

FY22.3
Financial Results Overview,
Third Quarter

February 8, 2022

KYUSHU RAILWAY COMPANY

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I Financial Results for the First Nine-Months of FY22.3

Consolidated Financial Highlights for the Nine-Month Period Ended December 31, 2021

	(¥bil)		
	9 months ended December 31, 2020	9 months ended December 31, 2021	YoY
Operating revenue	202.4	222.7	20.3 110.0%
Operating income	(18.6)	2.7	21.3 -
Ordinary income	(16.1)	6.9	23.1 -
Extraordinary gains and losses	2.5	(0.9)	(3.4) -
Net income attributable to owners of the parent	(11.6)	9.2	20.8 -
EBITDA [※]	1.7	22.6	20.9 -

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

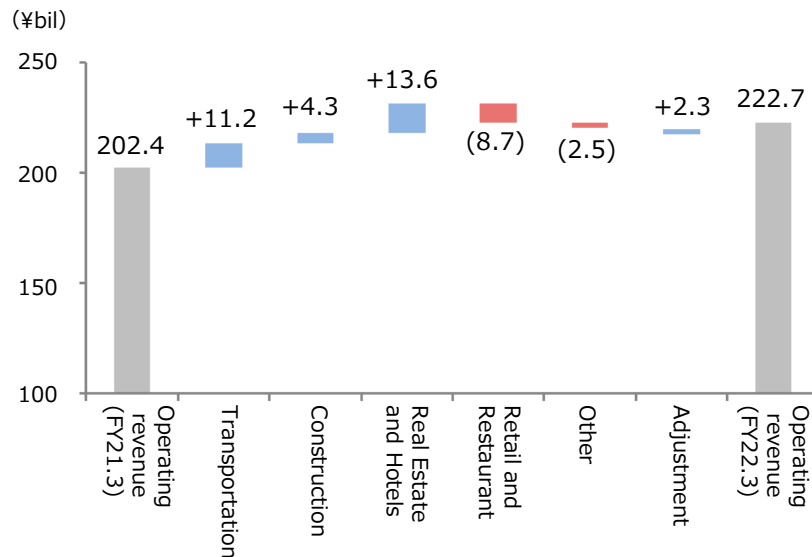
Operating revenue

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 a moderate recovery in demand in each business and condominium sales.

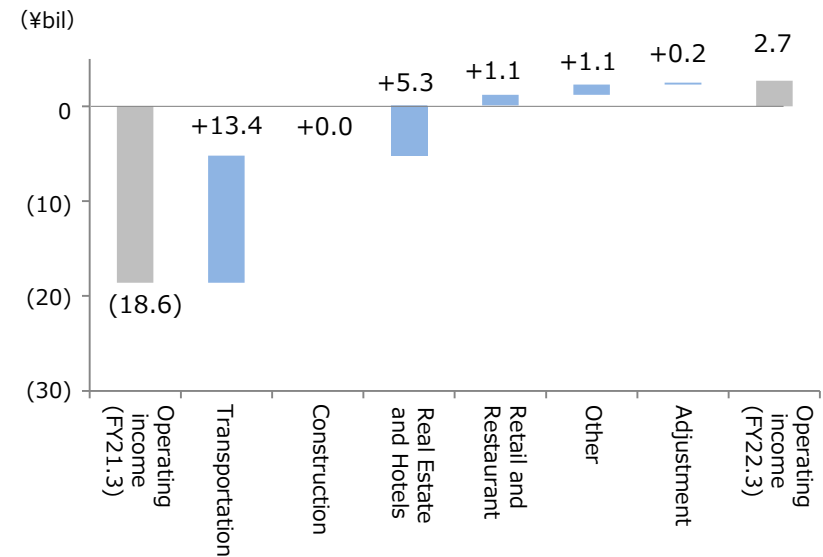
Operating income

Achieved profitability at the operating level due to the increase in operating revenues; continued cost reductions, centered on the railway business; etc.

Change in operating revenue by segment



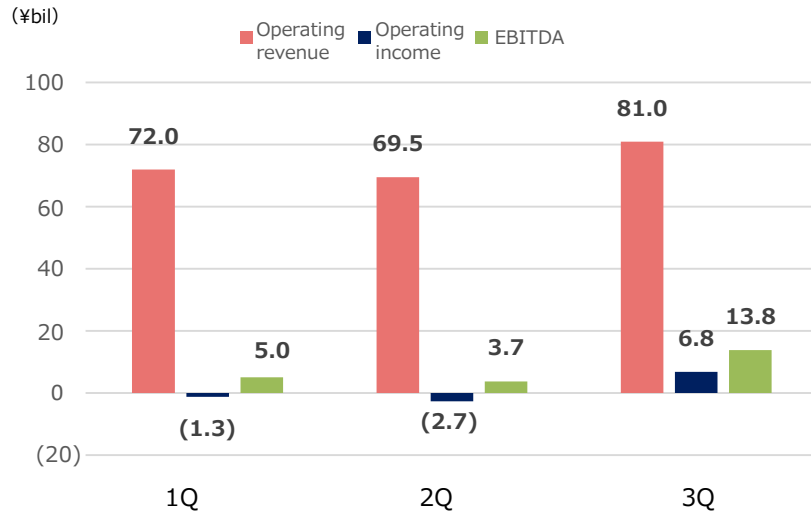
Change in operating income by segment



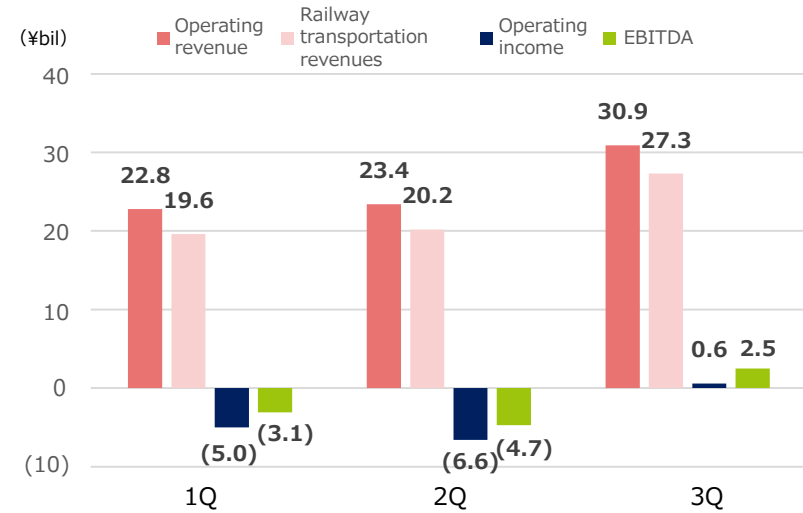
Quarterly Trend of FY22.3

In the third quarter results were firm in each business due to a recovery in mobility demand resulting from the lifting of the state of emergency, etc., at the end of September 2021.

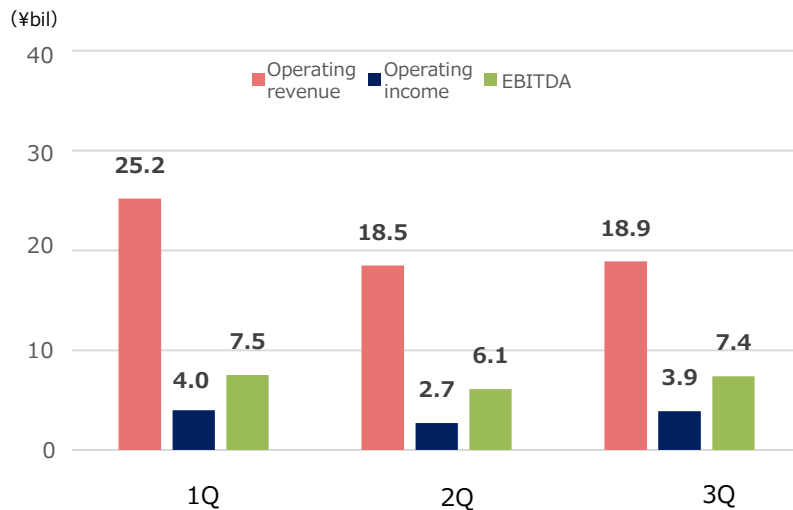
Consolidated



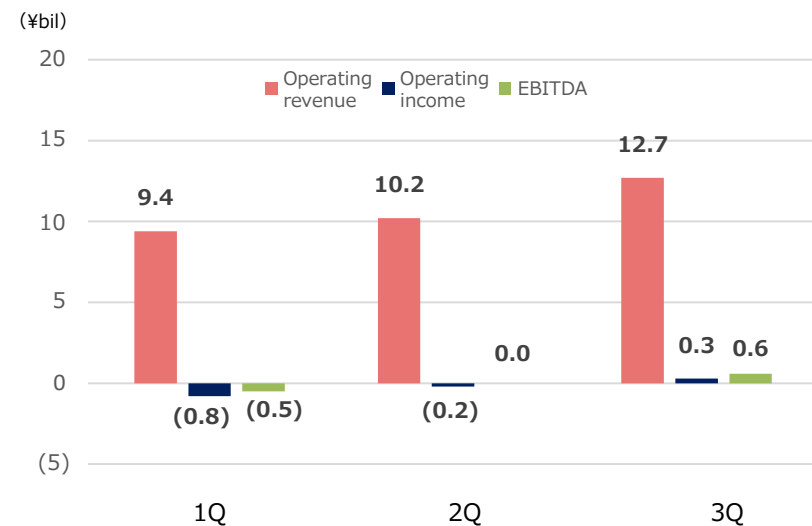
Railway Business (non-consolidated)



Real Estate and Hotels Segment



Retail and Restaurant segment



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

(¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY		Major factors
Operating revenue	202.4	222.7	20.3	110.0%	
Transportation	70.2	81.4	11.2	115.9%	
Railway Business (non-consolidated)	66.3	77.1	10.8	116.3%	Increase due to moderate recovery in demand
Construction	58.2	62.6	4.3	107.4%	
Real Estate and Hotels	49.0	62.7	13.6	127.9%	
Real Estate Lease	36.4	43.2	6.8	118.9%	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.
Real Estate Sales	7.3	12.7	5.4	174.6%	Increase in revenue from sales of condominiums
Hotel Business	5.3	6.7	1.3	125.1%	Increase due to rebound from previous fiscal year's building closures
Retail and Restaurant	41.1	32.4	(8.7)	78.8%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven
Other	44.3	41.7	(2.5)	94.2%	
Operating income	(18.6)	2.7	21.3	-	
Transportation	(24.8)	(11.3)	13.4	-	
Railway Business (non-consolidated)	(23.8)	(11.0)	12.8	-	
Construction	2.6	2.6	0.0	101.6%	
Real Estate and Hotels	5.4	10.7	5.3	197.8%	
Real Estate Lease	8.8	11.6	2.8	132.5%	
Real Estate Sales	0.0	1.2	1.1	-	
Hotel Business	(3.4)	(2.2)	1.2	-	
Retail and Restaurant	(1.9)	(0.7)	1.1	-	
Other	0.8	2.0	1.1	234.5%	
EBITDA	1.7	22.6	20.9	-	
Transportation	(16.5)	(5.0)	11.5	-	
Railway Business (non-consolidated)	(16.3)	(5.2)	11.0	-	
Construction	3.4	3.4	0.0	100.6%	
Real Estate and Hotels	14.5	21.1	6.5	145.3%	
Real Estate Lease	16.1	20.4	4.2	126.5%	
Real Estate Sales	0.1	1.3	1.1	-	
Hotel Business	(1.7)	(0.6)	1.1	-	
Retail and Restaurant	(0.9)	0.1	1.0	-	
Other	2.2	3.7	1.5	166.5%	

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

(¥bil)

	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY		Major Factors
Operating revenue	97.0	115.0	18.0	118.6%	
Railway transportation revenues	56.6	67.2	10.6	118.8%	Increase due to moderate recovery in demand
Shinkansen	16.7	20.8	4.0	124.4%	
Conventional Lines	39.8	46.4	6.5	116.5%	
Other revenue	40.4	47.7	7.3	118.2%	Increase in revenue from sales of condominiums
Operating expense	111.0	113.7	2.6	102.4%	
Personnel expense	29.5	30.3	0.7	102.6%	
Non-personnel expense	59.6	62.4	2.8	104.8%	
Energy cost	6.0	6.2	0.2	104.6%	
Maintenance cost	17.4	17.6	0.2	101.5%	
Other	36.1	38.4	2.3	106.4%	Increase in cost of sales due to increase in revenue from sales of condominiums
Taxes	8.7	9.0	0.2	102.8%	
Depreciation cost	13.0	11.8	(1.1)	91.0%	Decrease due to revision of depreciation method
Operating income	(14.0)	1.3	15.3	-	
Non-operating income and expense	9.5	3.3	(6.1)	35.3%	Decrease in dividend income
Ordinary income	(4.4)	4.6	9.1	-	
Extraordinary gain and losses	3.4	(0.7)	(4.1)	-	Rebound from the sale of a portion of holdings of the shares of JR Kyushu Drug Eleven Rebound from disaster expenses associated with heavy rains in July 2020 Rebound from increase in provision for loss on disaster related to restoration of Hitahikosan Line, etc.
Net income	1.1	8.3	7.2	722.3%	

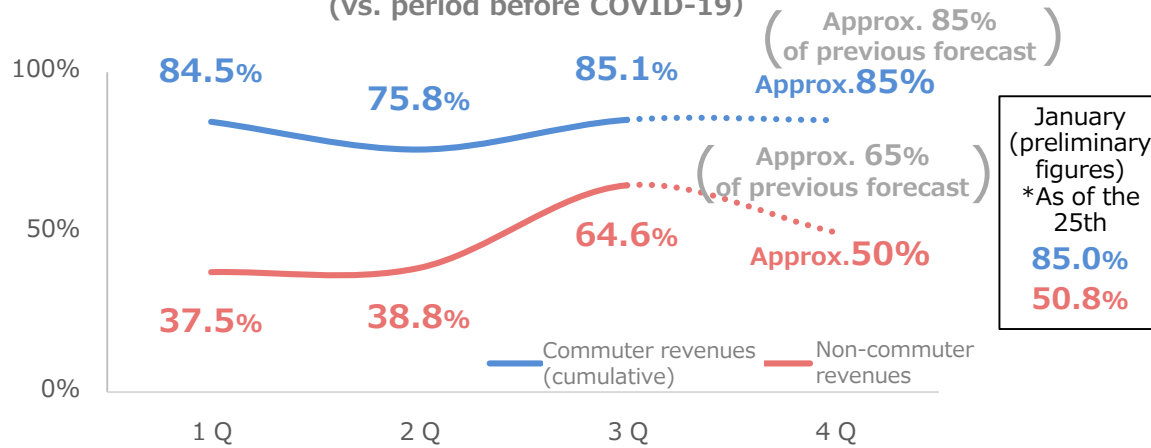
II Full-Year Performance Forecasts and Dividend Forecasts for FY22.3

Performance Forecasts for FY22.3: Revision of revenue forecast

Following the lifting of the state of emergency, etc., there was an underlying trend of recovery in the third quarter. However, with consideration for the re-spread of COVID-19 and the implementation of infection prevention and other priority measures, we revised the forecasts for revenues.

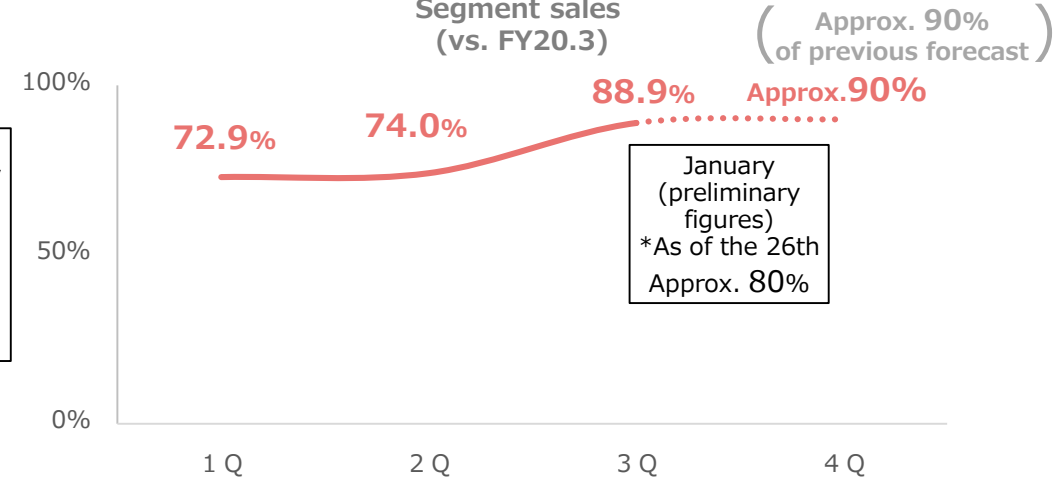
Transportation Segment

Handling revenues from railway transportation
(vs. period before COVID-19)



Retail and Restaurant segment

Segment sales
(vs. FY20.3)

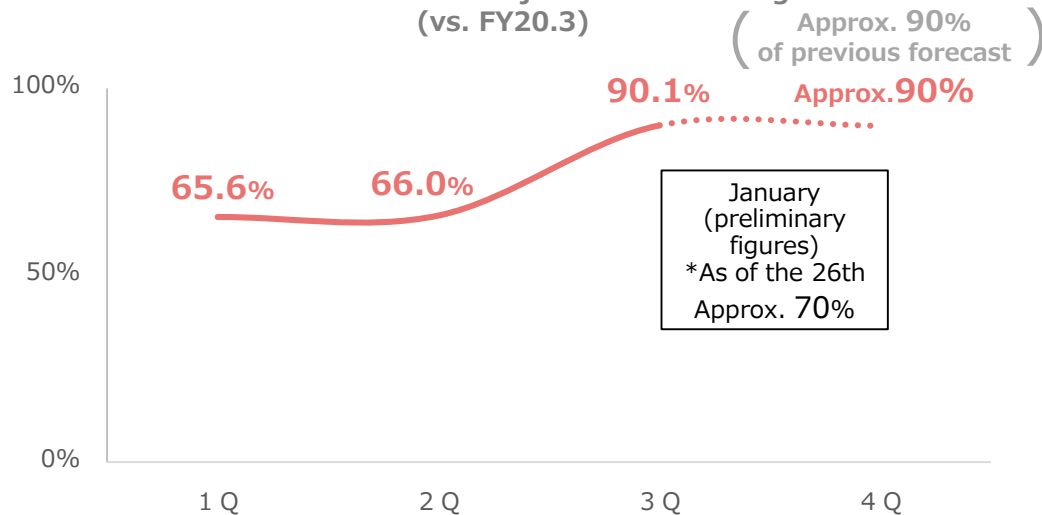


* Calculated by subtracting the results of JR Kyushu Drug Eleven, which became an entity accounted for using the equity method from the end of the first quarter of FY21.3, and of Nurubon Inc., which was acquired in October 2021. Versus figures from FY20.3.

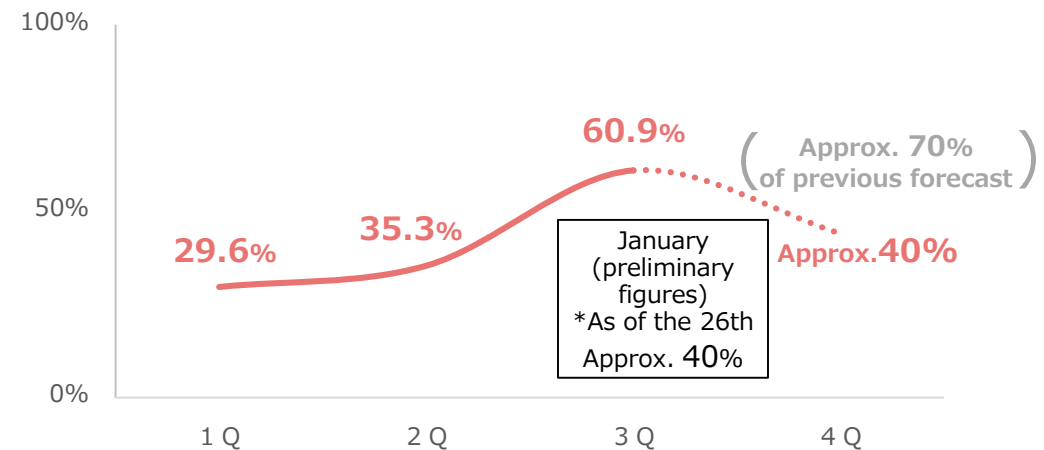
* January preliminary figures are the total of sales of major Group companies

Real Estate and Hotels Segment

Tenant sales at five major station buildings
(vs. FY20.3)



Hotel occupancy rate



Performance Forecasts for FY22.3:

Major Factors for Operating Revenue and Operating Income

Demand is expected to remain sluggish for the time being. Nonetheless, with consideration for the sale of properties held by the Company to a private REIT (recorded in operating revenues), and for results in the third quarter, we increased the forecasts for both operating revenues and operating income (achievement of profitability at the operating level).

Consolidated Operating Revenues



Consolidated Operating Income



Consolidated Financial Forecast Highlights for FY22.3

	(¥bil)					
	Results FY21.3	FY22.3		YoY results		Difference from previous forecast
		Previous forecast (November 2)	Current forecast (February 8)			
Operating revenue	293.9	315.8	332.8	38.8	113.2%	17.0
Operating income	(22.8)	(2.3)	2.7	25.5	-	5.0
Ordinary income	(19.3)	0.8	6.9	26.2	-	6.1
Net income attributable to owners of the parent	(18.9)	3.4	9.8	28.7	-	6.4
EBITDA	4.6	24.7	29.9	25.2	644.5%	5.2

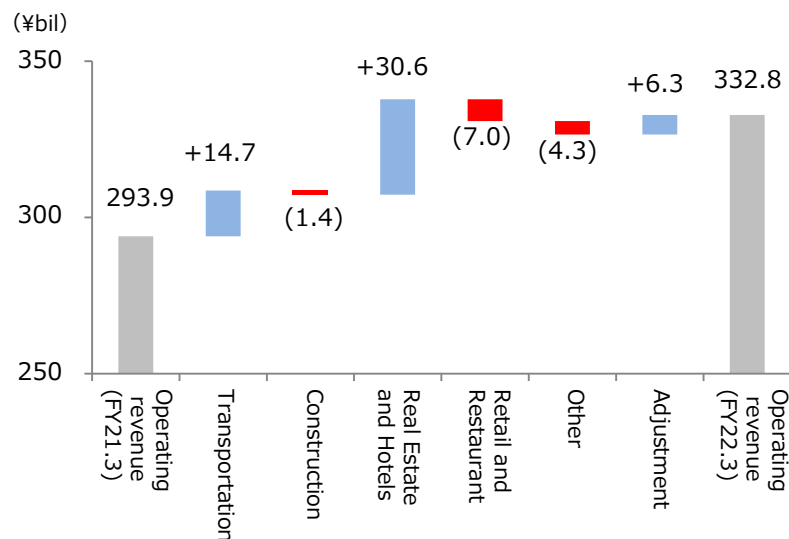
Operating revenue

Due to the re-spread of COVID-19, demand is expected to be sluggish. However, with consideration for results in the third quarter and for the sale of properties to a private REIT, we increased the forecast.

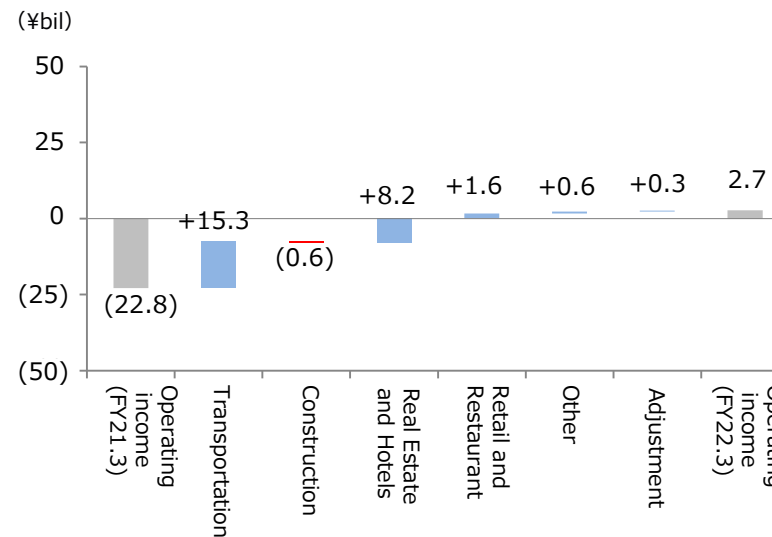
Operating income

Changed the operating results forecast from a loss to a profit due to results in the third quarter, the sale of properties to a private REIT, etc.

Change in operating revenue by segment



Change in operating income by segment



Consolidated Financial Forecasts for FY22.3 (by segment)

	Results FY21.3	FY22.3		YoY		Major factors	Difference from previous forecast
		Previous forecast (November 2)	Current forecast (February 8)				
		(¥bil)					
Operating revenue	293.9	315.8	332.8	38.8	113.2%		17.0
Transportation	95.2	109.9	110.0	14.7	115.4%	Increase due to moderate recovery in demand in railway business	0.1
Railway Business (non-consolidated)	89.7	104.7	104.5	14.7	116.4%		(0.2)
Construction	96.5	95.6	95.1	(1.4)	98.5%	Decrease in railway construction orders from JR Kyushu	(0.5)
Real Estate and Hotels	80.1	91.9	110.8	30.6	138.3%		18.9
Real Estate Lease	49.7	57.6	58.2	8.4	117.0%	Increase due to opening of Kumamoto Station Building and Miyazaki Station Building, increase in revenues from leases due to moderate recovery in demand	0.6
Real Estate Sales	23.5	23.6	43.5	19.9	184.6%	Increase due to sale of properties to a private REIT	19.9
Hotel Business	6.8	10.7	9.1	2.2	133.7%	Increase due to moderate recovery in demand, increase due to Kumamoto hotel opening	(1.6)
Retail and Restaurant	51.4	43.8	44.4	(7.0)	86.2%	Decrease due to transfer of a portion of holdings of the shares of JR Kyushu Drug Eleven	0.6
Other	63.6	59.6	59.3	(4.3)	93.2%	Decrease due to lower sales of construction materials	(0.3)
Operating income	(22.8)	(2.3)	2.7	25.5	-		5.0
Transportation	(37.6)	(22.4)	(22.3)	15.3	-		0.1
Railway Business (non-consolidated)	(36.6)	(21.8)	(21.9)	14.7	-		(0.1)
Construction	6.9	5.4	6.3	(0.6)	90.1%		0.9
Real Estate and Hotels	9.9	14.4	18.2	8.2	183.6%		3.8
Real Estate Lease	12.0	13.9	15.0	2.9	124.3%		1.1
Real Estate Sales	2.6	2.5	6.1	3.4	231.0%		3.6
Hotel Business	(4.7)	(2.0)	(2.9)	1.8	-		(0.9)
Retail and Restaurant	(2.5)	(1.0)	(0.9)	1.6	-		0.1
Other	1.7	2.3	2.4	0.6	137.0%		0.1
EBITDA	4.6	24.7	29.9	25.2	644.5%		5.2
Transportation	(26.5)	(13.5)	(13.4)	13.1	-		0.1
Railway Business (non-consolidated)	(26.4)	(13.3)	(13.4)	13.0	-		(0.1)
Construction	8.0	6.2	7.2	(0.8)	89.5%		1.0
Real Estate and Hotels	22.2	28.3	32.1	9.8	144.4%		3.8
Real Estate Lease	22.0	25.6	26.7	4.6	121.3%		1.1
Real Estate Sales	2.6	2.5	6.1	3.4	229.9%		3.6
Hotel Business	(2.4)	0.2	(0.7)	1.7	-		(0.9)
Retail and Restaurant	(1.1)	0.2	0.3	1.4	-		0.1
Other	3.7	4.8	4.9	1.1	132.2%		0.1

Non-consolidated Financial Forecasts for FY22.3

(¥bil)

	Results FY21.3	Forecasts FY22.3		YoY		Major factors	Difference from previous forecast
		Previous forecast (November 2)	Current forecast (February 8)				
Operating revenue	144.7	161.5	181.2	36.4	125.2%		19.7
Railway transportation revenues	76.3	91.0	91.0	14.6	119.2%	Increase due to moderate recovery in demand	-
Shinkansen	22.4	28.9	28.9	6.4	128.5%		-
Conventional Lines	53.8	62.1	62.1	8.2	115.4%		-
Other revenue	68.4	70.5	90.2	21.7	131.9%	Increase due to sale of properties to a private REIT	19.7
Operating expense	165.3	166.6	182.4	17.0	110.3%		15.8
Personnel expense	39.3	41.4	40.7	1.3	103.4%	Increase due to results recovery	(0.7)
Non-personnel expense	97.5	97.7	114.1	16.5	116.9%		16.4
Energy cost	7.9	8.3	8.5	0.5	106.3%		0.2
Maintenance cost	29.0	30.5	30.6	1.5	105.4%		0.1
Other	60.5	58.9	75.0	14.4	123.9%	Increase in cost due to sale of properties to a private REIT	16.1
Taxes	10.8	11.2	11.4	0.5	105.4%		0.2
Depreciation cost	17.5	16.3	16.2	(1.3)	92.2%	Decrease due to revision of depreciation method	(0.1)
Operating income	(20.5)	(5.1)	(1.2)	19.3	-		3.9
Non-operating income and expense	9.7	1.9	2.3	(7.4)	23.6%	Decrease in dividend income	0.4
Ordinary income	(10.8)	(3.2)	1.1	11.9	-		4.3
Extraordinary gain and losses	(5.7)	(0.8)	(0.7)	5.0	-		0.1
Net income	(11.1)	1.7	6.9	18.0	-		5.2

FY22.3 dividend forecasts

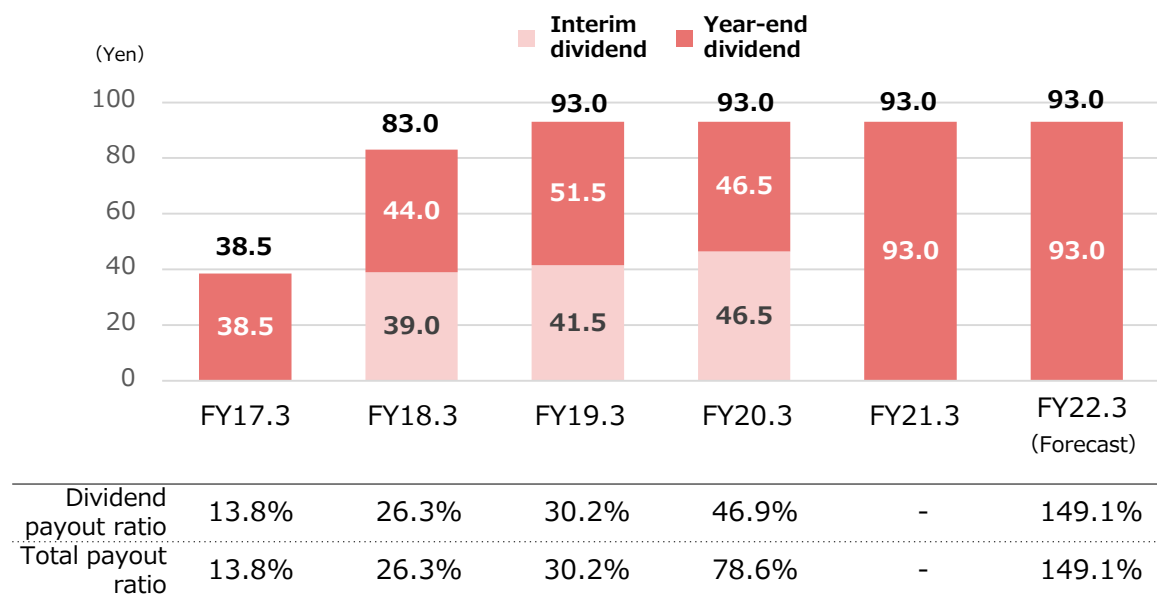
Shareholder return policy

- 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.** 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)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	70.2	81.4	11.2	115.9%
Railway Business (non-consolidated)	66.3	77.1	10.8	116.3%
Railway transportation revenues	56.6	67.2	10.6	118.8%
Operating income	(24.8)	(11.3)	13.4	-
Railway Business (non-consolidated)	(23.8)	(11.0)	12.8	-
EBITDA	(16.5)	(5.0)	11.5	-
Railway Business (non-consolidated)	(16.3)	(5.2)	11.0	-

【Forecasts】

(¥bil)

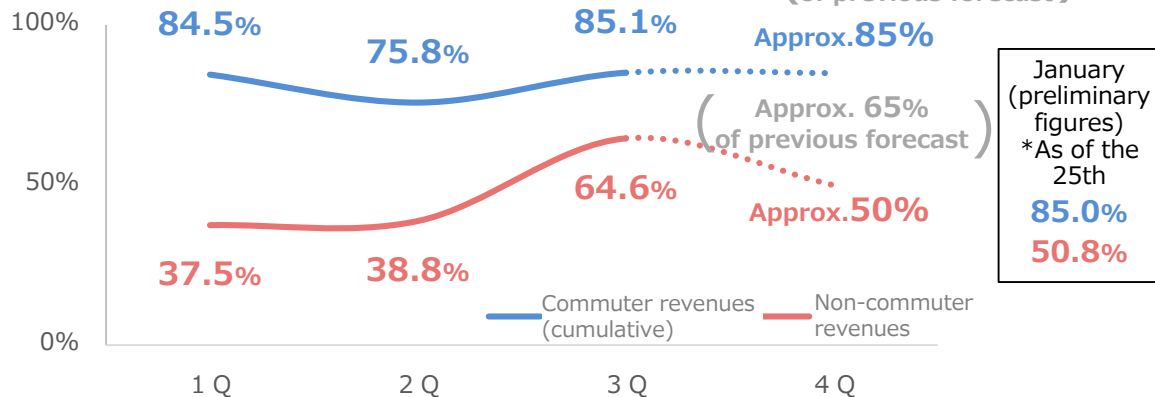
FY22.3		YoY results		Difference from previous forecast
Previous forecast (November 2)	Current forecast (February 8)			
109.9	110.0	14.7	115.4%	0.1
104.7	104.5	14.7	116.4%	(0.2)
91.0	91.0	14.6	119.2%	-
(22.4)	(22.3)	15.3	-	0.1
(21.8)	(21.9)	14.7	-	(0.1)
(13.5)	(13.4)	13.1	-	0.1
(13.3)	(13.4)	13.0	-	(0.1)

Railway Business

Quarterly trend / Results forecast assumptions

Overview

Handling revenues from railway transportation
(vs. period before COVID-19) (Approx. 85% of previous forecast)



(Results)

- Due to the lifting of the state of emergency at the end of September 2021, mobility demand recovered gradually, but revenue circumstances remain challenging.
- Recorded a loss at the operating level despite continued advancement of cost reductions.

(Performance forecasts)

Results in the third quarter were firm. On the other hand, accompanying the re-spread of COVID-19, infection prevention and other priority measures have been implemented since mid-January 2022. Due to this and other factors, demand is expected to remain sluggish for the time being, and the forecast for railway transportation revenues is unchanged.

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY		Major Factors
Total	56.6	67.2	10.6	118.8%	
Commuter pass	19.9	21.4	1.4	107.3%	
Non-commuter pass	36.6	45.8	9.1	125.1%	
Cargo	0.0	0.0	0.0	-	
Shinkansen	16.7	20.8	4.0	124.4%	
Commuter pass	1.8	1.8	0.0	100.4%	Increase due to moderate recovery in demand
Non-commuter pass	14.8	18.9	4.0	127.4%	
Conventional Lines	39.8	46.4	6.5	116.5%	
Commuter pass	18.0	19.5	1.4	108.1%	Increase due to moderate recovery in demand
Non-commuter pass	21.7	26.8	5.1	123.4%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	9 months ended December, 31 2020	9 months ended December, 31 2021	YoY	
Total	4,230	4,714	483	111.4%
Commuter pass	2,685	2,831	146	105.5%
Non-commuter pass	1,545	1,882	337	121.8%
Shinkansen	650	762	112	117.2%
Commuter pass	136	136	0	100.5%
Non-commuter pass	514	625	111	121.7%
Conventional Lines	3,580	3,952	371	110.4%
Commuter pass	2,549	2,694	145	105.7%
Non-commuter pass	1,031	1,257	226	121.9%

(Reference) Real Estate and Hotels Segment (1)

Real estate leasing business

【Results】

	9 months ended		YoY	
	December 31,2020	December 31,2021		
Operating revenue	36.4	43.2	6.8	118.9%
Operating income	8.8	11.6	2.8	132.5%
EBITDA	16.1	20.4	4.2	126.5%

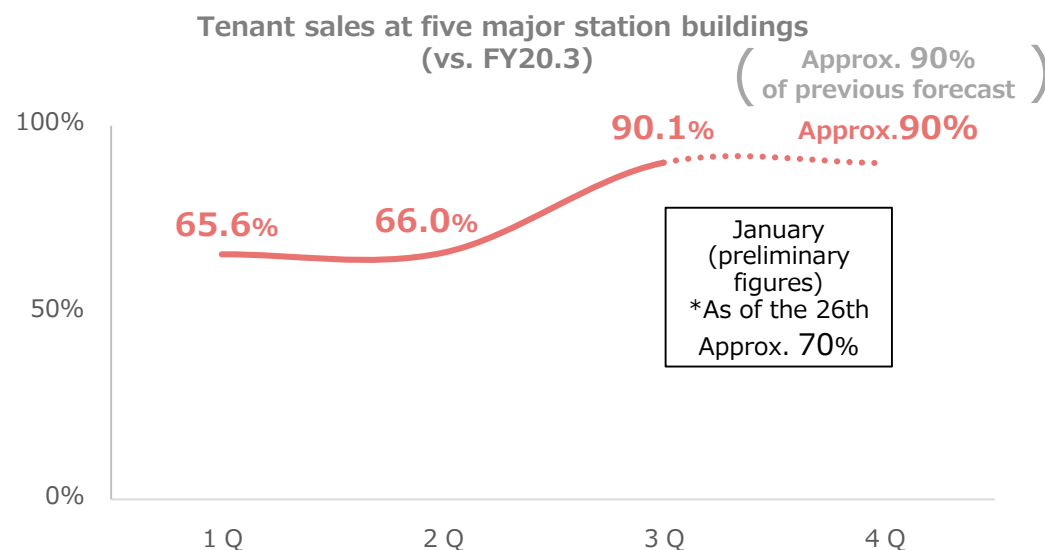
(¥bil)

【Forecasts】

Results FY21.3	FY22.3		YoY results		Difference from previous forecast
	Previous forecast (November 2)	Current forecast (February 8)			
49.7	57.6	58.2	8.4	117.0%	0.6
12.0	13.9	15.0	2.9	124.3%	1.1
22.0	25.6	26.7	4.6	121.3%	1.1

(¥bil)

Quarterly trend / Results forecast assumptions



Overview

(Results)

- Due to the lifting of the state of emergency at the end of September 2021, station building tenant sales gradually recovered in the third quarter.
- Uniform tenant support measures that were implemented from April to July in the previous fiscal year, such as closures and rent/sales promotion expense reductions (approximately ¥1.9 billion), are not being implemented this year.
- In office buildings and rental apartments, results are solid, with no sign of major changes in vacancy rates at existing properties.

(Performance forecasts)

In the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being. However, firm results are expected for station buildings, office buildings, and rental apartments

(Reference) Real Estate and Hotels Segment (2)

Real Estate sales business

【Results】 (¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	7.3	12.7	5.4	174.6%
Operating income	0.0	1.2	1.1	-
EBITDA	0.1	1.3	1.1	-

【Forecasts】 (¥bil)

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (November 2)	Current forecast (February 8)		
23.5	23.6	43.5	19.9	184.6%
2.6	2.5	6.1	3.4	231.0%
2.6	2.5	6.1	3.4	229.9%

Hotel business

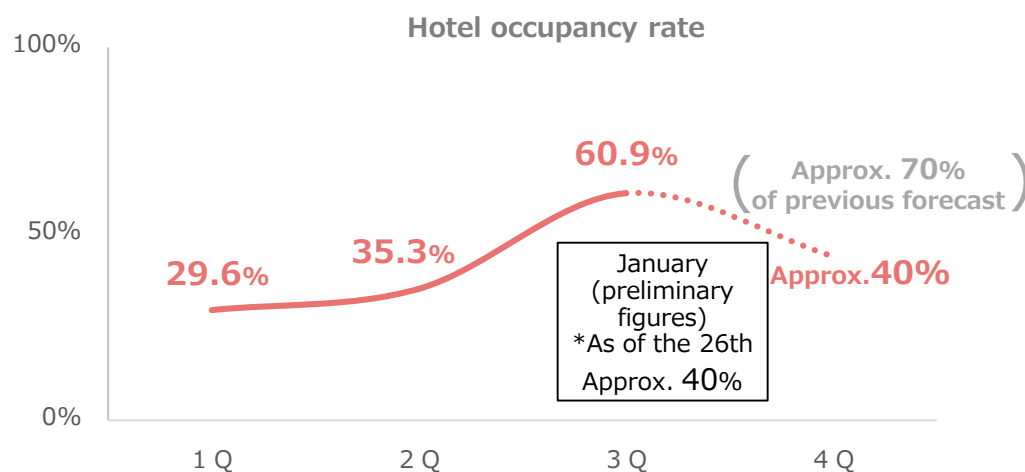
【Results】 (¥bil)

	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	5.3	6.7	1.3	125.1%
Operating income	(3.4)	(2.2)	1.2	-
EBITDA	(1.7)	(0.6)	1.1	-

【Forecasts】 (¥bil)

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (November 2)	Current forecast (February 8)		
6.8	10.7	9.1	2.2	133.7%
(4.7)	(2.0)	(2.9)	1.8	-
(2.4)	0.2	(0.7)	1.7	-

Quarterly trend / Results forecast assumptions



Overview

- Real estate sales business: firm trend
- Expecting to sell properties to a private REIT, revised results forecasts upward

(Results: Hotel business)

We worked to reduce the break-even occupancy rate through fixed-cost reductions, and we achieved break-even in the third quarter. Nonetheless, an operating loss was recorded for the nine-month period.

(Performance forecasts: Hotel business)

Results in the third quarter were firm. On the other hand, in the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being, and we revised the results forecasts.

(Reference) Retail and Restaurant segment

【Results】

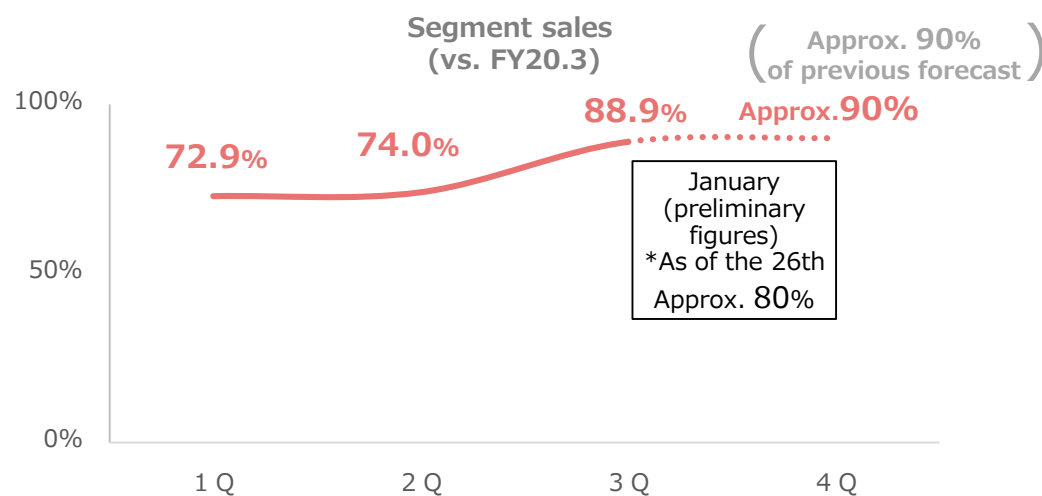
				(¥bil)
	9 months ended December 31,2020	9 months ended December 31,2021	YoY	
Operating revenue	41.1	32.4	(8.7)	78.8%
Operating income	(1.9)	(0.7)	1.1	-
EBITDA	(0.9)	0.1	1.0	-

【Forecasts】

Results FY21.3	FY22.3		YoY results	Difference from previous forecast
	Previous forecast (November 2)	Current forecast (February 8)		
51.4	43.8	44.4	(7.0)	86.2%
(2.5)	(1.0)	(0.9)	1.6	-
(1.1)	0.2	0.3	1.4	-

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

Quarterly trend / Results forecast assumptions



Overview

(Results)

Stores in areas surrounding stations, which were significantly affected by the decline in mobility demand accompanying the lifting of the state of emergency at the end of September 2021, registered a gradual recovery in sales. Stores in suburbs also recorded firm results. The segment reduced the scale of its loss.

(Performance forecasts)

In the fourth quarter, accompanying the re-spread of COVID-19, demand is expected to remain sluggish for the time being. However, takeout at restaurants in suburbs and fast food restaurants is expected to continue to drive results.

* 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 first quarter of FY21.3, and of Nurubon Inc., which was acquired in October 2021. Versus figures from FY20.3.

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

III Status of Progress with Strategies During the COVID-19 Pandemic

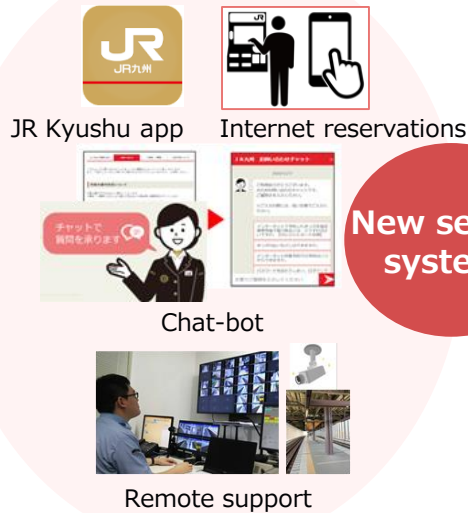
In regard to the reduction of fixed costs by ¥14.0 billion during the period of the next Medium-Term Business Plan, we have basically completed the arrangement of the reduction measure details.

Principal BPR initiatives

Establishing new service systems / timetable

- Rebuilding customer services utilizing DX, etc.

Utilization of DX, etc.



New service systems

Reevaluating station administration systems

(From 2022.3.12)

Stations at which there are no employees all day
29 stations

(Stations with no employees account for approximately 60% of all 568 stations)

Discontinued ticket-sales counters
48 stations

Reduced operating hours at ticket-sales counters
127 stations

- Flexible timetable setting in line with usage conditions
 - Transition to special trains for certain Shinkansen and conventional line limited express trains

Development and flexible utilization of human resources

- Advancing the acquisition of multiple skills (developing versatility in front-line employees)
 - Initiatives such as combining certain inspection operations for electrical equipment
- Bringing consigned operations in-house (cleaning of stations and rolling stock, etc.)
 - *In addition, optimizing cleaning frequency



Implementing cleaning operations by train crew members

Streamlining rolling stock/facilities

- Renovating rolling stock to increase boarding efficiency (using longer seats, etc.)



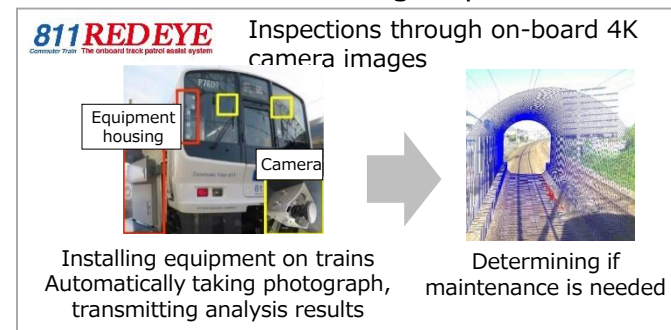
FY22.3: Planning to introduce long seats on 26 railcars

- Optimizing rolling stock operation with consideration for schedule revisions
- Reducing sales machines in line with revision of station administration systems

Increasing efficiency of inspection/maintenance

- Revising replacement standards by increasing efficiency of equipment inspection work and enhancing inspection accuracy

Visual inspection of overhead electrical line facilities for trains



Inspection cycle: Revision from once every year to once every two years
Receipt of the Minister of Land, Infrastructure, Transport and Tourism Award for infrastructure maintenance

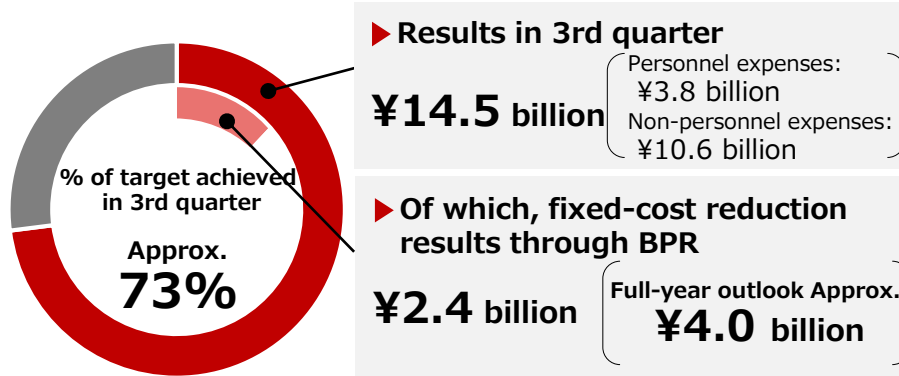
- Revising inspection/maintenance operations with safety as the major precondition

Railway Business Structural Reforms

Status of progress with FY22.3 cost reductions

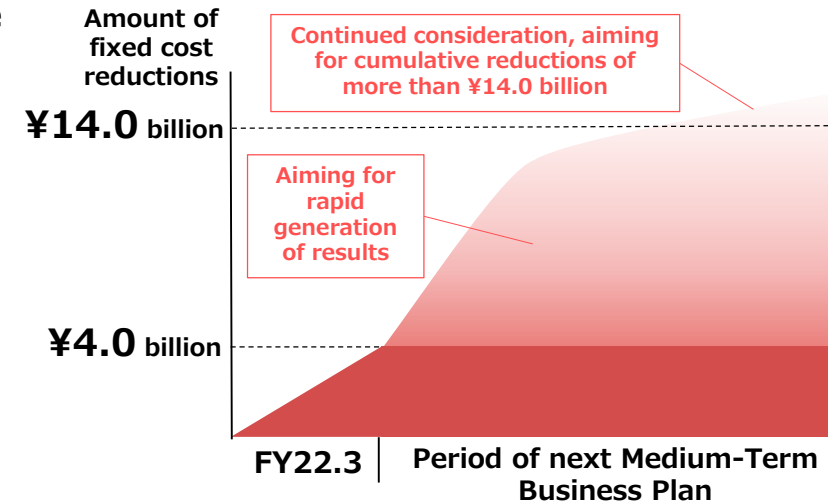
Planning for ¥20.0 billion in cost reductions, centered on urgent control measures

Achieved a portion of BPR fixed-cost reductions ahead of schedule



* Cost reductions are vs. FY20.3, excluding special factors

Cumulative future fixed cost reductions



Toward the establishment of a sustainable transportation network

Advancing human resources development through strategic seconding, etc., and accelerating initiatives to build a sustainable transportation network

Advancing development of human resources

■ Advancing strategic seconding

Advancing strategic seconding outside the Group, with a focus on leveraging the knowledge/skills of employees after they return
 (As of January 2022: 71 people)



Regional economy revitalization operations



Data analysis related operations



MaaS related operations

■ Advancing the acquisition of multiple skills and re-skilling

■ Further cultivating a management mindset among employees

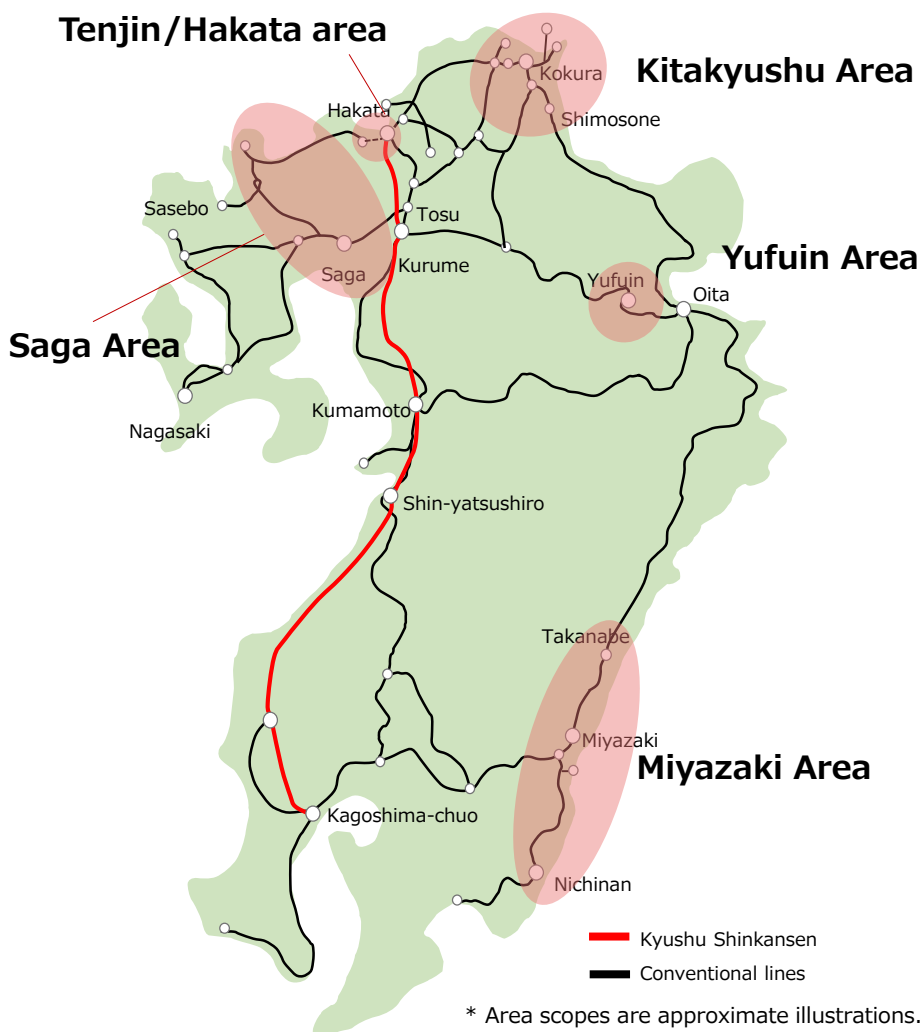
Future initiatives

- Further advancing DX (shift to on-line sales, etc.)
- Continued revision of discount tickets
- Introducing new technologies (self-driving, etc.)
- Establishing mobility services deeply rooted in local communities (MaaS, transition to BRT for Hitahikosan Line)

Strengthening Mobility Services Through MaaS

To create mobility demand and build sustainable public transportation networks, we are strengthening cooperation with regional transportation companies, etc., and expanding/enhancing initiatives in each region in Kyushu.

Status of MaaS initiatives



Strengthening cooperation among companies

- Cooperation with Nishi-Nippon Railroad Co., Ltd. and other regional transportation companies
- Cooperation with local tourism associations, commercial facilities, tourism facilities, and other businesses

Strengthening collaboration with Group companies

- Collaborating with commercial facilities, accommodations, restaurants

Promoting tourism, invigorating regional economies

Enhancing convenience for community residents/tourists, increasing suitability for excursions

【Initiatives】

Saga area: Providing new secondary modes of transportation and reducing excessive dependence on individual cars by expanding the introduction of Toyota car sharing stations to locations near Saga Station and Hizen-Hama Station.

Advancing DX

Shifting to ticketless service using digital tickets on “my route”



【my route】

MaaS app provided by the Toyota Group

【initiatives】

Tenjin/Hakata area: Selling digital tickets in sets that include passenger tickets and shopping coupons that can be used at 18 commercial facilities in the area

Yufuin area: Selling digital tickets in sets that include Yufuin-Oita-Beppu excursion tickets and coupons that can be used at area tourism facilities, stores, etc.

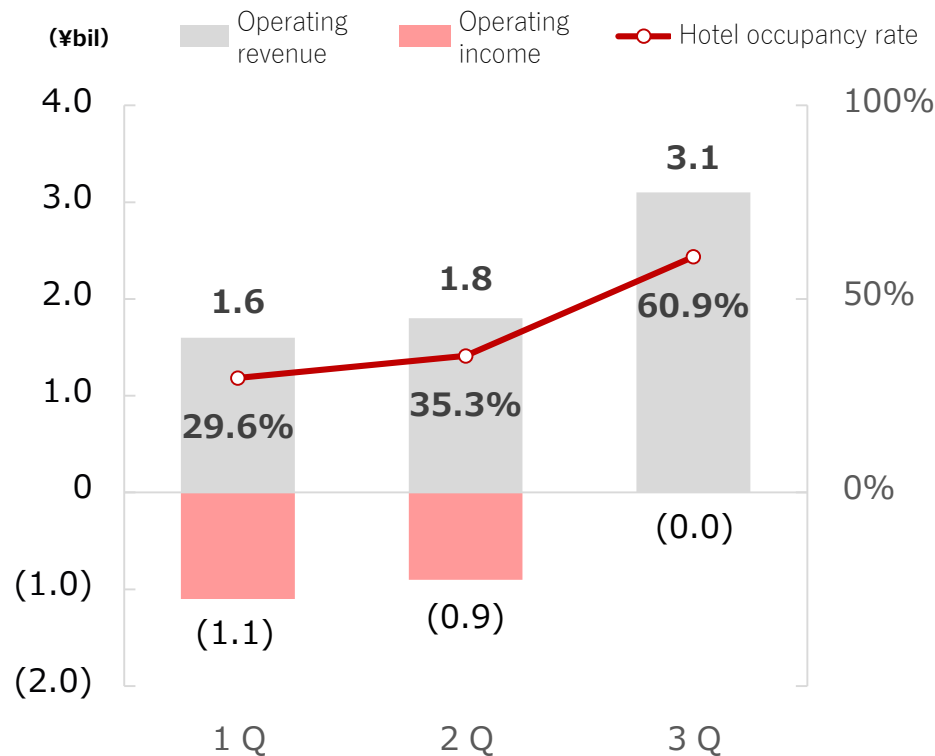
Structural Reform and Growth Investment in the Hotel Business

Advancing rigorous cost-structure reforms, achieving a reduction in the break-even occupancy rate
 As a result, achieved break-even in the third quarter
 Continuing growth investment in the post COVID-19 period, while maintaining a focus on the business portfolio

Advancing Structural Reforms

Maintaining personnel costs at a level 25% below the level in the period before COVID-19 by rigorously promoting labor-saving through the promotion of multi-tasking, bringing in-house operations that had been outsourced, etc.

Quarterly results trend in the hotel business (FY22.3)



Development Pipeline

- Implemented control/postponement of capital investment
- Investing capital in development projects from which investment effects can be expected



Nagasaki Marriott Hotel

- Scheduled to open in fall 2023
- 200 rooms (planned)
- Total floor space: Approximately 20,000m²



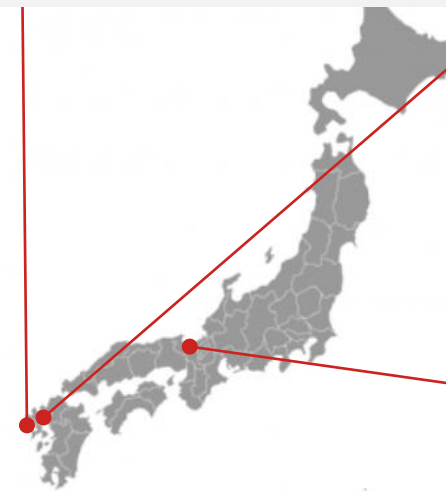
Ureshino Onsen accommodation facility

- Scheduled to open in fall 2023
- Site area: Approximately 9,600m²



Hotel development in Shimogyo Ward, Kyoto City

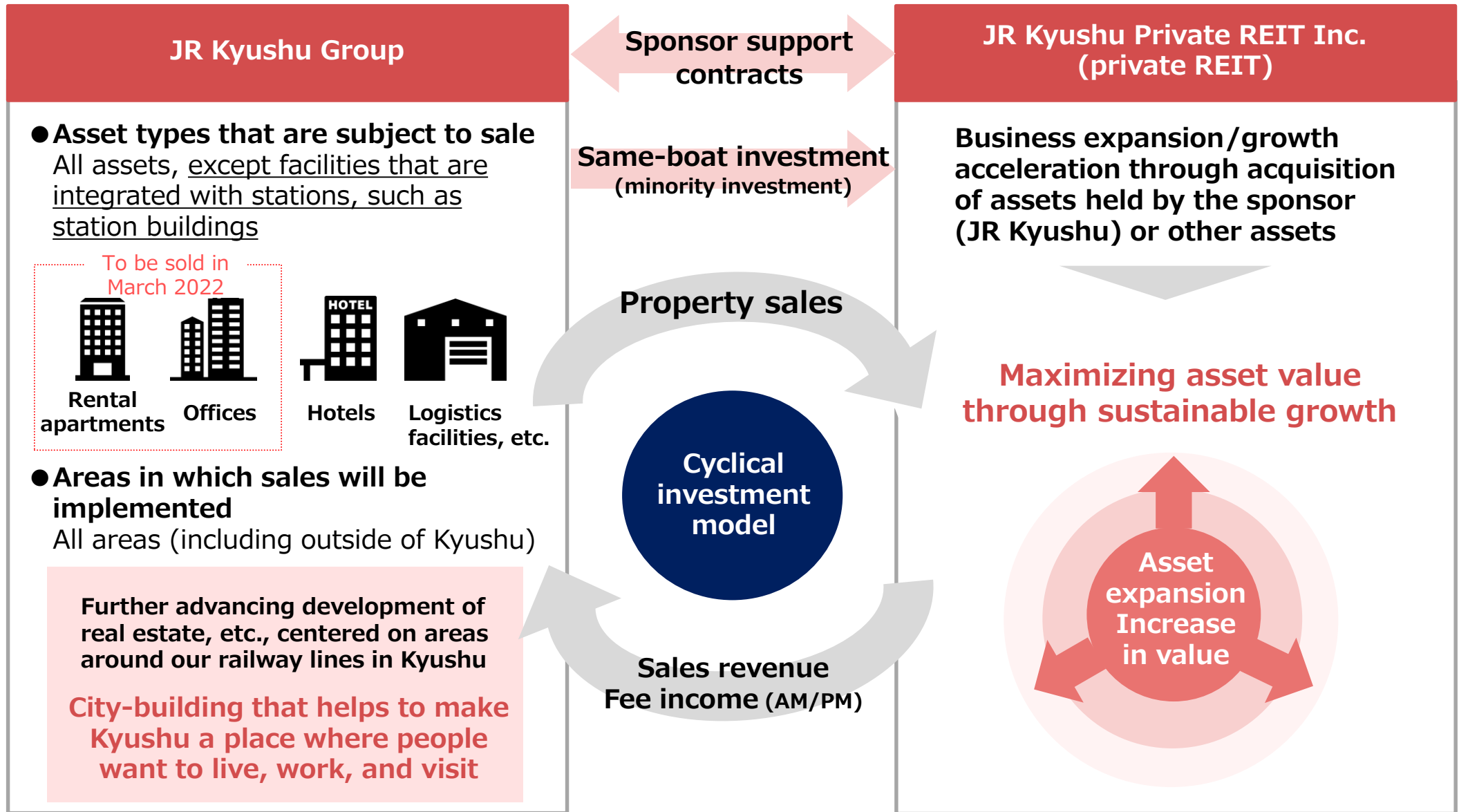
- Scheduled to open in summer 2022
- 180 rooms (planned)
- Total floor space: Approximately 9,600m²



Advancing Sustainable City-Building Through the Utilization of Private REIT

Planning to sell rental apartments/office buildings inside and outside Kyushu to private REIT in March 2022 (approximately ¥20.0 billion).

Going forward, we will advance sales of properties while considering the market conditions for each asset type, etc. Through a cyclical investment model, we will aim for the sustainable development of Kyushu and for further growth in the real estate business.

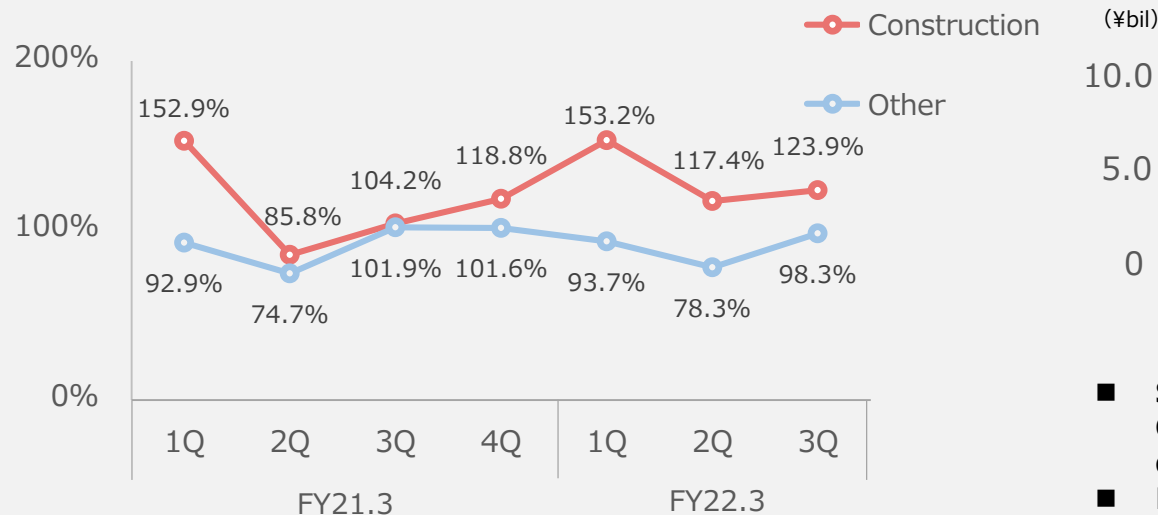


Strengthening Business Portfolio

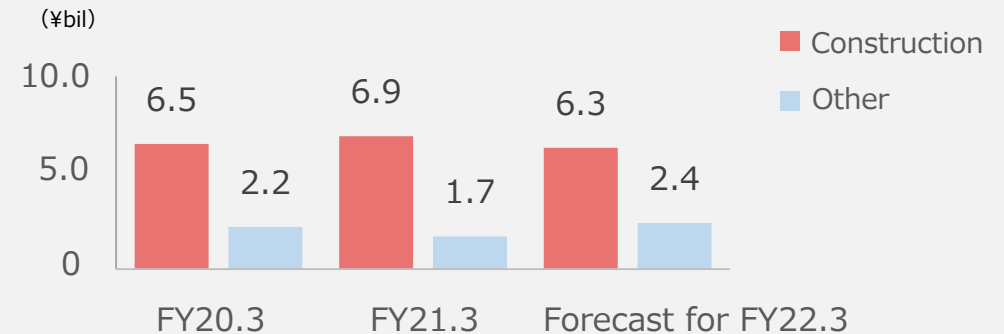
Necessary to build a business portfolio that does not depend excessively on the flow of people to stations

B-to-B businesses recording solid results even during COVID-19 pandemic

Sales to external customers (vs. FY20.3)



Operating income trend



- Solid sales to external customers in the Construction and Other segments (principally B-to-B businesses), even during COVID-19 pandemic
- Expect to be able to secure FY22.3 operating income in a stable manner

Group B-to-B businesses recording solid results

(Example) Caterpillar Kyushu (became a consolidated subsidiary in October 2017)

キャタピラー九州 CAT

- Stable growth in market
- High level of brand strength
- Sustainable, strong business model



JR Kyushu Group

- Sales network expansion, cross-selling with other Group companies, etc.
- Conversion of profit structure through cost management
- Dispatch of abundant management personnel

Considering entry into businesses that do not depend on the flow of people and have high growth potential, including B-to-B, while considering business characteristics, market growth potential, and synergies with the Group.

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/