

FY22.3 Financial Results Overview, First Quarter

August 3, 2021

KYUSHU RAILWAY COMPANY

Contents

I	Financial results for the First Three-Months of FY22.3, Full-Year Performance Forecasts, and Dividend Forecasts	3
II	Status of Segments	11
III	Status of Initiatives to Address Issues Faced by the Group	19

I Financial results for the First Three-Months of FY22.3, Full-Year Performance Forecasts, and Dividend Forecasts

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2021 (Year on Year)

Operating revenue

Despite the continued influence of the COVID-19 infection and the change of JR Kyushu Drug Eleven to an equity-method affiliate [¥(12.4) billion], operating revenue increased due to condominium sales and a moderate recovery in demand in each business.

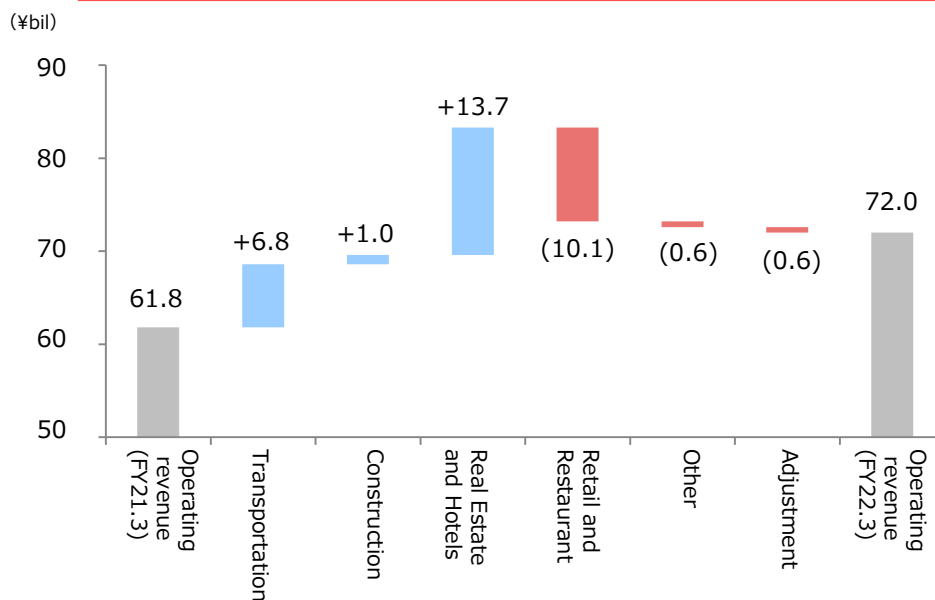
Operating income

Due to the implementation of cost reductions (railway business expenses: [¥(3.6) billion] and other initiatives, the scale of the operating loss was reduced, but nonetheless an operating loss was recorded due to the continued influence of the COVID-19 infection.

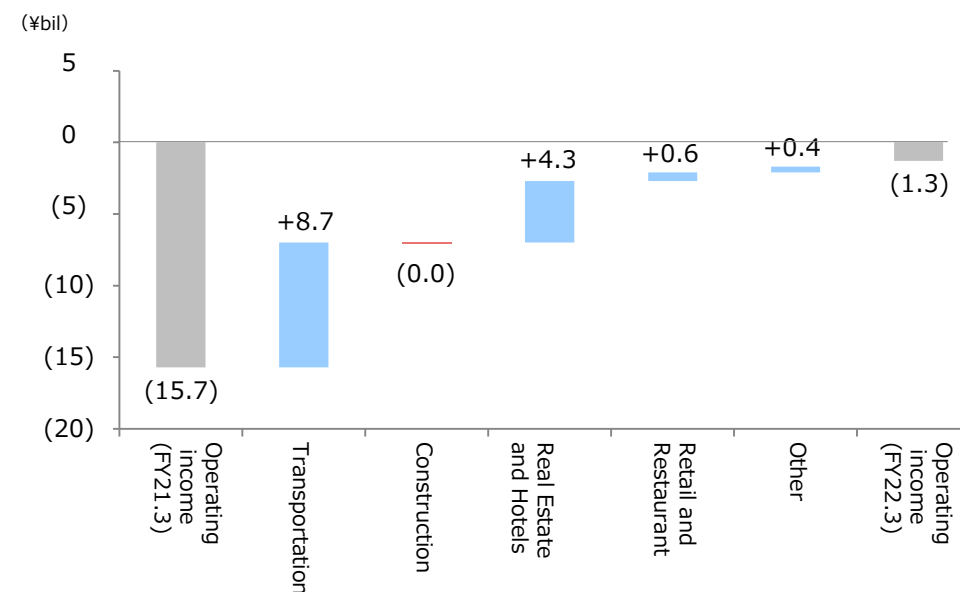
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY	(¥bil)
Operating revenue	61.8	72.0	10.2	116.6%
Operating income	(15.7)	(1.3)	14.3	-
Ordinary income	(15.2)	0.3	15.6	-
Extraordinary gains and losses	7.0	0.0	(7.0)	0.8%
Net income attributable to owners of the parent	(5.1)	0.9	6.0	-
EBITDA*	(9.1)	5.0	14.1	-

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

Change in operating revenue by segment



Change in operating income by segment



Results for the First Three Months of FY22.3 (by segment)

(¥bil)

	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		Major factors
Operating revenue	61.8	72.0	10.2	116.6%	
Transportation	17.3	24.1	6.8	139.7%	
Railway Business (non-consolidated)	16.2	22.8	6.5	140.6%	Increase due to moderate recovery in demand
Construction	16.8	17.9	1.0	106.3%	Increase in construction
Real Estate and Hotels	11.5	25.2	13.7	219.2%	
Real Estate Lease	10.2	13.9	3.7	136.5%	Increase due to opening of Kumamoto Station Building and Miyazaki Station Building, increase due to rebound from previous fiscal year's building closures, rent reductions, etc.
Condominium Sales	0.4	9.6	9.2	-	- Increase in condominium sale revenues
Hotel Business	0.8	1.6	0.8	197.2%	Increase due to rebound from previous fiscal year's building closures
Retail and Restaurant	19.6	9.4	(10.1)	48.2%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	14.3	13.6	(0.6)	95.5%	
Operating income	(15.7)	(1.3)	14.3	-	
Transportation	(13.9)	(5.2)	8.7	-	
Railway Business (non-consolidated)	(13.5)	(5.0)	8.5	-	
Construction	0.2	0.1	(0.0)	69.5%	
Real Estate and Hotels	(0.3)	4.0	4.3	-	
Real Estate Lease	1.6	4.0	2.3	241.4%	
Condominium Sales	(0.2)	1.5	1.7	-	
Hotel Business	(1.8)	(1.4)	0.3	-	
Retail and Restaurant	(1.5)	(0.8)	0.6	-	
Other	0.1	0.5	0.4	427.1%	
EBITDA	(9.1)	5.0	14.1	-	
Transportation	(11.3)	(3.1)	8.2	-	
Railway Business (non-consolidated)	(11.1)	(3.1)	7.9	-	
Construction	0.5	0.4	(0.0)	83.7%	
Real Estate and Hotels	2.6	7.5	4.8	284.7%	
Real Estate Lease	4.0	6.9	2.8	171.2%	
Condominium Sales	(0.2)	1.5	1.7	-	
Hotel Business	(1.2)	(0.9)	0.2	-	
Retail and Restaurant	(1.0)	(0.5)	0.5	-	
Other	0.5	0.9	0.4	189.5%	

Results for the First Three Months of FY22.3 (non-consolidated)

(¥bil)

	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY		Major Factors
Operating revenue	24.1	40.5	16.3	167.6%	
Railway transportation	13.2	19.6	6.4	149.0%	Increase due to moderate recovery in demand
Shinkansen	3.2	5.3	2.0	164.2%	
Conventional Lines	9.9	14.3	4.3	144.0%	
Other revenue	10.9	20.8	9.8	190.1%	Increase in revenue from sales of condominiums
Operating expense	34.5	40.3	5.8	116.9%	
Personnel expense	11.2	10.4	(0.8)	92.5%	
Non-personnel expense	16.5	23.3	6.7	140.8%	
Energy cost	1.9	1.9	0.0	103.8%	
Maintenance cost	4.8	4.6	(0.2)	95.2%	
Other	9.7	16.6	6.9	170.8%	Increase in cost of sales due to increase in revenue from sales of condominiums
Taxes	2.5	2.6	0.1	107.4%	
Depreciation cost	4.1	3.9	(0.2)	93.5%	Decrease due to revision of depreciation method
Operating income	(10.3)	0.1	10.5	-	
Non-operating income	9.0	3.6	(5.4)	40.2%	Decrease in dividend income
Ordinary income	(1.2)	3.8	5.0	-	
Extraordinary gain and losses	6.9	0.1	(6.8)	1.9%	
Net income	7.8	4.6	(3.2)	59.0%	

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%

(¥bil)

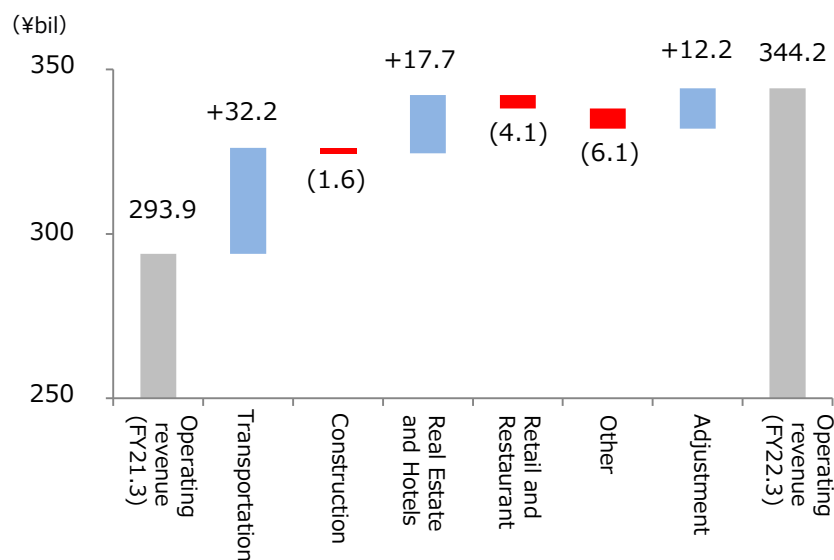
Operating revenue

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

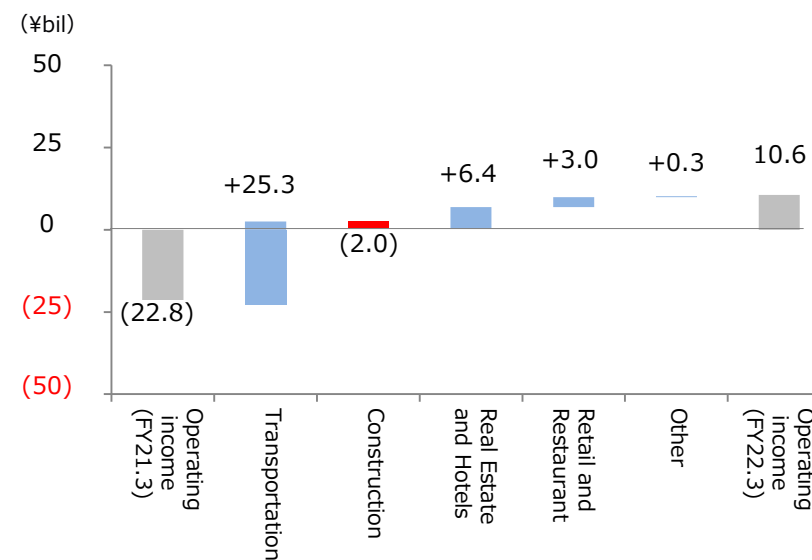
Operating income

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
Operating revenue	293.9	344.2	50.2	117.1%	
Transportation	95.2	127.5	32.2	133.8%	Increase due to moderate recovery in demand in railway business
Railway Business (non-consolidated)	89.7	120.4	30.6	134.1%	
Construction	96.5	94.9	(1.6)	98.3%	Decrease in railway construction orders from JR Kyushu
Real Estate and Hotels	80.1	97.9	17.7	122.2%	
Real Estate Lease	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
Condominium Sales	23.5	23.0	(0.5)	97.6%	Rebound decrease in revenues from condominium sales
Hotel Business	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
Retail and Restaurant	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
Other	63.6	57.5	(6.1)	90.3%	Decrease due to lower sales of construction materials
Operating income	(22.8)	10.6	33.4	-	
Transportation	(37.6)	(12.3)	25.3	-	
Railway Business (non-consolidated)	(36.6)	(12.5)	24.1	-	
Construction	6.9	4.9	(2.0)	70.1%	
Real Estate and Hotels	9.9	16.4	6.4	165.4%	
Real Estate Lease	12.0	14.0	1.9	116.0%	
Condominium Sales	2.6	2.2	(0.4)	83.3%	
Hotel Business	(4.7)	0.2	4.9	-	
Retail and Restaurant	(2.5)	0.5	3.0	-	
Other	1.7	2.1	0.3	119.9%	
EBITDA	4.6	37.9	33.2	817.0%	
Transportation	(26.5)	(3.4)	23.1	-	
Railway Business (non-consolidated)	(26.4)	(3.9)	22.5	-	
Construction	8.0	5.8	(2.2)	72.1%	
Real Estate and Hotels	22.2	30.6	8.3	137.7%	
Real Estate Lease	22.0	25.8	3.7	117.2%	
Condominium Sales	2.6	2.2	(0.4)	82.9%	
Hotel Business	(2.4)	2.6	5.0	-	
Retail and Restaurant	(1.1)	1.7	2.8	-	
Other	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
Operating revenue	144.7	177.2	32.4	122.4%	
Railway transportation revenues	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%	
Other revenue	68.4	71.2	2.7	104.1%	
Operating expense	165.3	173.7	8.3	105.1%	
Personnel expense	39.3	42.1	2.7	107.0%	Increase due to results recovery
Non-personnel expense	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
Taxes	10.8	11.4	0.5	105.4%	
Depreciation cost	17.5	16.7	(0.8)	95.0%	Decrease due to revision of depreciation method
Operating income	(20.5)	3.5	24.0	-	
Non-operating income and expense	9.7	1.1	(8.6)	11.3%	Decrease in dividend income
Ordinary income	(10.8)	4.6	15.4	-	
Extraordinary gains and losses	(5.7)	-	5.7	-	
Net income	(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.

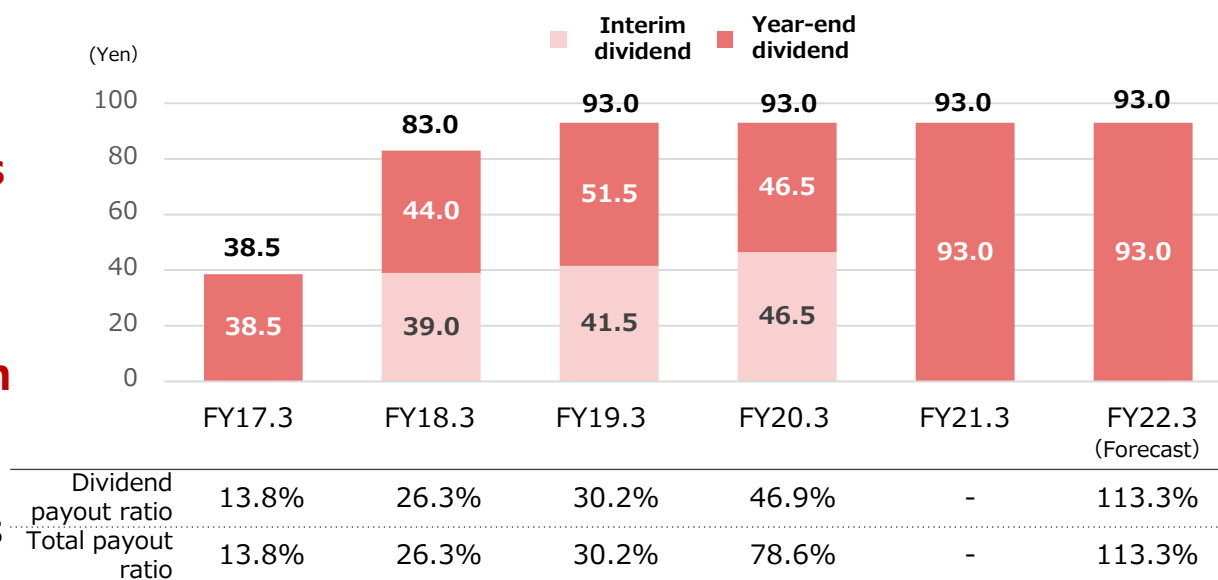
(Policy up to FY22.3)

- **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)

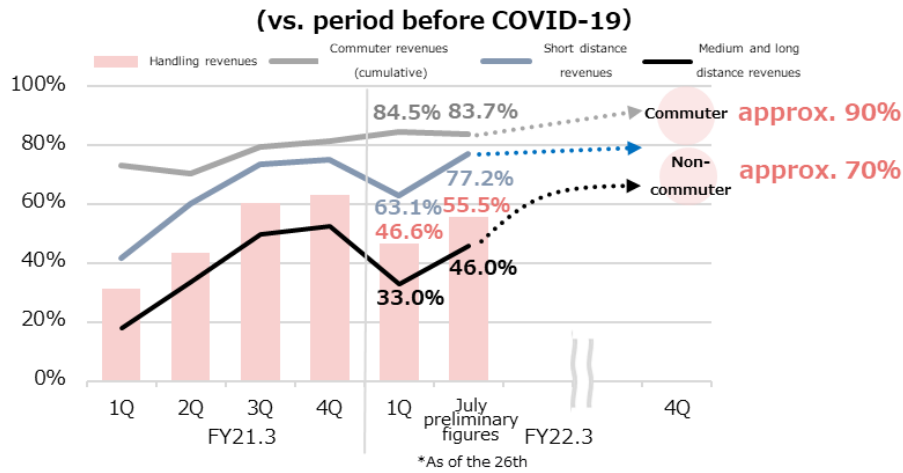
II Status of Segments

Status of segments (1)

Customer usage weakened because customers refrained from going out/moving around due to the declaration of a state of emergency, etc.
 Currently, there are signs of a gradual recovery in demand in each business following the lifting of the state of emergency, etc.

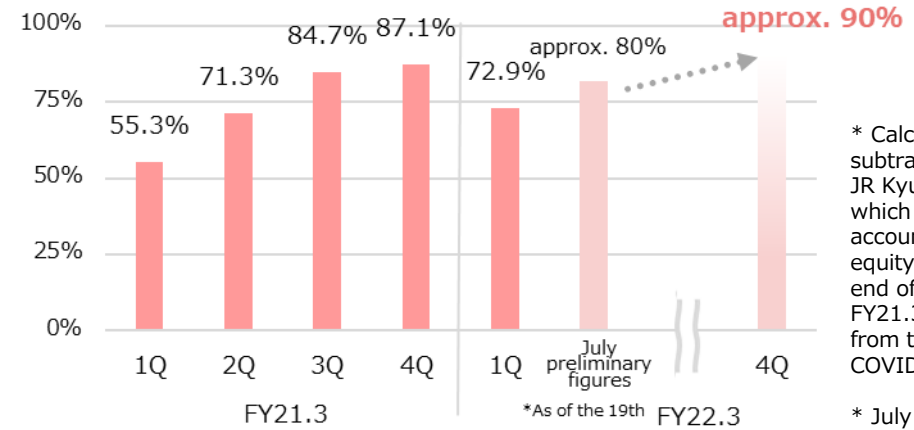
Transportation Segment

Handling revenues from railway transportation: trend and forecast



Retail and Restaurant segment

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



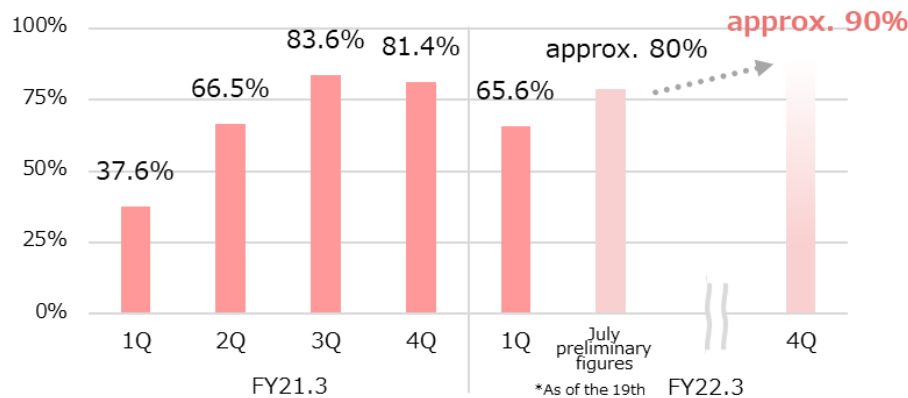
* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the 1st quarter of FY21.3. Versus figures from the period before COVID-19.

* July preliminary figures are the total of sales of major Group companies

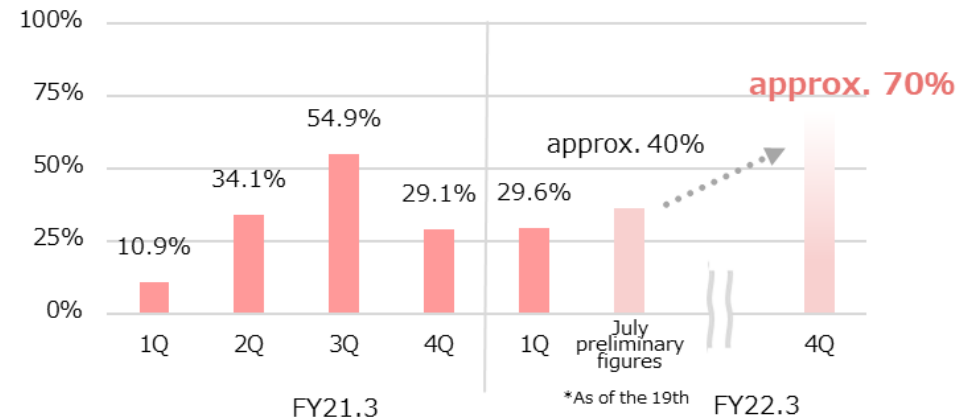
Real Estate and Hotels Segment

Tenant sales at five major station buildings

(vs. period before COVID-19)



Hotel occupancy rate



Status of segments (2)

Status of state of emergency, etc., in Kyushu









Declaration of state of emergency: Fukuoka Prefecture (May 12 to June 20)

Infection prevention and other priority measures: Fukuoka Prefecture (June 21 to July 11)

Kumamoto Prefecture (May 16 to June 13)

Requests from local governments to shorten operating hours: All of Kyushu

Influence of declaration of state of emergency, etc., on major segments

Segment	Business		Major influences
Transportation	Railway		Number of passengers declined accompanying recommendations for people to refrain from going out/moving around, for teleworking, etc.
	Buses		Suspension of operation of certain high-speed buses, reduction in number of chartered buses operated
Real Estate and Hotels	Station buildings		Decline in tenant sales due to shortening of operating hours at certain tenants
	Office buildings, rental apartments		Solid results, with no sign of major changes in vacancy rates
	Condominiums		No particular influence
	Hotels		Sluggish occupancy rates
Retail and restaurants	Retail		Decline in customers at stores in areas surrounding stations
	Restaurants		Decline in customers at stores in areas surrounding stations, despite strong takeout business Shortened operating hours at certain stores

Transportation Segment

【Results】

	(¥bil)			
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY	
Operating revenue	17.3	24.1	6.8	139.7%
Railway Business (non-consolidated)	16.2	22.8	6.5	140.6%
Railway transportation revenues	13.2	19.6	6.4	149.0%
Operating income	(13.9)	(5.2)	8.7	-
Railway Business (non-consolidated)	(13.5)	(5.0)	8.5	-
EBITDA	(11.3)	(3.1)	8.2	-
Railway Business (non-consolidated)	(11.1)	(3.1)	7.9	-

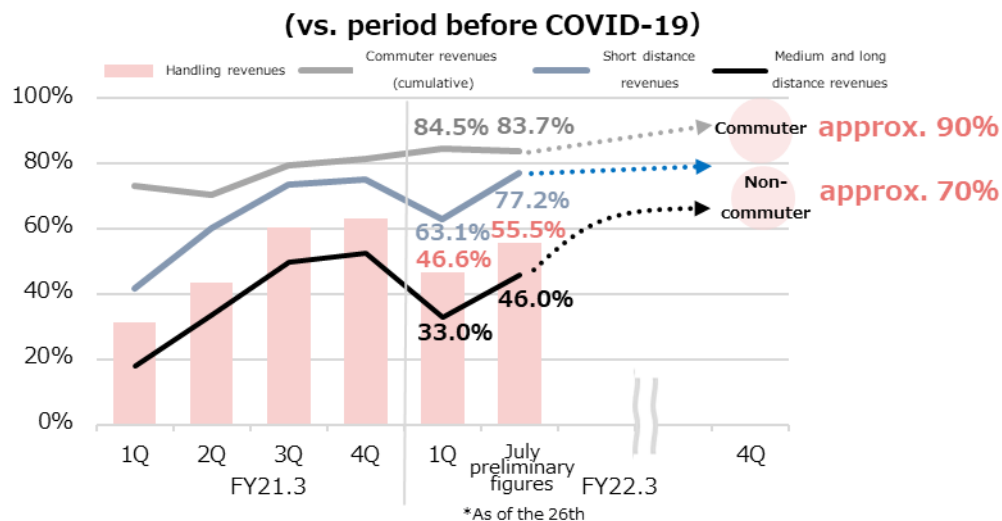
【Forecasts】

	(¥bil)			
	Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	95.2	127.5	32.2	133.8%
Railway Business (non-consolidated)	89.7	120.4	30.6	134.1%
Railway transportation revenues	76.3	106.0	29.6	138.9%
Operating income	(37.6)	(12.3)	25.3	-
Railway Business (non-consolidated)	(36.6)	(12.5)	24.1	-
EBITDA	(26.5)	(3.4)	23.1	-
Railway Business (non-consolidated)	(26.4)	(3.9)	22.5	-

Railway Business

Quarterly trend / Results forecast assumptions

Handling revenues from railway transportation: trend and forecast



Overview

- Due to the effect of people staying inside as a result of the declaration of a state of emergency, etc., circumstances remain challenging, centered on medium to long distance revenues
- Operating loss, despite urgent control measures and other cost reductions in the railway business.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY		Major Factors
Total	13.2	19.6	6.4	149.0%	
Commuter pass	6.1	7.2	1.1	118.0%	
Non-commuter pass	7.0	12.4	5.3	175.8%	
Shinkansen	3.2	5.3	2.0	164.2%	Increase due to gradual recovery in demand, increase due to rebound from suspension of all limited-express trains during Golden Week period in the previous year
Commuter pass	0.6	0.6	0.0	106.8%	
Non-commuter pass	2.6	4.7	2.0	177.2%	
Conventional Lines	9.9	14.3	4.3	144.0%	Increase due to gradual recovery in demand, increase due to rebound from suspension of all limited-express trains during Golden Week period in the previous year
Commuter pass	5.5	6.5	1.0	119.3%	
Non-commuter pass	4.4	7.7	3.3	174.9%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	3 months ended June 30, 2020	3 months ended June 30, 2021	YoY	
Total	1,155	1,496	340	129.5%
Commuter pass	850	993	142	116.7%
Non-commuter pass	304	503	198	165.0%
Shinkansen	135	201	65	148.3%
Commuter pass	44	47	2	106.5%
Non-commuter pass	91	153	62	168.7%
Conventional Lines	1,019	1,294	274	127.0%
Commuter pass	806	945	139	117.3%
Non-commuter pass	213	349	135	163.5%

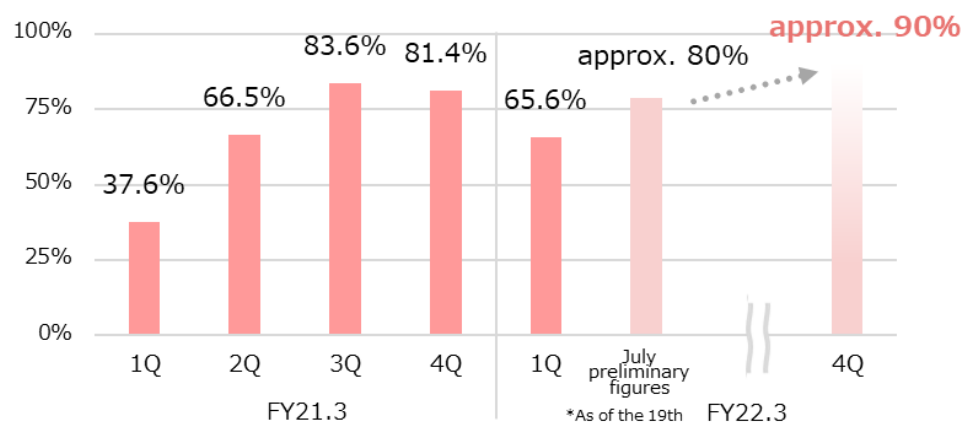
Real Estate and Hotels Segment (1)

Real estate leasing business

	【Results】				【Forecasts】			
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	10.2	13.9	3.7	136.5%	49.7	59.4	9.6	119.4%
Operating income	1.6	4.0	2.3	241.4%	12.0	14.0	1.9	116.0%
EBITDA	4.0	6.9	2.8	171.2%	22.0	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

- The opening of station buildings in Kumamoto and Miyazaki made a contribution to increased revenues, despite influence of people staying inside and shortened operating hours at certain tenants due to the declaration of a state of emergency, etc.
- Uniform tenant support measures that were implemented in the previous fiscal year, such as closures and rent/sales promotion expense reductions [amount of influence in first quarter of previous fiscal year: ¥(1.5) billion], are not being implemented this year.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Office buildings, rental apartments

- Solid results, with no sign of major changes in vacancy rates at existing properties.

Real Estate and Hotels Segment (2)

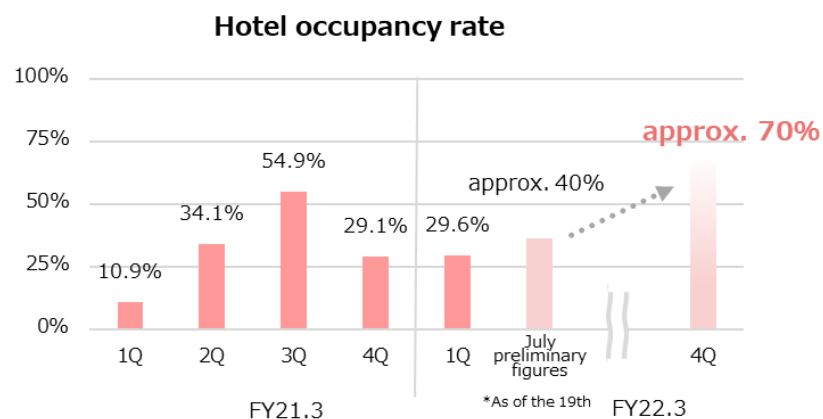
Condominium sales business

	【Results】				【Forecasts】			
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY	(¥bil)	Results FY21.3	Forecasts FY22.3	YoY	(¥bil)
Operating revenue	0.4	9.6	9.2	-	23.5	23.0	(0.5)	97.6%
Operating income	(0.2)	1.5	1.7	-	2.6	2.2	(0.4)	83.3%
EBITDA	(0.2)	1.5	1.7	-	2.6	2.2	(0.4)	82.9%

Hotel business

	【Results】				【Forecasts】			
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY	(¥bil)	Results FY21.3	Forecasts FY22.3	YoY	(¥bil)
Operating revenue	0.8	1.6	0.8	197.2%	6.8	15.5	8.6	227.7%
Operating income	(1.8)	(1.4)	0.3	-	(4.7)	0.2	4.9	-
EBITDA	(1.2)	(0.9)	0.2	-	(2.4)	2.6	5.0	-

Quarterly trend / Results forecast assumptions



Overview

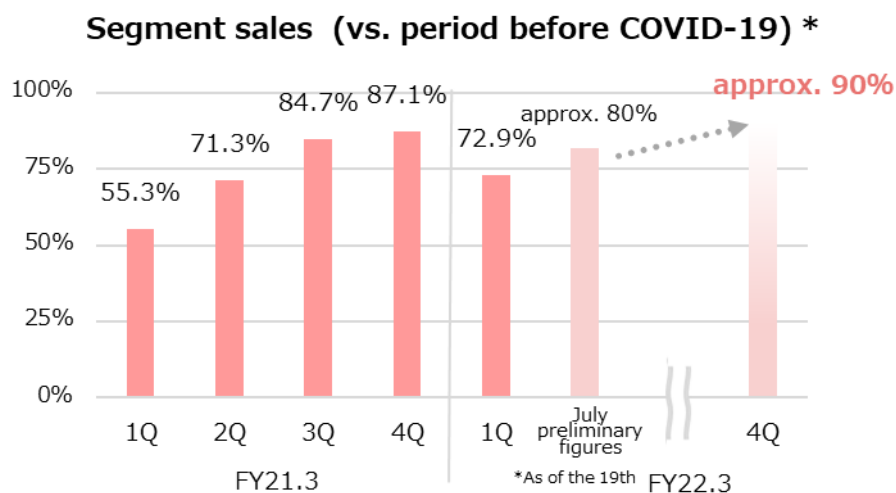
- We continued to implement cost reductions to improve the breakeven point in the hotel business, but operations were affected by people staying inside due to the declaration of a state of emergency, etc., and occupancy rates were sluggish.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a recovery in demand, but the timing of a full-scale recovery in accommodation demand is not clear.
- From the second quarter, anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

Retail and Restaurant segment

	【Results】				【Forecasts】			
	3 months ended June, 30 2020	3 months ended June, 30 2021	YoY		Results FY21.3	Forecasts FY22.3	YoY	
Operating revenue	19.6	9.4	(10.1)	48.2%	51.4	47.3	(4.1)	91.9%
Operating income	(1.5)	(0.8)	0.6	-	(2.5)	0.5	3.0	-
EBITDA	(1.0)	(0.5)	0.5	-	(1.1)	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.

* July preliminary figures are the total of sales of major Group companies

Overview

- Continued challenging circumstances, especially for stores in areas surrounding stations, due to shortened operating hours at certain stores and a decline in railway passengers, as a result of the effect of people staying inside due to the declaration of a state of emergency, etc.
- Favorable results for takeout at fast food stores. In certain business formats, existing store sales higher than two years ago.
- Currently, due to the lifting of the state of emergency, etc., there are signs of a gradual recovery in demand.
- Anticipating gradual recovery in transportation demand and consumer spending due to vaccination progress, etc.

III Status of Initiatives to Address Issues Faced by the Group

Status of major initiatives in the current fiscal year

Issues revealed by COVID-19	Current courses of action	Major items to be implemented
<p>Business model that depends on the flow of railway users to stations</p>	<p>Business management with the highest priority on safety and peace of mind</p>	<p>Rigorous initiatives for safety, which is the foundation of all of our businesses</p> <p>Safety/services that reflect consideration for new lifestyles</p>
	<p>City-building that further enhances the value of stations</p>	<p>1 Maximizing opening effect of Kumamoto Station area development</p> <p>Advancing Nagasaki Station area development, Kagoshima-Chuo Station west entrance development</p>
	<p>Advancing new businesses that do not depend on the flow of people</p>	<p>Cargo transport using the Kyushu Shinkansen</p> <p>Advancing into logistics facility leasing business</p>
<p>Damage to businesses with a high percentage of fixed costs</p>	<p>Advancing cost structure reforms and securing the top line</p>	<p>2 Railway business cost structure reform</p> <p>3 Reevaluating discount tickets, advancing shift to on-line sales</p> <p>4 Improving profits in the hotel business</p>
<p>The sustained development of Kyushu is directly linked to the Group's results</p>	<p>Strengthening initiatives to invigorate Kyushu</p>	<p>5 Expanding business fields through M&A</p> <p>6 Strengthening collaboration in transportation services through MaaS</p> <p>Implementing flexible investment through the establishment of specialized regional funds</p>

① Maximizing opening effect of Kumamoto Station area development

Maximizing opening effect by strengthening collaboration between railways and urban districts, while implementing environmental burden reduction measures and infection prevention measures

Opening effect (Comparison with period before opening on April 23, 2021)

Number of visitors to Amu Plaza Kumamoto*

Approximately **2.14 million**

*Total up to June 30

Short distance revenues*

Up approximately **10%**

*Comparison of results at Kumamoto Station from April 23 to May 15 with period before opening

Working population

Up approximately **4,500 people**

Residential population*

Up approximately **1,000 people**

* Estimate after condominiums are occupied

Overview of Kumamoto Station Area Development

Centered on the JR Kumamoto Station Building, the area will be developed in a unified manner, integrating commercial facilities, offices condominiums, and hotels. We will work to create a lively atmosphere and a place where people want to live, work, and visit.

Amu Plaza Kumamoto opening day (April 23)

Condominiums

Hotels

Rental apartments

Parking lots

Office buildings

Office buildings

Kumamoto Station

Amu Plaza Kumamoto

Parking lots

RJR Precia Kumamoto Ekimae

Completion: January 2021
Total number of units: 144 units

MJR Kumamoto The Tower

Completion: February 2023 (planned)
Total number of units: 230 units

JR Kumamoto Station Building

Opening: April 23, 2021
Total floor space: Approximately 110,000m²
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 m²
1st floor: Commercial, services
2nd to 4th floors: Offices

JR Kumamoto Shirakawa Building

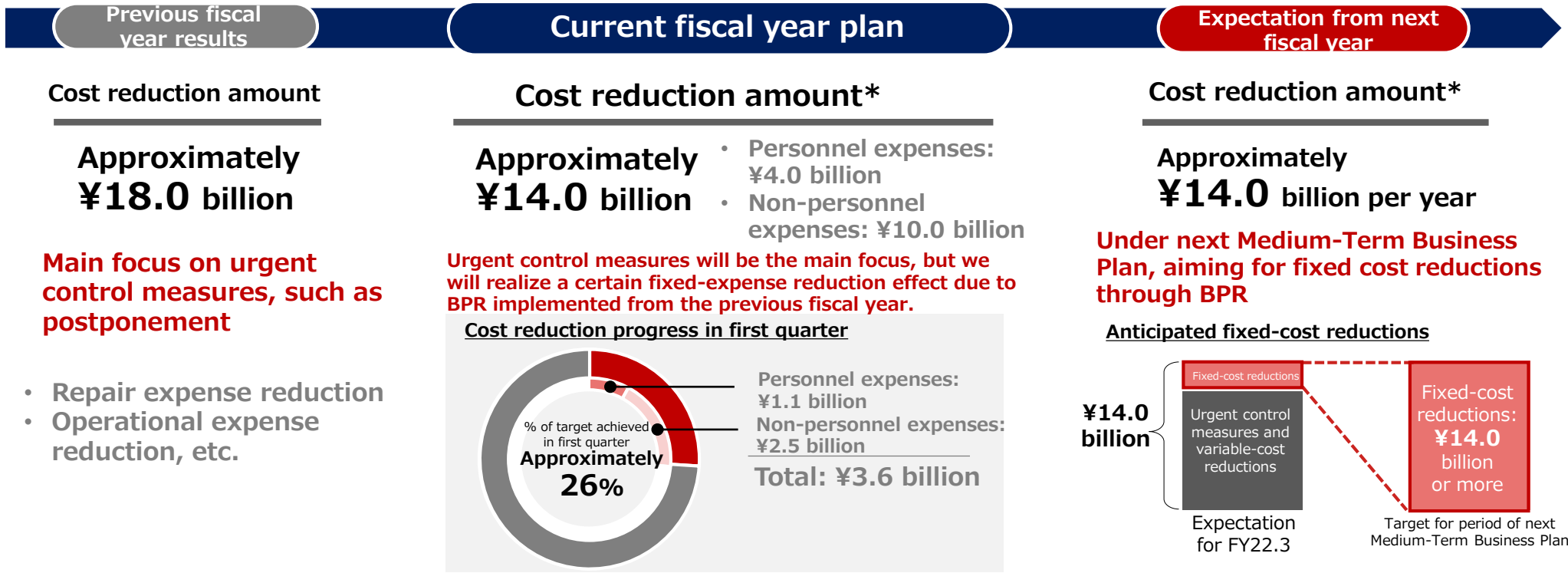
Completion: December 2020 (commercial facilities opened March 5, 2021)
Total floor space: Approximately 17,000 m²
1st to 3rd floors: Amu Plaza Kumamoto (BicCamera)
4th to 12th floors: Offices

Reducing the environmental burden and implementing infections countermeasures at the JR Kumamoto Station Building

- Greening of walls and use of daylight, natural ventilation, radiant heat air conditioning, installation of high-efficiency / energy-saving equipment, etc.
- Installation of flapper gates and thermometers at employee entrances/exits, securing natural ventilation in common spaces, anti-microbial coating, etc.

2 Railway Business Cost Structure Reform

In the current fiscal year, urgent control measures will continue to be the main initiative. To reduce fixed expenses from the next fiscal year, we will advance BPR initiatives. We will aim to reduce costs by ¥14.0 billion, about 10% of railway business expenses in FY20.3.



* vs. FY20.3, excluding special factors

Specific BPR initiatives

- Provision of services in line with demand**
 - Reevaluating station administration systems (reducing number of ticket offices and number of machines)
 - Optimizing timetables and rolling stock use
- Streamlining rolling stock/facilities**
 - Reducing quantity of rolling stock needed through the use of longer seats, etc.
- Optimizing inspection/maintenance levels**
 - Reevaluating facility inspection standards and replacement standards
- Disposing of unnecessary facilities**

Reevaluating use of organizations, human resources

- Directly handling cleaning of stations and rolling stock, train patrols, replacement operations, lost-property management, etc.
- Building business operation systems that transcend groups (track/electrical equipment inspections, etc.)
- Flexible use of human resources (Implementing strategic seconding initiatives inside and outside the Group)

Directly handling cleaning of rolling stock



③ Reevaluating discount tickets, advancing shift to on-line sales

We will continue to reevaluate discount tickets, strengthen yield management through the shift to on-line sales, and work to secure the top line by reevaluating limited-express surcharges.

Items to be implemented

Initiatives in the first quarter

1. Reevaluated prices of discount tickets sold on-line, discount tickets sold at counters (From April 1, 2021)

- Increased on approximately 20% of sections
- Average price revision rate for tickets with increased prices: Approximately +8%

2. Discontinued discount tickets sold at counters (From April 1, 2021)

- Complete discontinuance of two-part tickets on the Shinkansen
- Discontinuance of approximately 60% of two-part tickets on conventional lines

Initiatives in the second quarter and thereafter

1. Complete discontinuance of ordinary sets of tickets for multiple rides (within Kyushu) (From July 1, 2021)

2. Further progress in the discontinuance of discount tickets sold at counters (From August 1, 2021)

- Further progress in the discontinuance of two-part tickets on conventional lines on certain sections (targeting approximately 70% discontinuance)

3. 50% discontinuance for sets of tickets for multiple rides for limited express surcharges (From August 1, 2021)

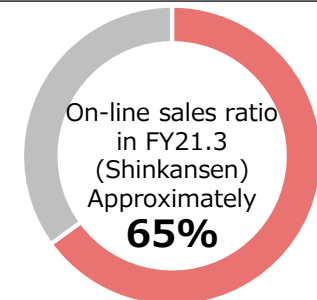
4. Reevaluating limited express surcharges on conventional lines (From April 1, 2022)

- Increasing limited express surcharges for limited express trains (non-reserved seats, reserved seats), special limited express surcharges
- * No change to prices of discount tickets, such as Kyushu On-Line Tickets

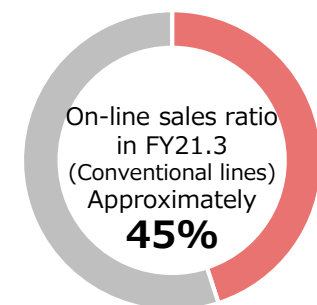
Strengthening yield management, securing the top line, increasing efficiency of personnel systems and other station systems

Discount ticket on-line sales ratio

Shinkansen (discount tickets for travel that starts and ends on our network)



Conventional lines (discount tickets for travel that starts and ends on our network)



Projected on-line sales ratio in FY22.3*

- Shinkansen: **100%**
- Conventional lines (major sections): **60% or more**

* Discount tickets for travel that starts and ends on our network

④ Improving Profits in the Hotel Business

We will continue the cost reduction initiatives that we have been implementing since the previous fiscal year, and we will advance initiatives to enhance customer drawing power so that we do not miss a recovery in demand.

Cost reduction initiatives

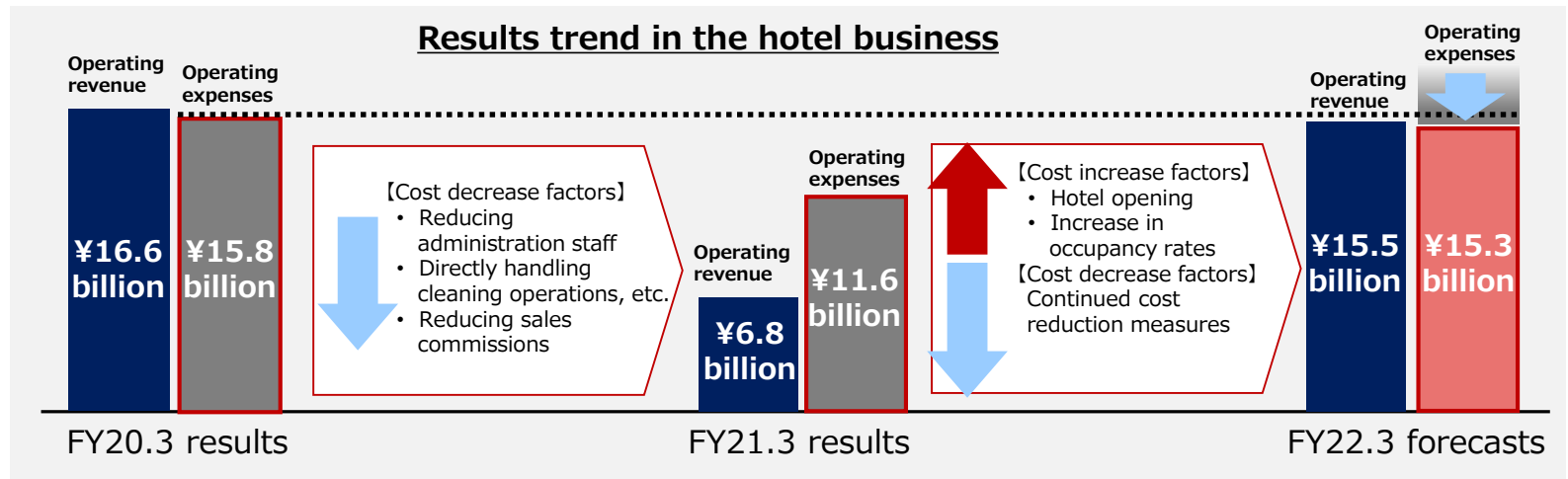
We will continue to advance multi-tasking; bring in-house operations that had been outsourced, such as cleaning; advance DX, etc. In this way, in FY22.3, despite a rise in expenses due to the opening of THE BLOSSOM KUMAMOTO and increases in occupancy rates, we anticipate a decline in operating expenses in comparison with the period before COVID-19 (FY20.3).

Advancing multi-tasking



Advancing multi-tasking, under which one staff member handles the front, customer rooms, restaurant, etc.

Results trend in the hotel business



Initiatives to enhance customer drawing power

- Strengthening sales with a focus on a recovery in the attitude to senior citizens toward travel (Collaboration with tickets for seniors, such as Zipangu Club and Active 65)
- Development of products reflecting collaboration with restaurants in surrounding area
- Expansion of plan lineup reflecting enhancement of double occupancy ratio (DOR)
- Improving RevPAR through flexible fare setting aligned with demand
- Enhancing service level and productivity by implementing human resources development through temporary transfers to other Japanese-style inns, etc.

Establishing family plans in order to increase DOR (Umehibiki)

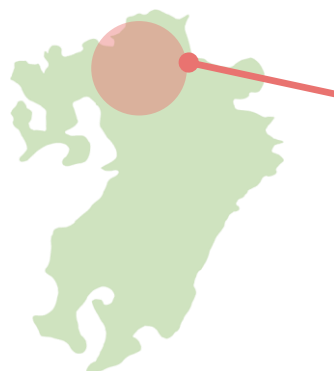


5 Expanding Business Fields through M&A

To expand business fields that do not depend on the flow of people and to realize further growth in the Group's restaurant business, we acquired Nurubon as a new subsidiary. This barbecue restaurant is highly popular, centered on Fukuoka.

Overview of newly established subsidiary

Name	Nurubon Inc.
Location	Hakata-ku, Fukuoka City
Business activities	Restaurant business, meat and foodstuffs wholesale business
Number of restaurants	15 restaurants (12 barbecue restaurants, 2 pubs, 1 steakhouse)
Date of establishment	August 10, 2021 (planned)
Investment percentage	Kyushu Railway Company: 100%



**Nagaoka restaurant:
Yakiniku Nurubon Iori**

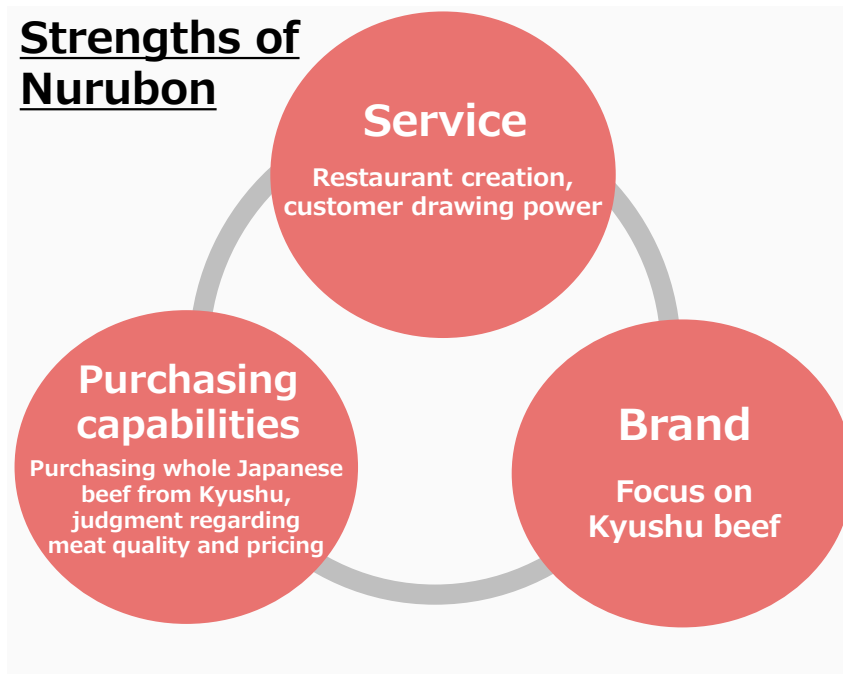


**Menu centered on
Japanese beef from Kyushu**



15 restaurants, centered on Fukuoka City suburbs

Strengths of Nurubon



Objective of M&A

1. Strengthening our business portfolio

- In addition to existing businesses in stations and city centers, add suburban business
- Advance into destination barbecue restaurant business with strong customer-drawing power, even in the suburbs

2. Acquire additional growth know-how for the Group's restaurant business

- Reduce costs through joint purchasing
- Enhancing the service level at the Group's restaurants
- Business development leveraging brand power

Accelerating growth in restaurant business



Contributing to the sustained development of Kyushu

⑥ Strengthening Cooperation in Transportation Services through MaaS

We will work to strengthen cooperation with other transportation companies, and will consider expanding areas and services for the period after COVID-19.

Strengthening cooperation with other transportation companies

Cooperation with Nishi-Nippon Railroad Co., Ltd.

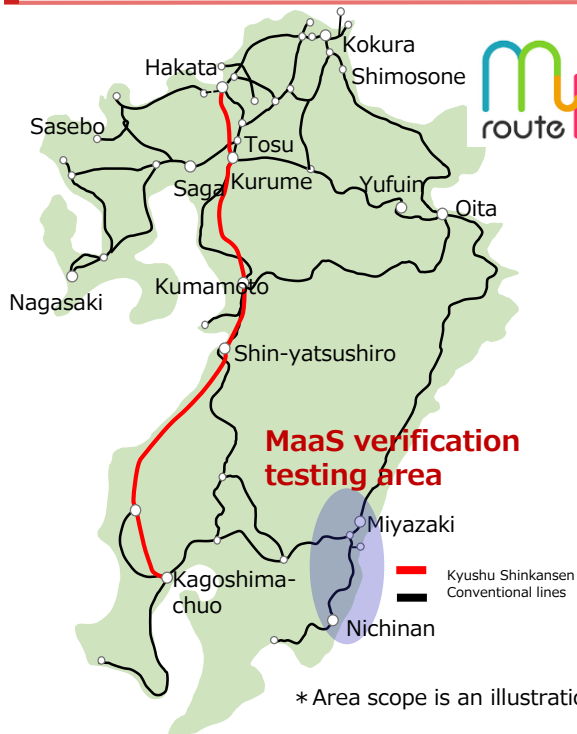
- In the “my route” app provided by the Toyota Group, in cooperation with Nishi-Nippon Railroad, we have begun to sell digital tickets that are sets combining passenger tickets with shopping vouchers for station buildings, etc.
- This will help to create a lively atmosphere in the Tenjin/Hakata area and contribute to economic revitalization.

Cooperation with JR West

- We are working to expand services by providing JR Kyushu station timetables and information about tourism on WESTER, a MaaS app provided by JR West.



Results of verification testing (Miyazaki City/Nichinan City and surrounding area)



Implementation of verification testing related to convenience, etc., of “my route” MaaS app (November 6, 2020, to March 12, 2021) (Selected for the Ministry of Land, Infrastructure, Transport and Tourism’s program for enterprises that advance/support MaaS in Japan)

[Details of major initiatives]

Providing one-stop service for route searches, ticket reservations/purchases, and regional information on “my route”

Transportation

- Transportation tickets: JR Kyushu passenger tickets, Miyako Bus tickets, Miyazaki Station Buildings shopping vouchers, etc.
- Reservation system cooperation: JR Kyushu Internet train reservations, high-speed buses, ANA
- Mobility cooperation: Taxi dispatching, Toyota car sharing/rental, Pippa! bicycle sharing, etc.

Lifestyle services, tourism

- Provision of coupons for commercial facilities, tourism facilities

Provision of various information

- Train delay information, bus location information, event information, etc.

[Verification results]

- As a result of a decline in mobility demand due to COVID-19, the number of downloads and the number of digital tickets sold did not reach targets.
- However, in a questionnaire-based survey, 71% of respondents said that the app service had played a role in their decision to go out. A certain degree of effectiveness can be expected in terms of increases in mobility utilizing transportation services.



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/