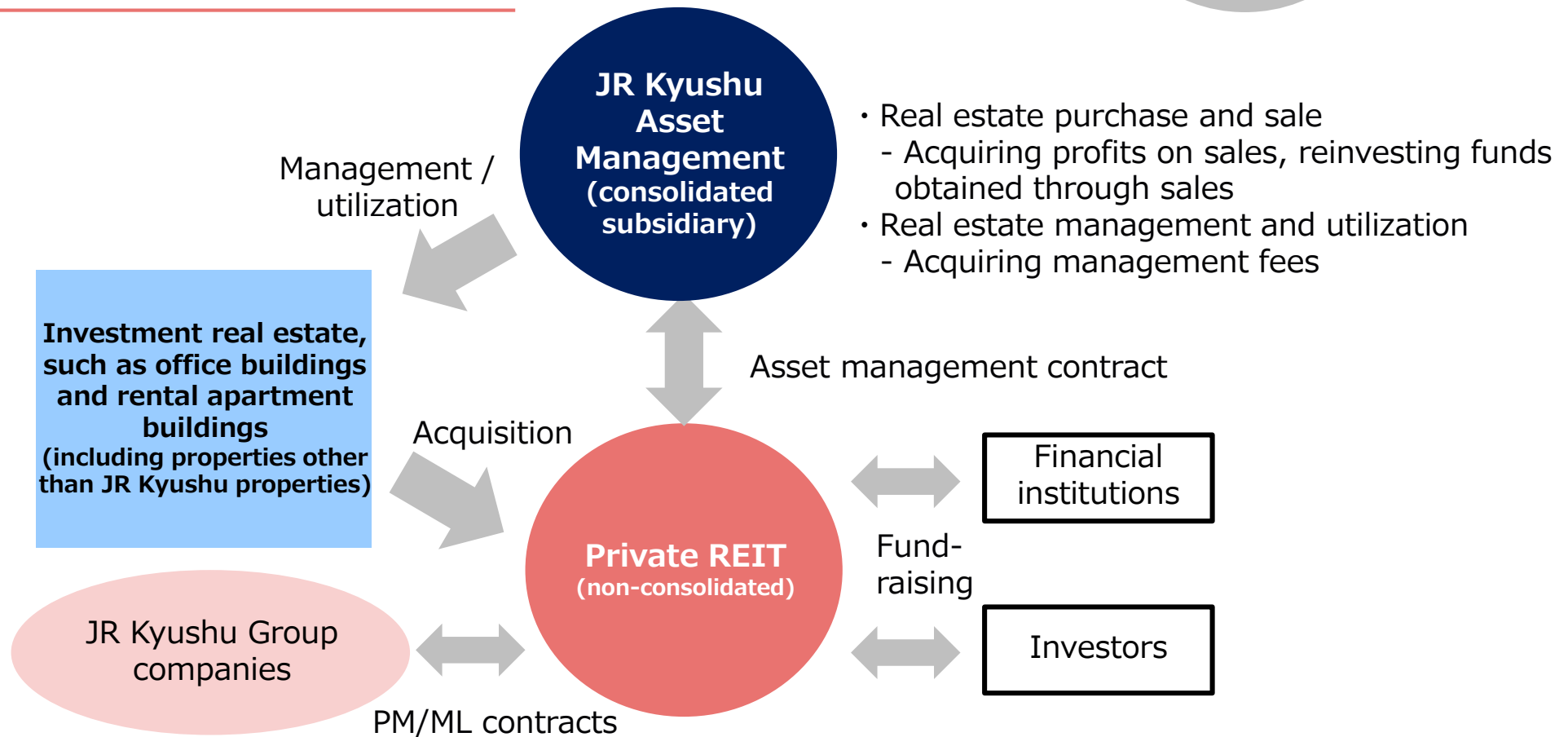
# Issues for the Next Medium-Term Business Plan

## Private REIT formation with the aim of sustained growth in the real estate business, which supports city-building

- Building foundation for sustainable growth in the real estate development business through a cyclical investment model
- Rolling out new business initiatives through acquisition of development profit and diversification of funding methods
- Expanding profit opportunities through participation in asset management business



## Private REIT scheme



**Moving ahead with procedures needed for application for permits and licenses, aiming for private REIT formation at an early stage**

# Issues for the Next Medium-Term Business Plan

## Initiatives for the creation of sustainable business value

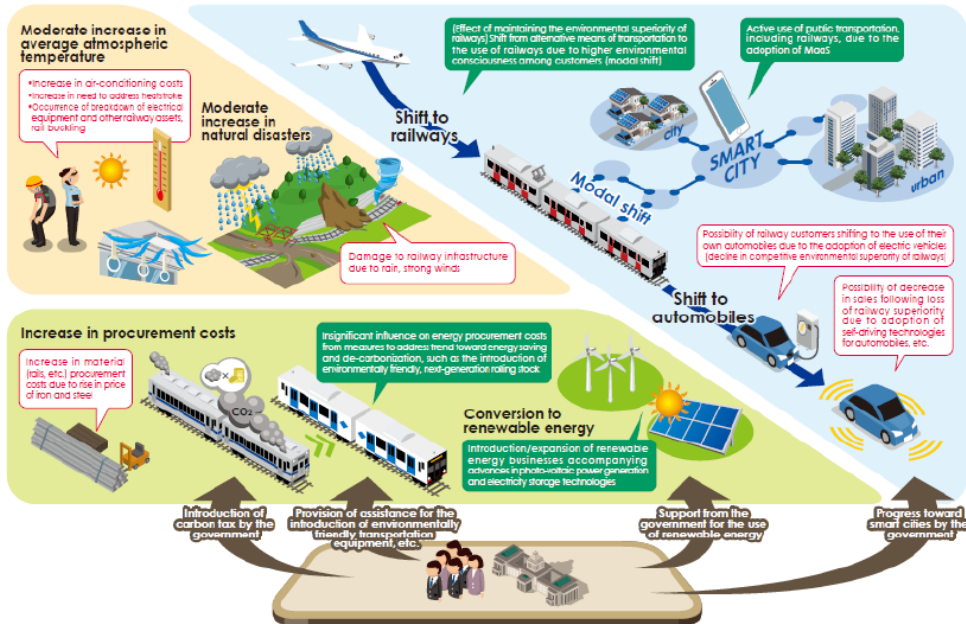
### Support for TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

#### (Background)

- In Kyushu, in recent years, the frequency and severity of natural disasters has increased. This trend is thought to be due to the influence of global warming.
- There is an urgent need for future-focused measures to address the climate change problem.

- Announcing support for TCFD recommendations in February 2021
- Aiming for **net zero CO2 emissions in 2050**
- There is an urgent need for the formulation of a road-map.

◇Global outlook under 2°C scenario (2050)



## Safety and service

- Safety and service are the foundation of all of our businesses. **Advancing initiatives to secure safety and enhance service**




## Diversity/health management

- Advancing initiatives to enhance diverse working styles
- Advancing health management

## JR Kyushu Group Health Declaration



私たちの「元気」が、  
『地域の元気』をつくります。



# Local Community Invigoration

## Shooting Star Shinkansen



- The Shining Kyushu, Everyone's Kyushu project was launched to shine a light of hope on Kyushu, which has been affected by COVID-19, and to encourage the people of Kyushu to take the initiative in building a brighter future.
- With the cooperation of a large number of companies, organizations, etc., 8,350 wishes that had been received from around Japan were loaded onto the train, which was operated on a special basis for one night only.

# APPENDIX

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# Balance Sheet and Cash Flow Statement

(¥bil)

	Results FY20.3	Results FY21.3	YoY	Major factors
<b>Total Assets</b>	828.5	891.3	62.7	
<b>Cash and time deposits</b>	23.8	22.9	(0.8)	
<b>Short-term securities</b>	-	42.0	42.0	Increase in negotiable certificates of deposit
<b>Property, plant and equipment</b>	517.9	532.0	14.0	Increase due to Miyazaki Station Building opening
<b>Railway business assets</b>	89.1	96.7	7.6	
<b>Interest-bearing debt</b>	141.5	250.9	109.3	Increase due to long-term loans and issuance of bonds
<b>Net assets</b>	418.2	395.4	(22.8)	
<b>Capital and paid-in capital</b>	240.0	240.0	(0.0)	
<b>Retained earnings</b>	176.3	150.0	(26.3)	

<b>ROE</b>	7.6%	-4.7%
<b>ROA</b>	3.9%	-2.2%
<b>D/E B I T D A</b>	1.89	54.09
<b>Equity ratio</b>	49.9%	43.8%

## Cash flow statement

(¥bil)

	Results FY20.3	Results FY21.3	YoY	Major factors
<b>Cash flows from operating activities</b>	60.4	(10.3)	(70.8)	Decrease due to decline in railway transportation revenues
<b>Depreciation expense</b>	26.7	29.3	2.6	
<b>Cash flows from investing activities</b>	(76.9)	(53.9)	23.0	Decline in purchase of non-current assets
<b>Capital expenditures</b>	(109.9)	(95.2)	14.7	
<b>Free cash flow</b>	(16.4)	(64.2)	(47.7)	
<b>Cash flows from financing activities</b>	3.3	105.8	102.5	Increase due to loans and issuance of bonds
<b>Cash and cash equivalents</b>	23.8	65.0	41.2	

# Railway business (transportation data)

## Railway Transportation Revenues

(¥bil)

	Results FY20.3	Results FY21.3	YoY		Major Factors
<b>Total</b>	147.3	76.3	(71.0)	51.8%	
<b>Commuter pass</b>	32.5	26.2	(6.3)	80.6%	
<b>Non-commuter pass</b>	114.7	50.0	(64.7)	43.6%	
<b>Shinkansen</b>	52.3	22.4	(29.8)	43.0%	Decline due to influence of COVID-19
<b>Commuter pass</b>	2.8	2.4	(0.3)	87.5%	Decrease due to rebound from previous year's longer Golden Week holiday period
<b>Non-commuter pass</b>	49.5	20.0	(29.4)	40.5%	
<b>Conventional Lines</b>	95.0	53.8	(41.2)	56.6%	Decline due to influence of COVID-19
<b>Commuter pass</b>	29.7	23.8	(5.9)	80.0%	Decrease due to suspension of all limited-express trains during Golden Week period
<b>Non-commuter pass</b>	65.2	30.0	(35.2)	46.0%	Decrease due to rebound from previous year's longer Golden Week holiday

## Passenger-Kilometers

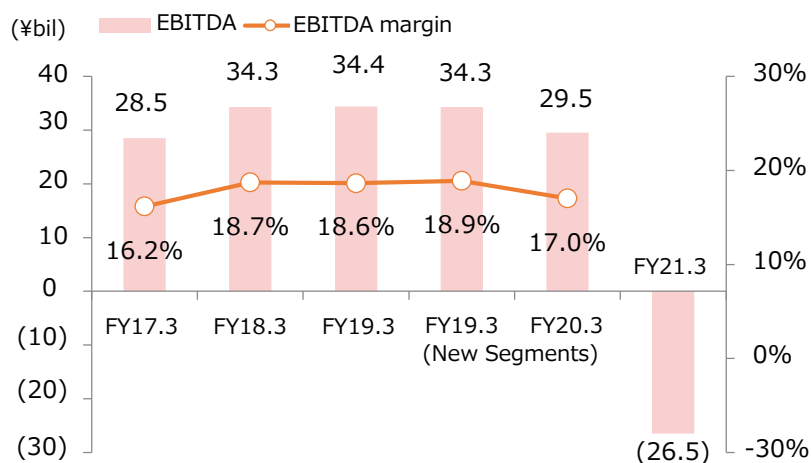
(Millions of passenger-kilometer)

	Results FY20.3	Results FY21.3	YoY	
<b>Total</b>	9,059	5,564	(3,494)	61.4%
<b>Commuter pass</b>	4,211	3,466	(745)	82.3%
<b>Non-commuter pass</b>	4,847	2,098	(2,748)	43.3%
<b>Shinkansen</b>	1,950	868	(1,082)	44.5%
<b>Commuter pass</b>	204	177	(27)	86.7%
<b>Non-commuter pass</b>	1,745	690	(1,054)	39.6%
<b>Conventional Lines</b>	7,108	4,696	(2,412)	66.1%
<b>Commuter pass</b>	4,006	3,288	(718)	82.1%
<b>Non-commuter pass</b>	3,102	1,407	(1,694)	45.4%

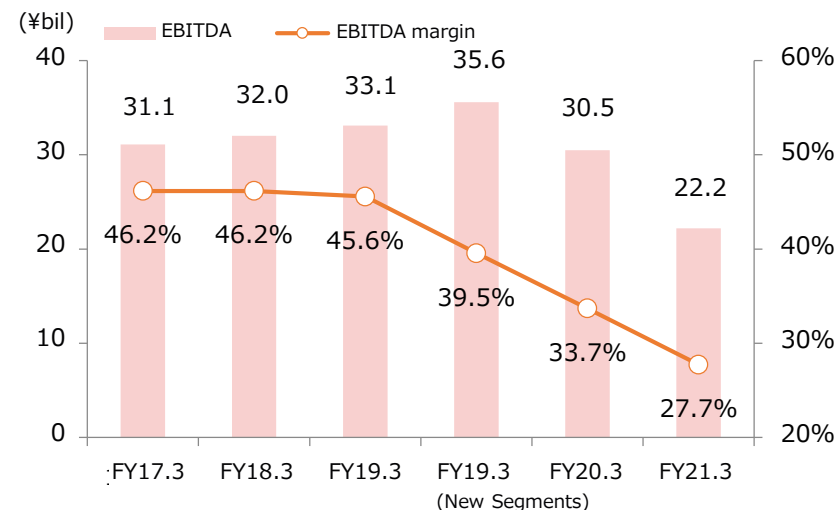


# EBITDA by Segment

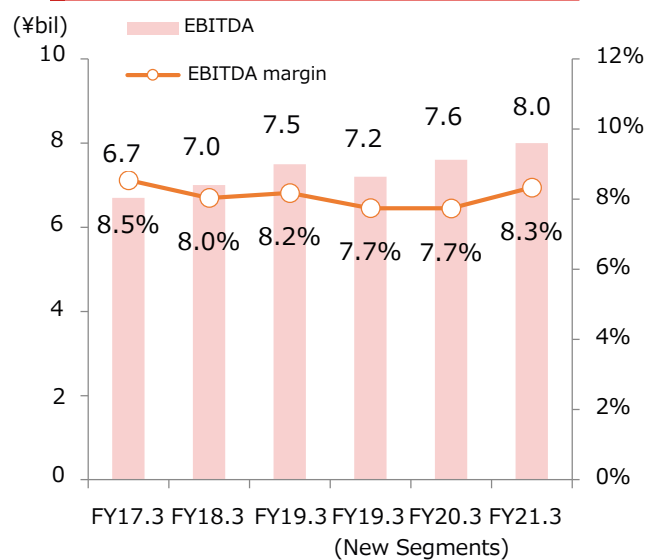
## Transportation



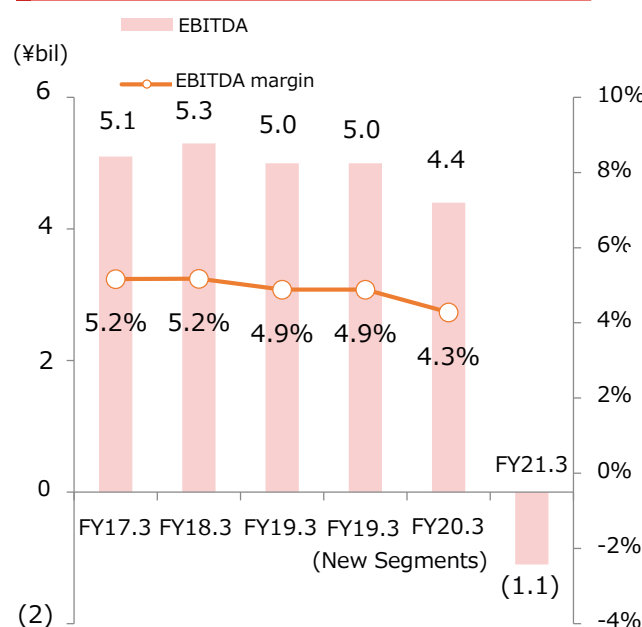
## Real Estate and Hotels



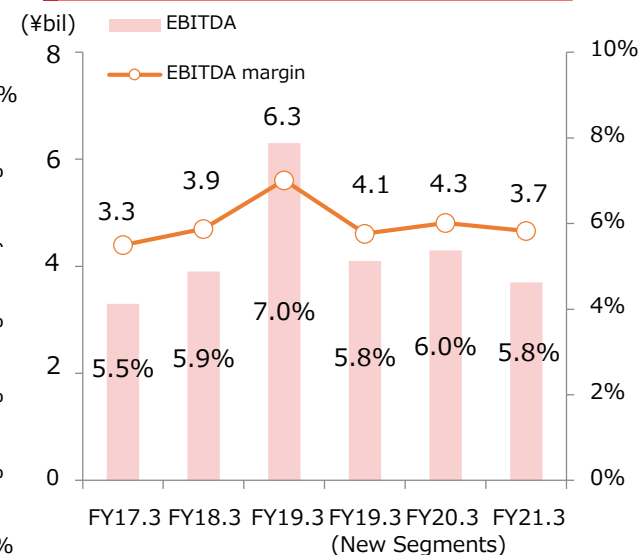
## Construction



## Retail and Restaurant



## Other



\* Figures for the Transportation segment EBITDA up to and including FY16.3 contain earnings from use of the Management Stabilization Fund (¥12.5 billion in FY15.3, and ¥11.1 billion in FY16.3).

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

# Important Accounting Matters

## Changes in accounting policies (implemented April 1, 2021)

### ■ Application of revenue recognition accounting standard

- Accompanying the clarification of the handling of revenue recognition and the mandatory application of the standard, applying new standard from FY22.3.

(Amount of influence in FY22.3)

Consolidated: operating revenues: -¥5.0 billion / operating income: basically no influence

Transportation Segment : Operating revenues approximately -¥2.0 billion

Construction : Operating revenues approximately -¥1.0 billion

Retail and restaurant : Operating revenues approximately -¥1.5 billion

\*For each segment, there will be almost no influence on operating income

### ■ Change in depreciation method

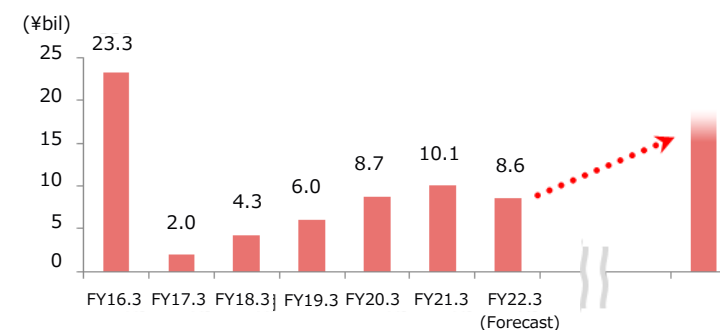
- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets
- Amount of influence: Expected reduction in depreciation of ¥3.1 billion in FY22.3

\* Reflected in performance forecasts

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)

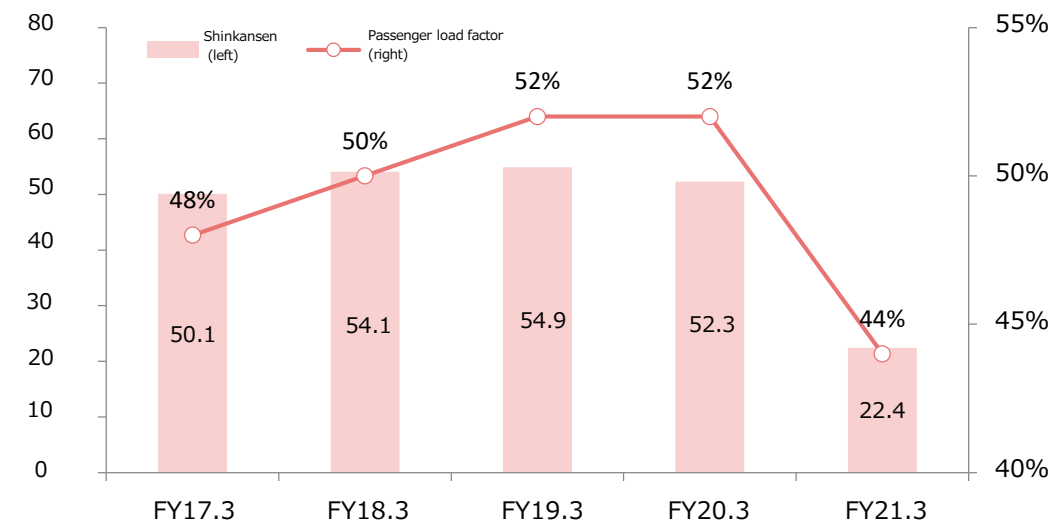
## Depreciation Costs of the Railway Business

- 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 (excluding rolling stocks) after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)

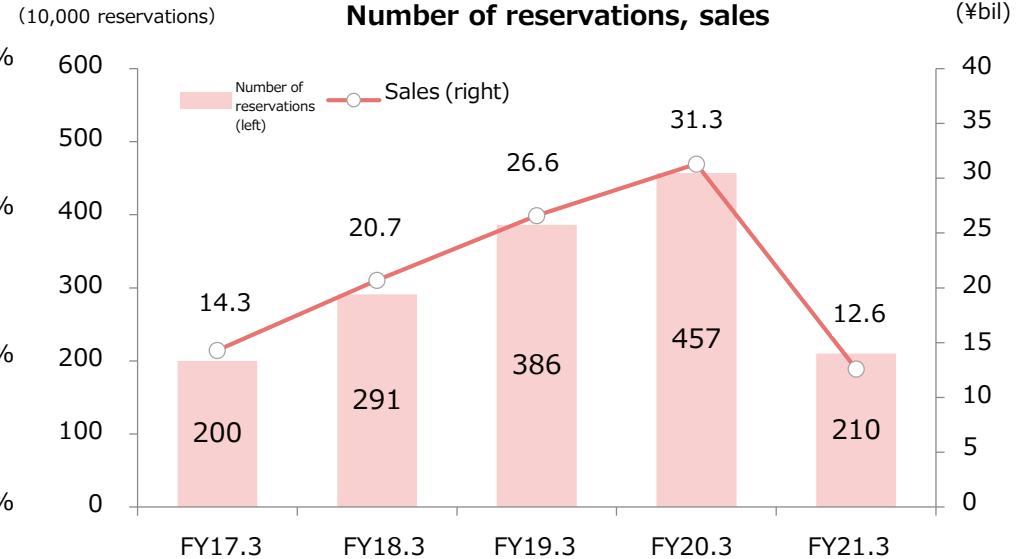


# Trends in the Railway Business

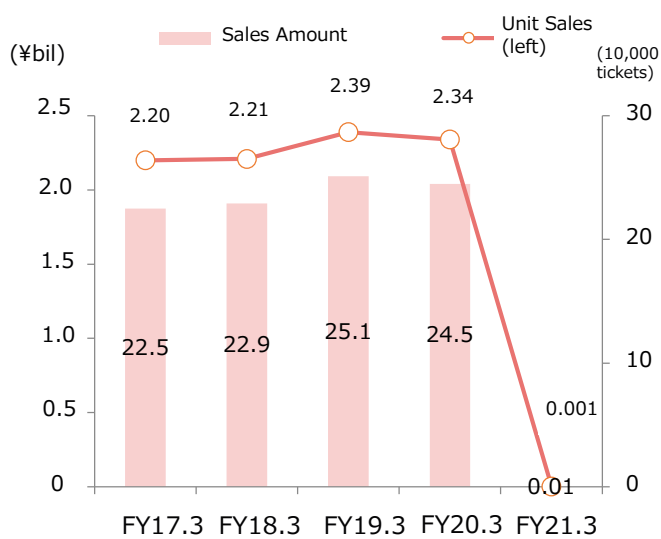
**Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)**



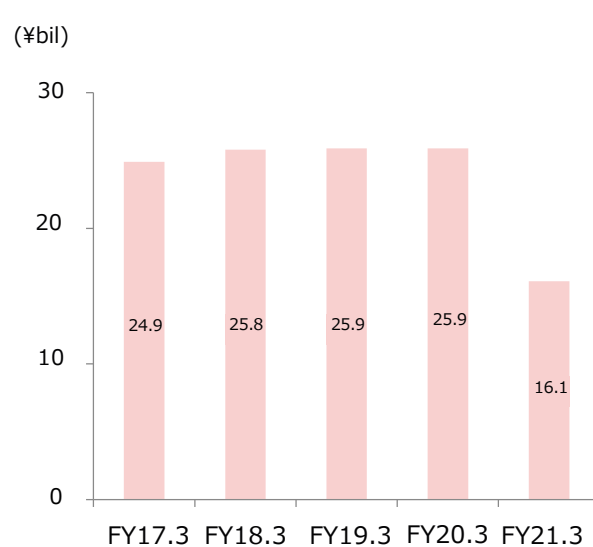
**Internet train reservation services: Number of reservations, sales**



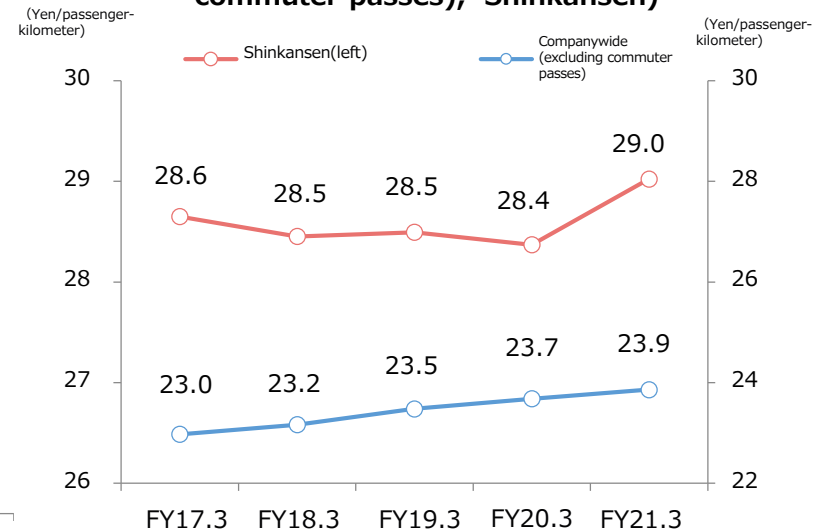
**Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS**



**Railway transportation revenues (short distance)**



**Yield (Companywide (excluding commuter passes), Shinkansen)**



# Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area Units/Rooms	Notes (Uses, etc.)
<b>Shimoori development</b>	Onojo City, Fukuoka Prefecture	Winter 2019: Start of construction Spring 2022: Planned opening	Lot area: Approx. 13,000㎡	Integrated development incorporating commercial facilities, residences, etc.
<b>Nagasaki City Station area development</b>	Nagasaki City, Nagasaki Prefecture	Spring 2022: Opening under elevated railway tracks Fall 2023: Full opening of new station building * Moved forward from plan of FY26.3	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none"> <li>• Integrated development incorporating commercial facilities, hotels, offices, etc.</li> <li>• Considering environment burden reduction measures, use of AI/ICT</li> </ul>
<b>Kagoshima-Chuo Station West Entrance Development</b>	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction Spring 2023: Phase 1 development opening Phase 2 development, time of opening not yet determined	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (phase 1 development)	<ul style="list-style-type: none"> <li>• Phase 1: commercial facilities, offices, multi-story parking garage; phase 2: integrated development, including residences, etc.</li> <li>• Considering infection countermeasures, environment burden reduction measures, use of ICT</li> </ul>
<b>Project to utilize the former site of Sunoko elementary school</b> * Joint development by six companies, with Sakurajyuji Co., Ltd. as the representative company	Chuo-ku, Fukuoka City	January 2024:Planned opening	Lot area: Approx. 8,500㎡	Integrated development incorporating private retirement home, commercial facilities, etc.
<b>Project for effective use of site of Fukuoka Prefecture east government building</b>	Hakata-ku, Fukuoka City	Spring 2022:Start of construction Spring 2024:Planned opening	Lot area: Approx. 2,600㎡	<ul style="list-style-type: none"> <li>• Office buildings (section of commercial facilities and stores)</li> <li>• Introducing automatic cleaning robot, photo-voltaic power generation, etc.</li> </ul>
<b>Hotel development in Shimogyo Ward, Kyoto City</b>	Shimogyo Ward, Kyoto City	Winter 2020: Start of construction Summer 2022: Planned opening	180 rooms (planned) Floor space: Approx. 9,600㎡	
<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 Ward, Tokyo Prefecture	September 2020: Start of construction November 2023: Planned completion	Lot area: Approx. 22,500㎡ Floor space: Approx. 180,700㎡	Office building (certain commercial stores)

Note: Schedules are subject to change

# Overview of Miyazaki Station West Entrance Development and MaaS Initiatives

## Miyazaki Station West Entrance Development



### JR Miyako Twin Building

\*Joint development with Miyazaki Kotsu

#### Umi-kan (commercial facility floor space: 9,800 m<sup>2</sup>)

- 1st to 6th floors: Commercial facilities (5th & 6th floors: Cinema complex)
- 7th to 10th floors: Offices

#### Yama-kan (commercial facility floor space: 6,300 m<sup>2</sup>)

- 1st to 6th floors: Commercial facilities

#### “Himuka Kirameki Ichiba” [Under elevated railway tracks] (commercial facility floor space: 2,700 m<sup>2</sup>)

- Souvenirs / food and beverages / sundries / services

## Details of MaaS verification testing in Miyazaki Prefecture

- Verification testing period  
November 6, 2020 (Fri) to March 12, 2021 (Fri)  
\*Continuing to implement initiatives to create mobility demand and build sustainable public transportation networks
- Implementation area  
Miyazaki Prefecture: Miyazaki City, Nichinan City, and their suburbs
- MaaS app used: “my route”  
\*Multi-modal mobility service developed and provided by Toyota Motor Corporation and Toyota Financial Services Corporation
- Other
  - Selected for the Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan
  - Providing services, such as multiple route searching and ticket reservation/payment services, and providing a variety of content combining mobility services with lifestyle services and tourism.

### MaaS verification testing background

#### Public transportation challenges

Declining birth rate and aging population, declining population, labor shortage  
Decline in people visiting central urban districts  
+ COVID-19 threat

Rise of new mobility services  
Trend toward digitalization

Opening of Amu Plaza Miyazaki  
**Opportunity to activate Miyazaki central urban district**

#### MaaS utilization

##### Major verification testing initiatives

- Collaboration with various transportation modes
- Realizing seamless transportation services
- Collaboration between transportation and commerce/tourism

##### Aims

- Enhancing convenience for community residents/tourists
- Promoting usage of public transportation institutions
- Promoting visits to urban districts / enhancing suitability for excursions

“Creating mobility demand” and “building sustainable public transportation networks”

# Overview of Kumamoto Station Area Development



## JR Kumamoto Station Building

Opening: April 23, 2021  
 Total floor space: Approximately 110,000m<sup>2</sup>  
 Number of hotel rooms: 203 rooms  
 1st to 8th floors: Amu Plaza Kumamoto (commercial, weddings)  
 9th to 12th floors: THE BLOSSOM KUMAMOTO (hotel)



## JR Kumamoto Kasuga South Building

Completion: December 2020 (commercial facilities opened April 21, 2021)  
 Total floor space: Approximately 3,600 m<sup>2</sup>  
 1st floor: Commercial, services  
 2nd to 4th floors: Offices



## RJR Precia Kumamoto Ekimae

Completion: January 2021  
 Total number of units: 144 units



## MJR Kumamoto The Tower

February 2023: Start of construction (planned)  
 Total number of units: 230 units

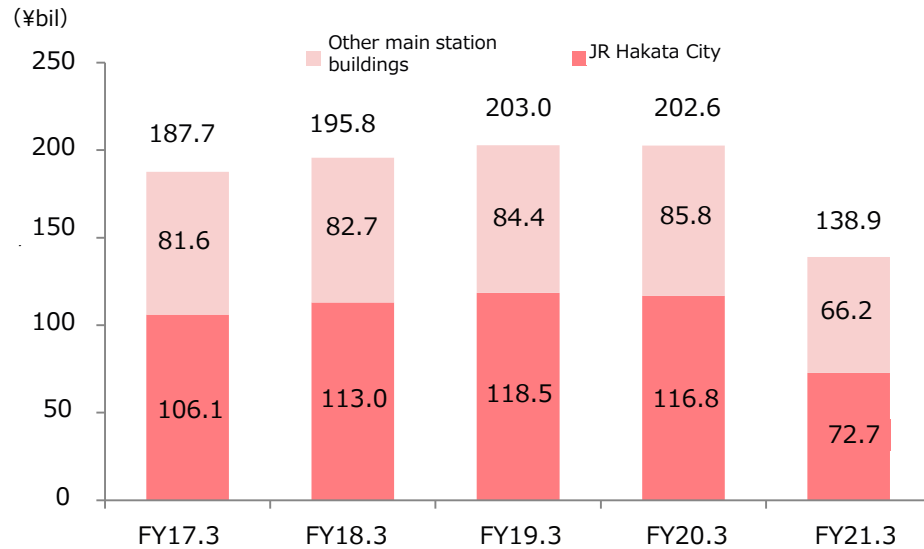


## JR Kumamoto Shirakawa Building

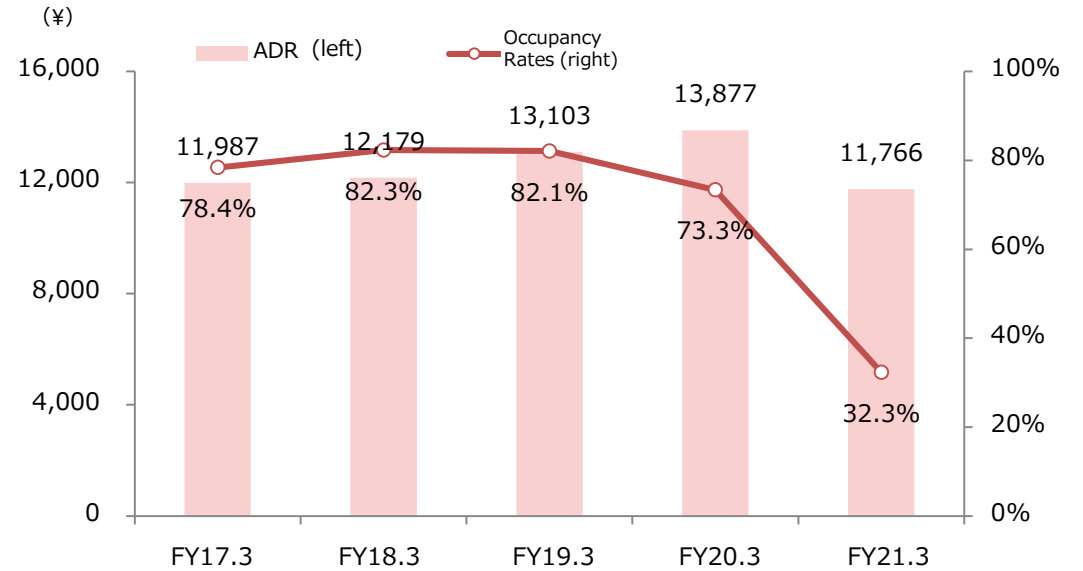
Completion: December 2020 (commercial facilities opened March 5, 2021)  
 Total floor space: Approximately 17,000 m<sup>2</sup>  
 1st to 3rd floors: Amu Plaza Kumamoto (BicCamera)  
 4th to 12th floors: Offices

# Trends in the Real Estate and Hotel Businesses

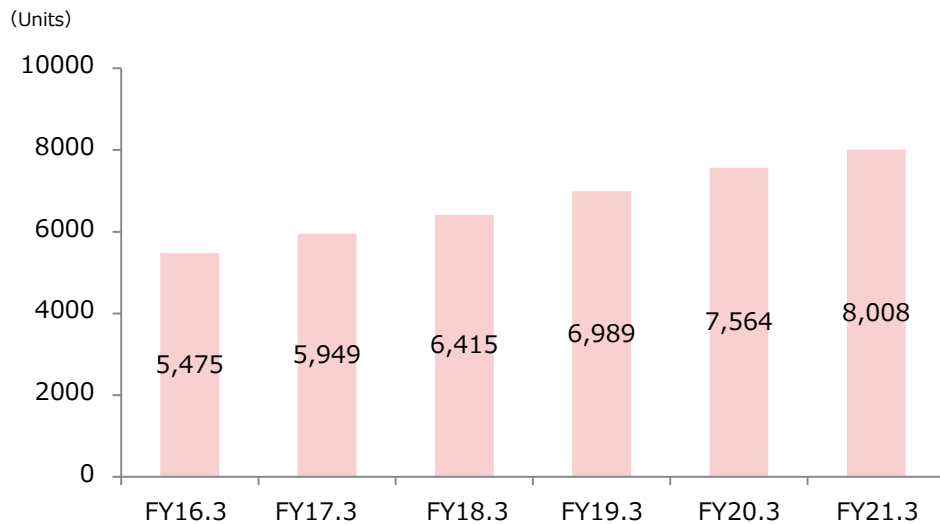
## Station building tenant sales



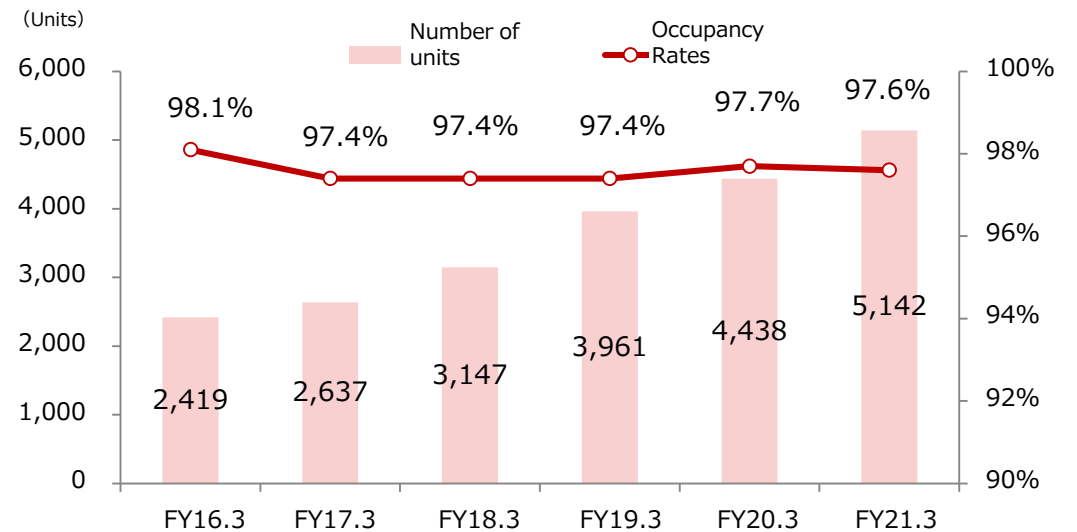
## Hotel occupancy rates and average unit prices



## Unit sales of condominiums (cumulative)



## Rental apartment numbers (cumulative) and occupancy rate



\* Numbers of rooms are as of the end of each fiscal year  
 \* 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)

# Forward-Looking Statements

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

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance may vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

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/)