

FY24.3 Financial Results Overview, First Quarter

August 8, 2023

KYUSHU RAILWAY COMPANY

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

Consolidated Financial Highlights for the Three-Month Period Ended June 30, 2023

	(¥bil)			
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY	
Operating revenue	90.4	97.9	7.4	108.2%
Operating income	7.8	13.4	5.6	171.1%
Ordinary income	8.5	13.7	5.1	160.3%
Extraordinary gains and losses	(0.2)	8.4	8.6	-
Net income attributable to owners of the parent	6.9	17.7	10.8	257.1%
EBITDA [※]	14.7	21.1	6.4	143.4%

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

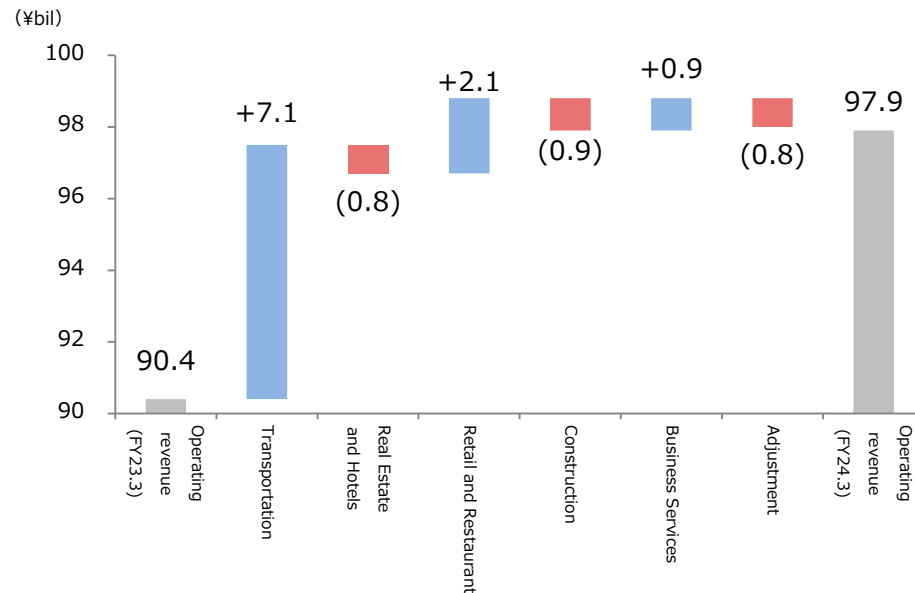
Operating revenue · income

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

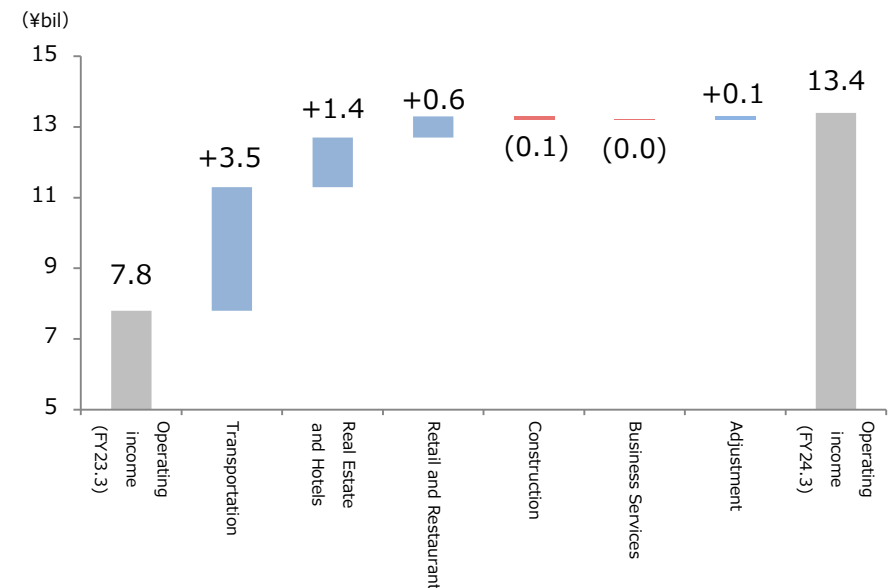
Extraordinary gains and losses

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

Change in operating revenue by segment



Change in operating income by segment



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

(¥bil)

	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY		Major factors
Operating revenue	90.4	97.9	7.4	108.2%	
Transportation	31.4	38.5	7.1	122.7%	
Railway Business (non-consolidated)	31.1	37.9	6.7	121.8%	Increase due to moderate recovery in demand
Real Estate and Hotels	32.6	31.7	(0.8)	97.3%	
Real Estate Lease	14.9	16.2	1.3	109.3%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	14.4	10.1	(4.3)	69.9%	Decrease in the sale of properties, increase in the sale of condominiums
Hotel Business	3.2	5.3	2.0	164.2%	Increase due to moderate recovery in demand
Retail and Restaurant	12.3	14.4	2.1	117.2%	Increase due to moderate recovery in demand
Construction	16.3	15.3	(0.9)	93.9%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	16.7	17.7	0.9	105.5%	
Operating income	7.8	13.4	5.6	171.1%	
Transportation	2.3	5.8	3.5	247.0%	
Railway Business (non-consolidated)	2.5	5.9	3.3	230.7%	
Real Estate and Hotels	5.1	6.6	1.4	128.9%	
Real Estate Lease	3.7	4.0	0.2	107.9%	
Real Estate Sales	1.5	1.7	0.2	114.2%	
Hotel Business	(0.1)	0.8	0.9	-	
Retail and Restaurant	(0.0)	0.6	0.6	-	
Construction	(0.4)	(0.5)	(0.1)	-	
Business Services	0.9	0.9	(0.0)	98.8%	
EBITDA	14.7	21.1	6.4	143.4%	
Transportation	4.8	8.7	3.9	182.0%	
Railway Business (non-consolidated)	4.9	8.7	3.8	176.9%	
Real Estate and Hotels	8.6	10.3	1.7	120.4%	
Real Estate Lease	6.6	7.1	0.4	107.2%	
Real Estate Sales	1.5	1.7	0.2	114.2%	
Hotel Business	0.3	1.4	1.0	375.2%	
Retail and Restaurant	0.2	0.9	0.6	310.6%	
Construction	(0.1)	(0.3)	(0.2)	-	
Business Services	1.5	1.6	0.1	109.1%	

Non-Consolidated Results for the First Three Months of FY24.3

(¥bil)

	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY		Major Factors
Operating revenue	53.4	56.6	3.1	106.0%	
Railway transportation revenues	27.5	34.2	6.6	124.0%	Moderate recovery in demand
Shinkansen	9.0	13.1	4.0	145.3%	
Conventional Lines	18.5	21.1	2.5	113.6%	
Other revenue	25.8	22.4	(3.4)	86.8%	Decrease in the sale of properties, increase in the sale of condominiums
Operating expense	45.7	45.3	(0.4)	99.1%	
Personnel expense	9.7	10.3	0.6	106.2%	
Non-personnel expense	29.0	27.0	(2.0)	92.9%	
Energy cost	2.2	2.8	0.5	123.6%	Unit price increase due to soaring resource prices
Maintenance cost	4.6	5.0	0.4	109.2%	
Other	22.1	19.1	(3.0)	86.3%	Decrease in cost of sales due to the sale of properties, increase in cost of sale due to the sale of condominiums
Taxes	2.7	3.1	0.4	115.8%	
Depreciation cost	4.2	4.8	0.6	114.9%	
Operating income	7.7	11.3	3.6	146.8%	
Non-operating income and expense	4.4	4.7	0.3	108.2%	
Ordinary income	12.1	16.1	3.9	132.7%	
Extraordinary gain and losses	(0.0)	8.2	8.2		- Increase due to a gain on the sale of Drug Eleven shares
Net income	10.7	20.5	9.7	190.7%	

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

		3 months ended June, 30 2022	3 months ended June, 30 2023	YoY	
Railway business	Operating revenue	31.1	37.9	6.7	121.8%
	Operating income	2.5	5.9	3.3	230.7%
Related businesses	Operating revenue	22.3	18.7	(3.6)	83.9%
	Operating income	5.1	5.3	0.2	104.4%

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

Consolidated Financial Forecast Highlights for FY24.3

	Results FY23.3	Forecasts FY24.3	YoY	
Operating revenue	383.2	417.0	33.7	108.8%
Operating income	34.3	45.7	11.3	133.1%
Ordinary income	35.7	45.9	10.1	128.6%
Net income attributable to owners of the parent	31.1	40.7	9.5	130.6%
EBITDA	63.8	78.3	14.4	122.6%

(¥bil)

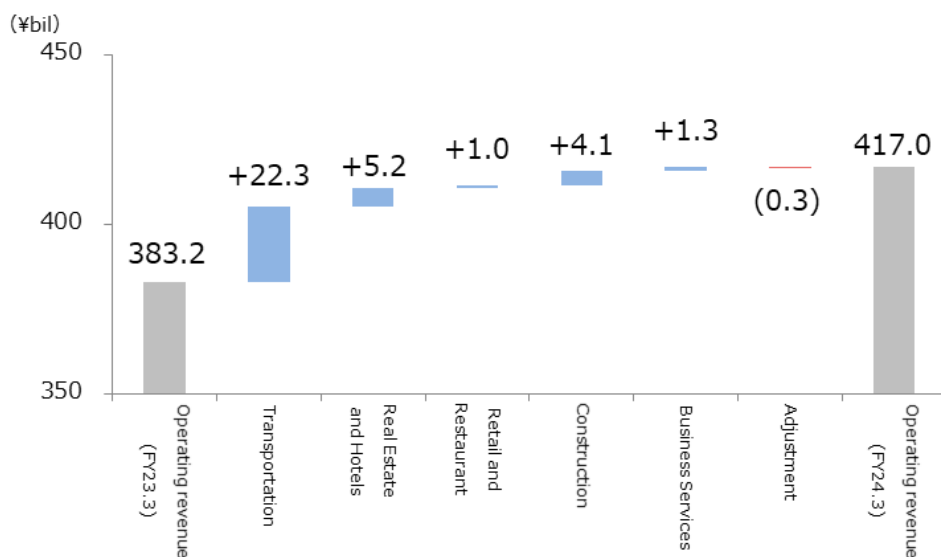
Operating revenue

Even though we expect a decrease in the sale of properties, we anticipate a rise in revenues owing to such factors as the gradual recovery of demand in each segment and the opening of the Nagasaki Station area development.

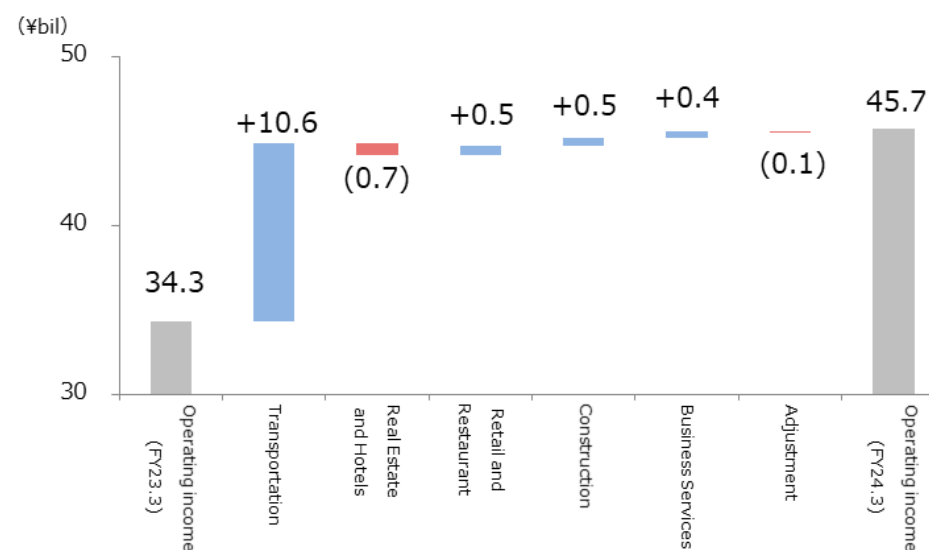
Operating income

We anticipate higher income, owing to increased operating revenues, despite rising energy costs in the railway business, expenses related to the opening of the Nagasaki Station area development, and other expenses.

Change in operating revenue by segment



Change in operating income by segment



Consolidated Financial Forecasts for FY24.3 (by segment)

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	383.2	417.0	33.7	108.8%	
Transportation	138.3	160.7	22.3	116.2%	Increase due to moderate recovery in demand
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%	
Real Estate and Hotels	123.1	128.4	5.2	104.3%	
Real Estate Lease	62.6	68.7	6.0	109.7%	Increase in revenues from leases due to moderate recovery in demand and opening of the New Nagasaki Station Building and other facilities
Real Estate Sales	43.5	38.7	(4.8)	88.8%	Decrease in the sale of properties
Hotel Business	16.9	21.0	4.0	124.2%	Increase due to moderate recovery in demand
Retail and Restaurant	54.7	55.8	1.0	101.9%	
Construction	88.3	92.5	4.1	104.7%	
Business Services	73.4	74.8	1.3	101.8%	
Operating income	34.3	45.7	11.3	133.1%	
Transportation	2.5	13.2	10.6	523.2%	
Railway Business (non-consolidated)	3.1	13.3	10.1	422.7%	
Real Estate and Hotels	22.1	21.4	(0.7)	96.8%	
Real Estate Lease	14.8	15.3	0.4	102.7%	
Real Estate Sales	6.2	5.1	(1.1)	81.6%	
Hotel Business	0.9	1.0	0.0	104.0%	
Retail and Restaurant	1.4	2.0	0.5	141.7%	
Construction	5.4	6.0	0.5	110.2%	
Business Services	3.4	3.9	0.4	111.9%	
EBITDA	63.8	78.3	14.4	122.6%	
Transportation	13.1	25.4	12.2	193.3%	
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%	
Real Estate and Hotels	36.2	37.4	1.1	103.1%	
Real Estate Lease	26.7	28.6	1.8	107.0%	
Real Estate Sales	6.2	5.1	(1.1)	81.3%	
Hotel Business	3.2	3.7	0.4	112.4%	
Retail and Restaurant	2.7	3.3	0.5	121.1%	
Construction	6.5	7.1	0.5	109.1%	
Business Services	6.2	6.3	0.0	100.9%	

Non-consolidated Financial Forecasts for FY24.3

(¥bil)

	Results FY23.3	Forecasts FY24.3	YoY		Major factors
Operating revenue	211.6	228.6	16.9	108.0%	
Railway transportation revenues	121.4	142.8	21.3	117.6%	Increase due to moderate recovery in demand
Shinkansen	44.0	53.9	9.8	122.4%	
Conventional Lines	77.4	88.9	11.4	114.9%	
Other revenue	90.1	85.8	(4.3)	95.2%	Decrease in the sale of properties
Operating expense	188.7	197.1	8.3	104.4%	
Personnel expense	40.3	41.0	0.6	101.6%	
Non-personnel expense	118.9	122.6	3.6	103.1%	
Energy cost	10.7	12.4	1.6	115.0%	Unit price increase due to soaring resource prices
Maintenance cost	30.4	32.5	2.0	106.7%	Increase due to lifting of emergency restraints
Other	77.6	77.7	0.0	100.0%	
Taxes	11.5	12.5	0.9	108.3%	
Depreciation cost	17.9	21.0	3.0	116.7%	
Operating income	22.8	31.5	8.6	138.1%	
Non-operating income and expense	4.3	5.4	1.0	124.5%	
Ordinary income	27.1	36.9	9.7	135.9%	
Extraordinary gain and losses	3.8	7.0	3.1	184.1%	Increase due to a gain on the transfer of Drug Eleven shares
Net income	25.4	36.8	11.3	144.8%	

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

(¥bil)

		Results FY23.3	Forecasts FY24.3	YoY	
Railway business	Operating revenue	136.5	156.9	20.3	114.9%
	Operating income	3.1	13.3	10.1	422.7%
Related businesses	Operating revenue	75.0	71.7	(3.3)	95.5%
	Operating income	19.6	18.2	(1.4)	92.5%

FY24.3 Dividend Forecasts

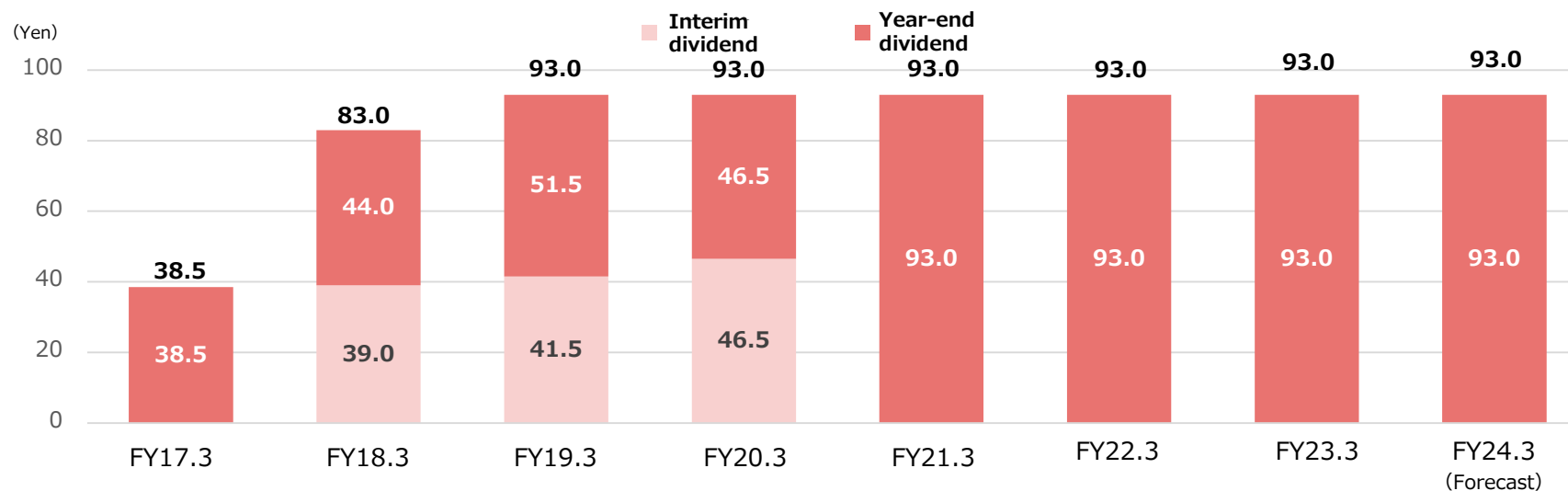
Shareholder return policy

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

FY24.3 dividend forecasts

- Taking the above-mentioned policy into consideration, **we forecast a FY24.3 dividend of ¥93.0 per share**.
- As in FY23.3, in FY24.3 we plan to award a single dividend at year-end (no interim dividend).

(Reference) Annual dividends per share



Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	110.3%	46.9%	35.9%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	110.3%	46.9%	35.9%

* Implementation of a share repurchase (¥10 billion)

III Status of Segments

Status of and Outlook for Key Businesses (Railway)

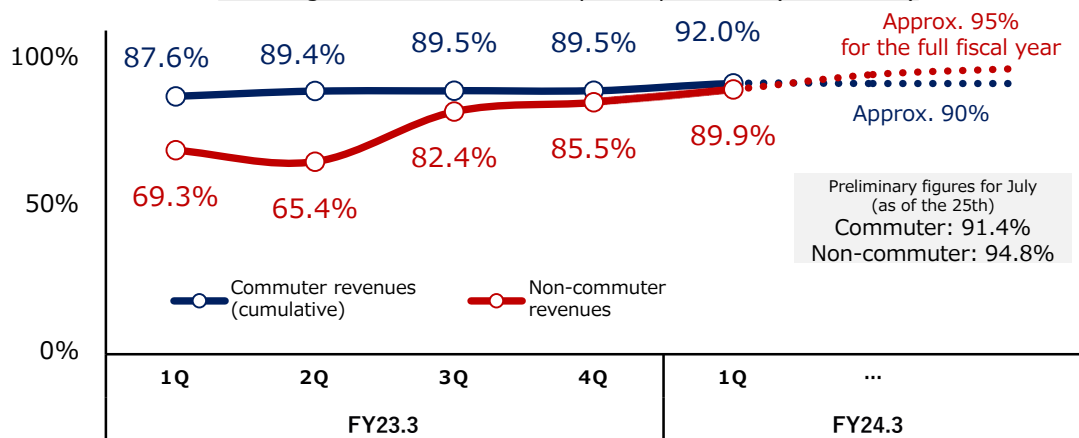
- Although revenue was slightly behind our expectations in Q1, we believe we will be able to recover the forecast levels for the full year.
- Expenses also trended higher in than the previous year, but remained within our scope of expectations.

Revenue situation

- We expect handling revenues from railway transportation in FY24.3 to reach around 94% of FY19.3 levels.
- In Q1, handling revenues from railway transportation were at 90.3%. Commuter revenues were stronger than expected, while the recovery in non-commuter revenues was slightly slower than expected.
- On a financial reporting basis, railway transportation revenues were 92.8% (92.7% for commuter, 92.8% for non-commuter), so not as far behind expectations as handling revenues.
- In Q1, the number of passengers on the Nishi-Kyushu Shinkansen was 100.1% of FY19.3 levels.

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

Handling revenues from railway transportation (vs. FY19.3)



Status of expenses and disasters

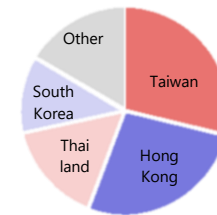
- Energy cost: Year-on-year increase in unit prices was also within expectations
- Maintenance cost: Up year on year, but progressed within expectations
- Damage due to torrential rains
 - Periods: 6/30 to 7/1, 7/9 to 7/10
 - Lines damaged: Damage mainly on the Kyudai Main Line, including ballast runoff.
 - (Operations suspended between Bungo-Mori and Yufuin from 7/1 to 7/19)
 - Cost of damages: Currently under review



Status of operating measures

- Revision on fares for reserved-seating on sightseeing trains (from October 1, 2023) [Revision rate] +16% to +49% (uniform increase of ¥500)
 - Revision on prices for express train commuter passes on conventional lines (from October 1, 2023) [Revision rate] +5% to +12%
 - Revision in rail pass prices for inbound travelers (from October 1, 2023) [Revision rate] For JAPAN RAIL PASS, +49% to +77% For JR-KYUSHU RAIL PASS, +7% to 25%
- <Reference> Number of JR-KYUSHU RAIL PASSES sold in Q1 55,000 passes (98% of FY19.3 levels)

Number of JR-KYUSHU RAIL PASSES sold in Q1 by nationality



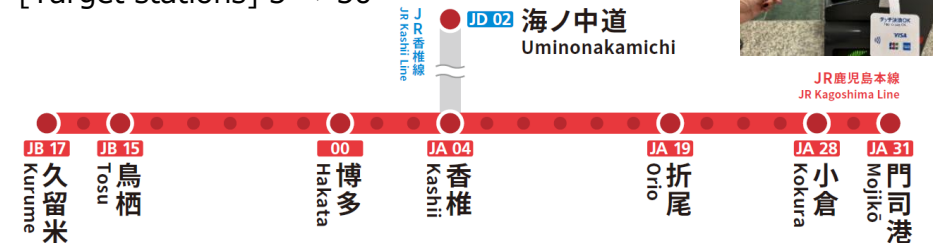
Number of foreigners visiting Kyushu in Q1

699,000 (77% of FY19.3 levels)

Note: Preliminary figures, excluding tourist landings by ship.
Source: Ministry of Land, Infrastructure, Transport and Tourism's Kyushu District Transport Bureau

- Expansion of touch payment verification testing (from July 12, 2023)

[Target stations] 5 ⇒ 50



Status of and Outlook for Key Businesses(Real Estate and Hotels)

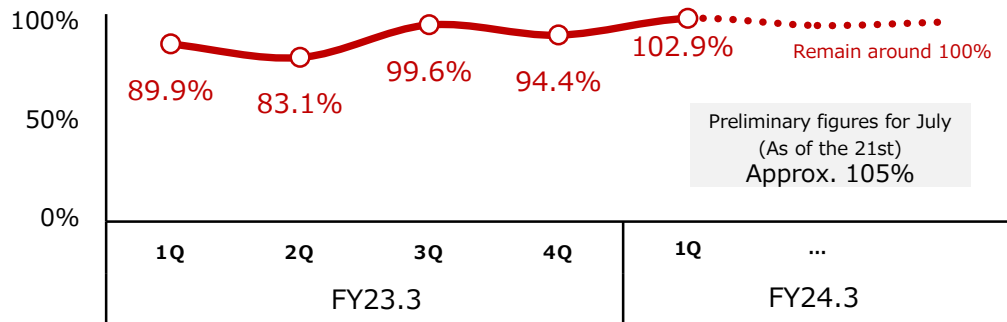
- In Q1, the pace of recovery exceeded expectations, especially at station buildings and hotels, reflecting rising consumer demand and mobility demand.
- We anticipate opening expenses of URESHINO YADOYA (scheduled to open on October 1, 2023) and JR Nagasaki Station Building in 2H.

Real Estate Leasing Business

- We expect tenant sales from main existing station buildings to be around 100% of FY19.3 levels.
- Boosted by a recovery in foot traffic and growing consumer demand, tenant sales from main existing station buildings were robust in Q1.
- The New Nagasaki Station Building is slated to open in autumn 2023.

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

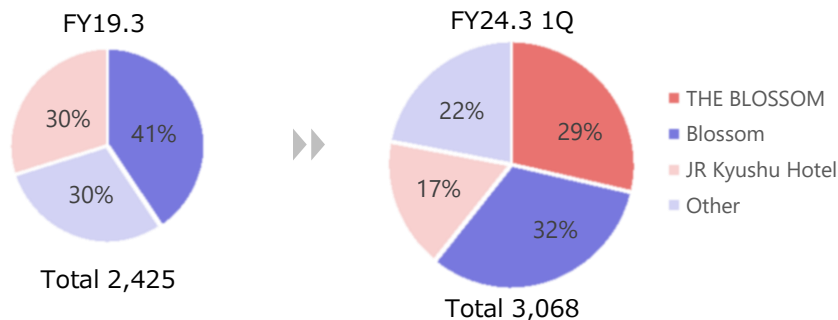
* Hakata, Kokura, Nagasaki (excluding new station building), Oita, Kagoshima



Hotel business

- We assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- Mobility demand rose in Q1, owing to inbound demand and the categorization of COVID-19 as a Class 5 illness, prompting occupancy rates to recover to 73%. ADR entered the ¥18,000 range, above expectations, driven by higher-end hotels such as THE BLOSSOM series.

Share of guest rooms, by domestic hotel brand



Real Estate Sales Business

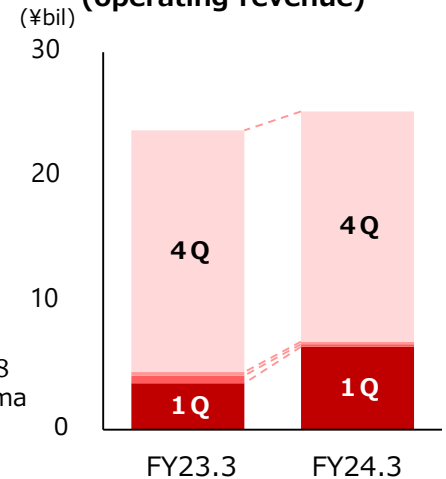
- We expect operating revenue from condominiums to rise slightly from FY23.3 levels.
- With regard to property sales, in Q1 we sold RJR Precia Shin-Yokohama to a third party. We anticipate combined operating revenue of around ¥10.0 billion for the full year from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).



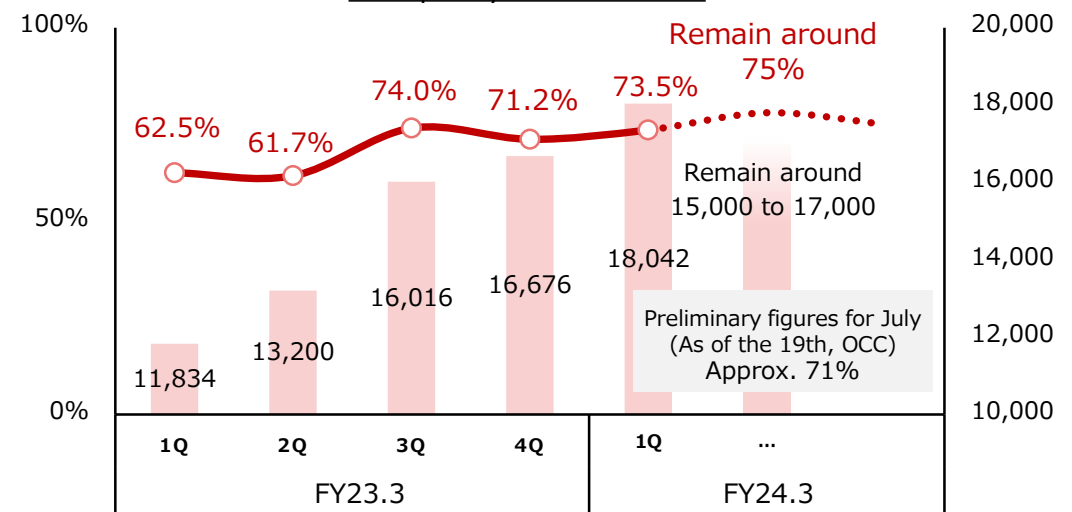
RJR Precia Shin-Yokohama

Acquisition date: October 2018
 Location: Kohoku-ku, Yokohama
 Structure: 10 floors above ground, one below
 Construction date: May 2009
 Floor space: Approx. 5,171m²
 Lot area: Approx. 862m²

Condominium sales forecast (operating revenue)



Occupancy rate and ADR



Transportation Segment

- In Q1, railway transportation revenues continued the previous year's trend toward recovery, but the level was slightly below our expectations.
- Expenses in the railway business were up year on year, but remained within our scope of expectations.

[Results]

			¥bil	
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY	
Operating revenue	31.4	38.5	7.1	122.7%
Railway Business (non-consolidated)	31.1	37.9	6.7	121.8%
Railway transportation revenues	27.5	34.2	6.6	124.0%
Operating income	2.3	5.8	3.5	247.0%
Railway Business (non-consolidated)	2.5	5.9	3.3	230.7%
EBITDA	4.8	8.7	3.9	182.0%
Railway Business (non-consolidated)	4.9	8.7	3.8	176.9%

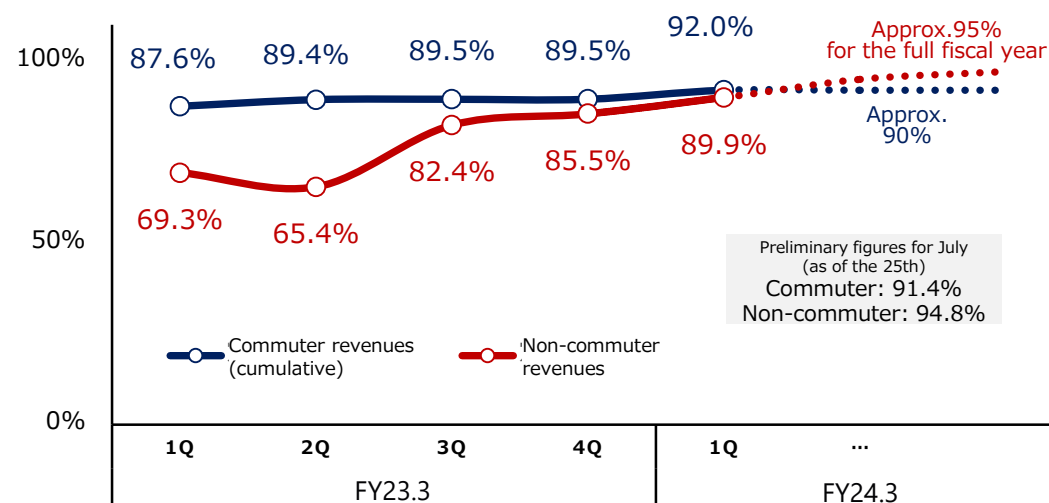
[Forecasts]

			¥bil	
	FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	138.3	160.7	22.3	116.2%
Railway Business (non-consolidated)	136.5	156.9	20.3	114.9%
Railway transportation revenues	121.4	142.8	21.3	117.6%
Operating income	2.5	13.2	10.6	523.2%
Railway Business (non-consolidated)	3.1	13.3	10.1	422.7%
EBITDA	13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	13.5	25.2	11.6	186.4%

Assumptions behind performance forecasts

- In FY24.3, we expect commuter revenues to be around 90% of FY19.3 levels, and non-commuter revenues to be around 95%.
- We expect to continue realizing the effects of a ¥14.0 billion reduction in fixed costs in the railway business, achieved in FY23.3. In addition, we anticipate ¥1.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.
- We believe energy costs in the railway business will be ¥1.6 billion higher (up 15%) than FY23.3 levels, due to soaring electricity prices.

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



Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY		Major Factors
Total	27.5	34.2	6.6	124.0%	
Commuter pass	7.4	7.7	0.2	103.8%	
Non-commuter pass	20.1	26.4	6.3	131.5%	
Cargo	0.0	0.0	0.0	117.6%	
Shinkansen	9.0	13.1	4.0	145.3%	
Commuter pass	0.6	0.7	0.0	112.6%	Gradual recovery in demand, opening of the Nishi-Kyushu Shinkansen
Non-commuter pass	8.3	12.3	4.0	147.9%	
Conventional Lines	18.5	21.1	2.5	113.6%	
Commuter pass	6.8	7.0	0.2	102.9%	Gradual recovery in demand
Non-commuter pass	11.7	14.0	2.3	119.9%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY	
Total	1,816	2,070	254	114.0%
Commuter pass	1,023	1,047	23	102.3%
Non-commuter pass	792	1,022	230	129.1%
Shinkansen	319	453	133	141.7%
Commuter pass	50	56	6	112.7%
Non-commuter pass	269	396	126	147.1%
Conventional Lines	1,496	1,617	120	108.1%
Commuter pass	973	991	17	101.8%
Non-commuter pass	522	626	103	119.8%

Real Estate and Hotels Segment: Real estate leasing business

- In Q1, station building tenant sales recovered at a faster pace than we had anticipated, centered on Hakata City, owing to a rebound in foot traffic.
- In office buildings and rental apartments, performance remained robust, with no major changes to vacancy rates at currently owned properties.

【Results】

			(¥bil)	
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY	
Operating revenue	14.9	16.2	1.3	109.3%
Operating income	3.7	4.0	0.2	107.9%
EBITDA	6.6	7.1	0.4	107.2%

【Forecasts】

			(¥bil)	
	FY23.3 Results	FY24.3 Forecasts	YoY	
	62.6	68.7	6.0	109.7%
	14.8	15.3	0.4	102.7%
	26.7	28.6	1.8	107.0%

Assumptions behind performance forecasts

- We expect tenant sales from main existing station buildings to be around 100% of FY19.3 levels.
- At office buildings and rental apartments, we expect a decline in rents due to the sale of properties, although we expect performance to remain solid.
- Openings include the JR Kagoshima Chuo Building in April 2023, the JR Nagasaki Station Building in autumn 2023, the project to utilize the former site of Sunoko elementary school in January 2024, and CONNECT SQUARE HAKATA (the project for effective use of the site of the Fukuoka Prefecture east government building) in March 2024.

TOPIC

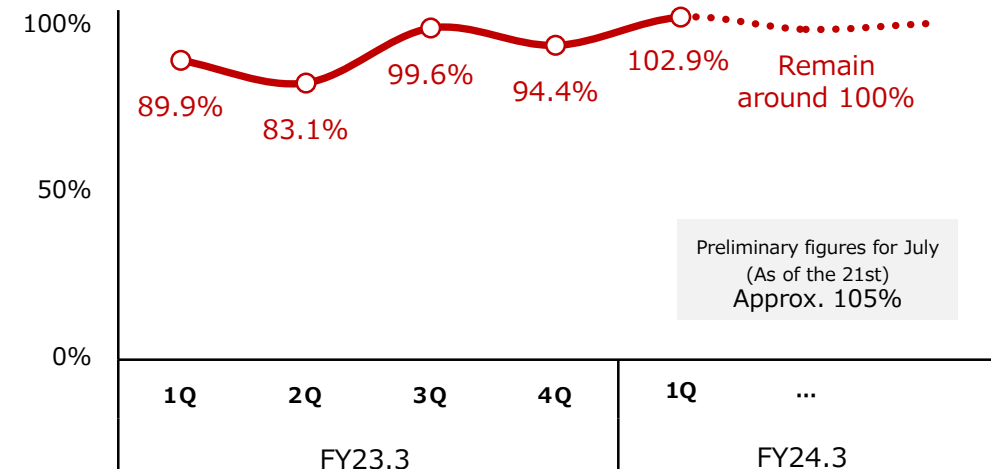
- We acquired the Sunny Side Mall Kokura in July 2023.

Lot area: 36,250 m²
 Floor space: 78,758 m²
 Number of stores: Total of 116 stores



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

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



Real Estate and Hotels Segment: Real Estate Sales Business

- In Q1, condominium sales were up year on year.
- In the period under review, we sold a rental apartment building, whereas we sold an office building in the same period of the previous fiscal year. As a result, the sale of properties was down year on year.

【Results】

	(¥bil)		
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY
Operating revenue	14.4	10.1	(4.3) 69.9%
Operating income	1.5	1.7	0.2 114.2%
EBITDA	1.5	1.7	0.2 114.2%

【Forecasts】

	(¥bil)		
	FY23.3 Results	FY24.3 Forecasts	YoY
Operating revenue	43.5	38.7	(4.8) 88.8%
Operating income	6.2	5.1	(1.1) 81.6%
EBITDA	6.2	5.1	(1.1) 81.3%

Assumptions behind performance forecasts

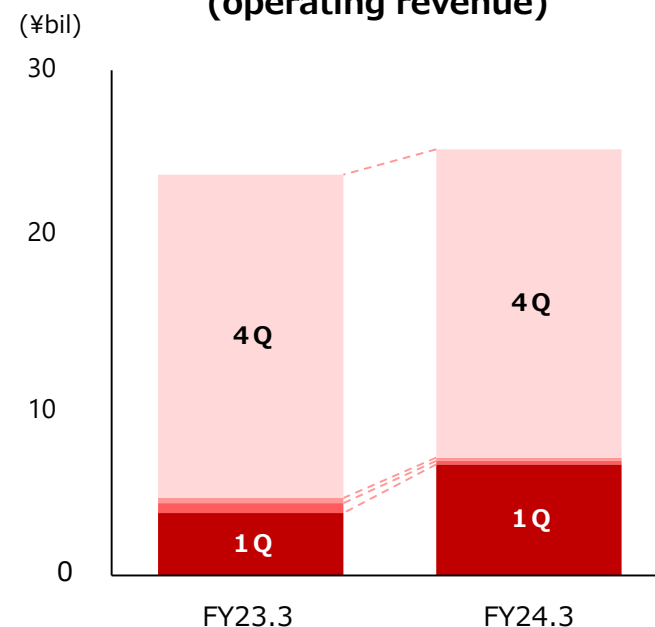
- We expect operating revenue from condominiums to rise slightly from FY23.3 levels.
- With regard to property sales, in Q1 we sold RJR Precia Shin-Yokohama to a third party. We anticipate combined operating revenue of around ¥10.0billion from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).



RJR Precia Shin-Yokohama

Acquisition date: October 2018
 Location: Kohoku-ku, Yokohama
 Structure: 10 floors above ground, one below
 Construction date: May 2009
 Floor space: Approx. 5,171m²
 Lot area: Approx. 862m²

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel Business

- In Q1, performance was much higher than anticipated due to a recovery in domestic travelers and growth in inbound demand. The percentage of inbound travelers rose from 20% before COVID-19 to 40%.
- ADR reached the ¥18,000 level, driven by hotels in the Tokyo metropolitan area and higher-end brands.

【Results】

	(¥bil)		
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY
Operating revenue	3.2	5.3	2.0 164.2%
Operating income	(0.1)	0.8	0.9 -
EBITDA	0.3	1.4	1.0 375.2%

【Forecasts】

	(¥bil)		
	FY23.3 Results	FY24.3 Forecasts	YoY
Operating revenue	16.9	21.0	4.0 124.2%
Operating income	0.9	1.0	0.0 104.0%
EBITDA	3.2	3.7	0.4 112.4%

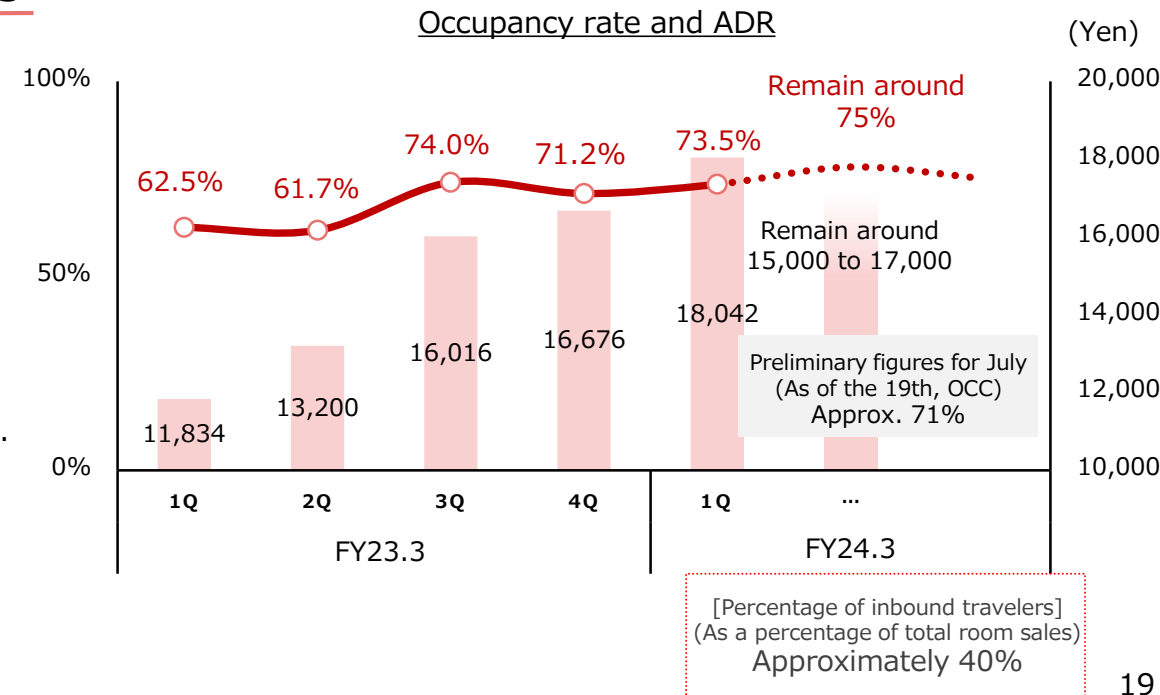
Assumptions behind performance forecasts

- Across all hotels in Japan, we assume occupancy rates of around 75%, with ADR of around ¥15,000 to ¥17,000.
- We ceased operation of JR Kyushu Hotel Kokura (187 rooms) on March 31, 2023 and of JR Hotel Yakushima (46 rooms) on June 1, 2023.
- URESHINO YADOYA (36 rooms) is scheduled to open (on October 1, 2023).



- Total of 36 rooms (24 rooms in the main wing, 12 rooms in a separate wing)
- All rooms will be equipped with hot springs.
- All the rooms in the separate wing will be suite rooms, with space of around 80m² or more.

- Nagasaki Marriott Hotel (207 rooms) is scheduled to open in early 2024.



Retail and Restaurant segment

- In Q1, sales at existing stores in restaurants near stations and in suburban areas benefited from a resurgence in footfall, and performance exceeded expectations.

【Results】

	(¥bil)		
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY
Operating revenue	12.3	14.4	2.1 117.2%
Operating income	(0.0)	0.6	0.6 -
EBITDA	0.2	0.9	0.6 310.6%

【Forecasts】

	(¥bil)		
	FY23.3 Results	FY24.3 Forecasts	YoY
Operating revenue	54.7	55.8	1.0 101.9%
Operating income	1.4	2.0	0.5 141.7%
EBITDA	2.7	3.3	0.5 121.1%

Status of Key Businesses

- The convenience store business and the restaurant-related franchise business drove performance. Performance was also strong at souvenir-related specialty stores.
- Existing store sales were more than 100% of levels for the same period of the previous year, centered on major subsidiaries.

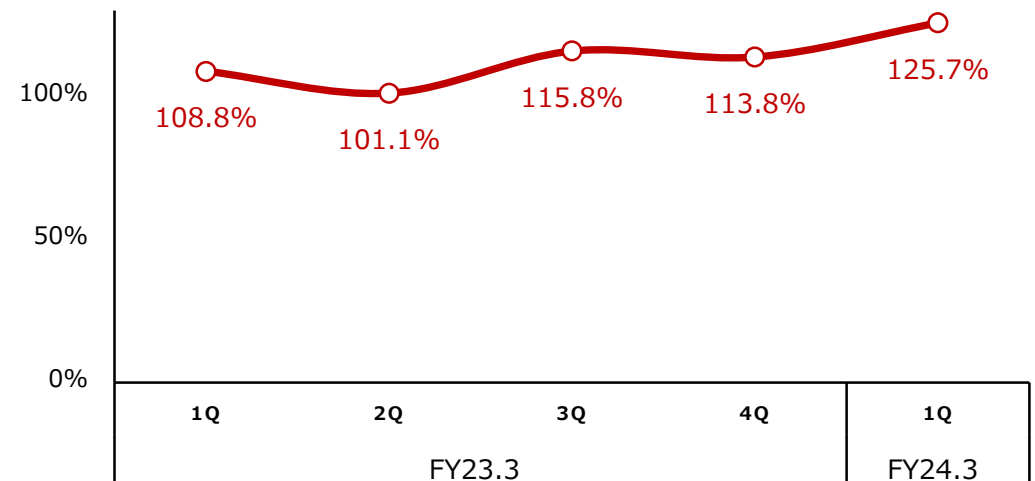
TOPIC

- In June 2023, FUJIBAMBI Co., Ltd. became a subsidiary. This company produces and sells confectioneries, centered on “brown sugar donut sticks.”

Headquarters: Kita-ku, Kumamoto City
Established: 1976



Segment store sales (vs. FY19.3)



Note: Results exclude JR Kyushu Drug Eleven (as we sold all shares in that company in May 2023).

Construction Segment, Business Services Segment

Construction Segment

【Results】

	(¥bil)		
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY
Operating revenue	16.3	15.3	(0.9) 93.9%
Operating income	(0.4)	(0.5)	(0.1) -
EBITDA	(0.1)	(0.3)	(0.2) -

【Forecasts】

	(¥bil)		
	FY23.3 Results	FY24.3 Forecasts	YoY
Operating revenue	88.3	92.5	4.1 104.7%
Operating income	5.4	6.0	0.5 110.2%
EBITDA	6.5	7.1	0.5 109.1%

Business Services Segment

【Results】

	(¥bil)		
	3 months ended June, 30 2022	3 months ended June, 30 2023	YoY
Operating revenue	16.7	17.7	0.9 105.5%
Operating income	0.9	0.9	(0.0) 98.8%
EBITDA	1.5	1.6	0.1 109.1%

【Forecasts】

	(¥bil)		
	FY23.3 Results	FY24.3 Forecasts	YoY
Operating revenue	73.4	74.8	1.3 101.8%
Operating income	3.4	3.9	0.4 111.9%
EBITDA	6.2	6.3	0.0 100.9%

IV Progress of the Medium-Term Business Plan

JR Kyushu Group Medium-Term Business Plan 2022-2024

Three key strategies of the medium-term business plan

Robustly promoting three key strategies during the stage for returning the Company to a growth track

Completing business structural reforms

Key strategy ①

Railway business	Stabilizing profitability
Hotel business	Increasing competitiveness of existing hotels
Retail and Restaurant business	Increasing the competitiveness of brands and of stores/restaurants
Construction business	Implementing transition in primary focus from inside the Group to outside

Key strategies for the realization of the long-term vision

Key strategy ②

Creating a model for building cities that promote well-being

Key strategy ③

Developing businesses in new areas in which we can contribute

Developing human resources for the implementation and realization of strategies

Building foundations for advancing strategies on a Groupwide basis

2030 Long-Term Vision

We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

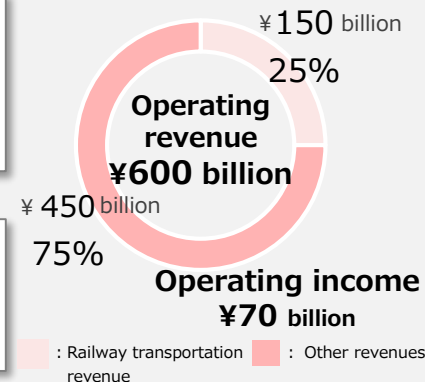
Policy ①

Implementing city-building initiatives for the realization of well-being, with consideration for changes in values

Policy ②

Expanding areas we work in that contribute to the sustainable development of Kyushu

FY31.3 (numerical targets)



Numerical targets, etc. (FY25.3)

【Consolidated】

Operating revenue **¥440 billion** Operating income **¥57 billion**
 EBITDA **¥94 billion** ROE **More than 8%**
[reference]

【By segment*】

(¥bil)

Segment name	Operating revenue	Operating income
Transportation	163	17
Real Estate and Hotels	133	27
Retail and Restaurant	65	3
Construction	95	7
Business Services	80	4

【Cumulative investment planned for 2022–2024】

¥340 billion

¥225 billion

(including items that have not been confirmed)

¥115 billion

¥58 billion

Investment plan

Bonds, borrowings, etc.

Consolidated operating cash flow **¥230 billion**

(Reference) Fund-raising (plan)

Financial soundness indicators (end-FY25.3)

D/EBITDA **Approx. 5 times**

Capital adequacy ratio **Approx. 40%**

- : Growth investment (including M&A)
- : Maintenance and upgrade investment
- : Safety investment

Shareholder return policy

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

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

Key strategy① Completing Business Structural Reforms: Railway Business Through The Future Railway Project

- Taking a railway business streamlined through BPR as our starting point, we will work to advance mobility and strengthen our management base through the “Future Railway Project” to create the “railway of the future” that will drive city-building in Kyushu.

“Future maintenance”

The future we wish to realize: A maintenance system that is very safe and productive, and through the use of accumulated data allows anyone to participate and advance.

[Examples of track maintenance]

On-board track patrol



Employees regularly go along operating lines to check and assess conditions along the track, such as whether trains are rocking or whether obstructions are present.



Target image

Track inspections and automatic assessments



Install measurement devices such as cameras and lasers on trains and automatically transmit information to our offices to perform automatic judgments on obstructions and abnormalities.

[Anticipated results]

- Reduced employee workload, leading to higher productivity
- Improved safety and sustainability as a result of quantitative evaluations that do not rely on experience
- More and more frequent collection of information to realize CBM and minimize life cycle costs

Current situation



We have installed equipment on four operating trains that we have already been operating on some lines since 2020. New inspection equipment is under development with the aim of expanding operations to all lines.

Walking inspections



Employees regularly conduct walking inspections to check and assess the condition of track joints, switches, and other equipment, as well as changes in the surrounding environment.



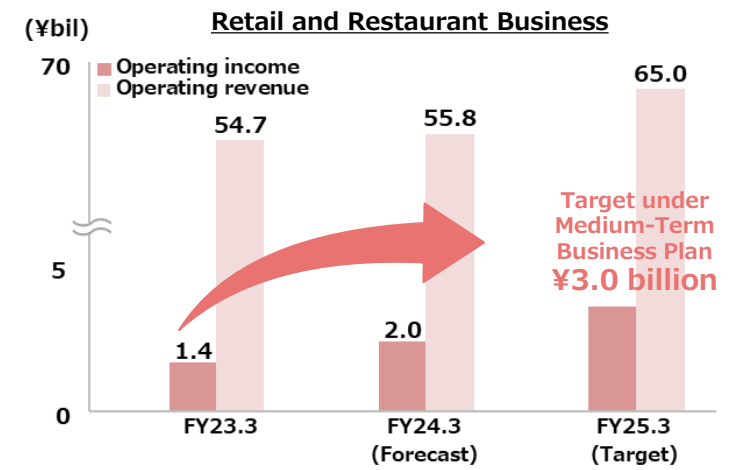
Current situation



Multifunctional inspection vehicles are under development. As soon as they are finished, we will begin the high-frequency collection of travel data. Development of AI to support and automate decisions on inspection is a challenge for the future.

Key strategy① Completing Business Structural Reforms: Retail and Restaurant Business

- We will improve management through structural reforms and the support of outside specialists. By promoting the reinforcement of existing businesses and brands, we aim to further enhance competitiveness and improve profitability.



Specialty shops (souvenir): Reinforcing existing businesses

- During COVID-19, JR Kyushu Retail expanded business by creating limited-period themed stores and introducing original and limited-edition products with regional characteristics to stimulate new demand stimulation and promote self-consumption.
- Business at specialty shops has performed well due to the synergistic effects of measures taken since COVID-19, as well as a recovery in footfall.

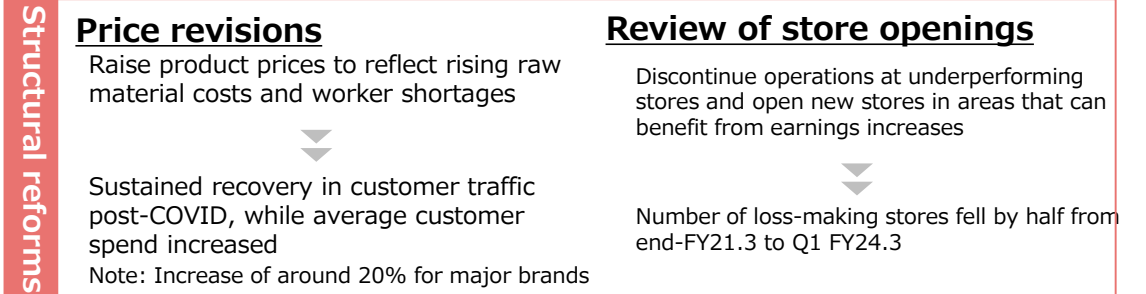
▶▶ **Sales at specialty shops (existing shops) in Q1 FY24.3**
106% of pre-COVID levels

[Nishi-Kyushu Shinkansen Kamome Fair]
 —Sold original JR Kyushu Retail items at the opening of the Nishi-Kyushu Shinkansen, such as the “Shinkansen Kamome Long Baumkuchen” and the “Shinkansen Kamome Ballpoint Pen”

[Other examples]
2020
 — “**TOKYO BANANA**” sold at Hakata Station and other locations for a limited time
2021
 —First in-station sales of specialty products (botamochi and udon) from “**Suke-san Udon**,” a popular udon noodle shop
2022
 —Sold “**Pepetama**,” a signature product of “**Rarukii**,” a popular Fukuoka pasta shop

Restaurants: Structural reforms and rebranding

- Since COVID-19, JR Kyushu Food Service has engaged in structural reforms, mainly involving the elimination of underperforming stores, but the business situation remains severe.
- Since June 2023, the company has been working to rebuild and strengthen its major brands with support from “GEMINI,” which has extensive consulting expertise in the food and beverage industry.



Structural reforms

GEMINI Strategy Group

Promotion of measures to revitalize existing brands
Dispatch of support personnel

Execution of measures at individual stores
Management of progress, consolidation of effects

JR九州フードサービス

Rebranding

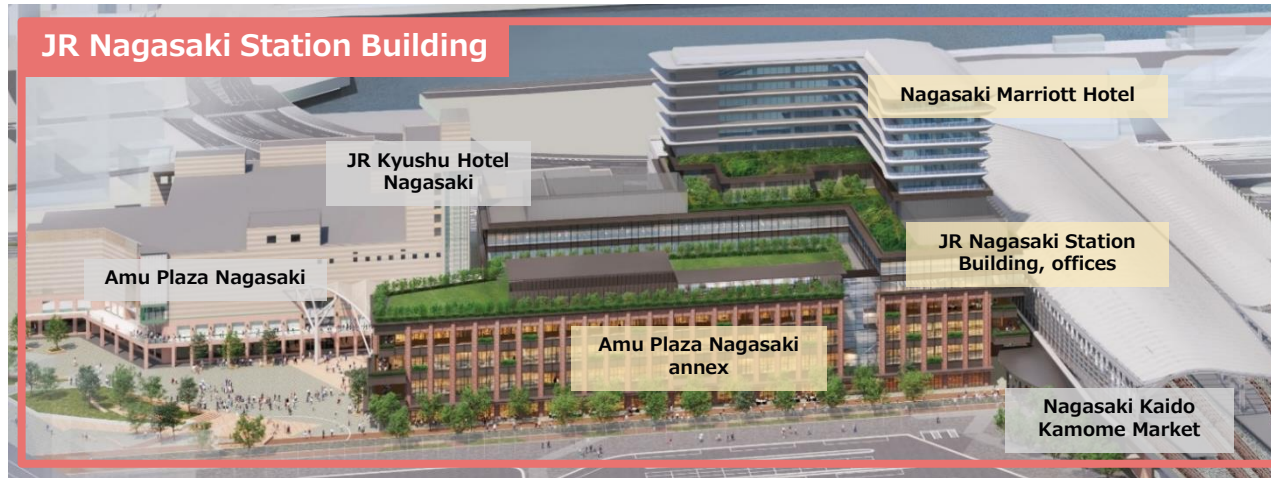
- Brand redefinition
- Improved procurement of food ingredients
- Review of measures to attract customers and reservation order system
- Improvement of menus and food preparation
- Reinforcement of management by the numbers
- Enhanced recruitment, training, and evaluation of culinary personnel

Key strategy② Creating a model for building cities that promote well-being: Nagasaki Station area development

- Implementing a multi-faceted development project as the land gateway to Nagasaki, an international tourism city, including hotels, commercial facilities, offices, and parking lots, to create energy and interaction and promote city-building in Nagasaki

JR Nagasaki Station Building (scheduled to open in fall 2023)

- Total floor space of around 160,000m² (including the new station building, existing station building, and commercial facilities under elevated railway tracks), and development of a station building second in scale to Hakata
- June 2023 marks the official naming of the JR Nagasaki Station Building, which combines part of the expansion and an existing part of the building
- In the Amu Plaza Nagasaki annex, 86 stores are scheduled to open, bringing the total to 246 stores in all of Amu Plaza Nagasaki when it opens.



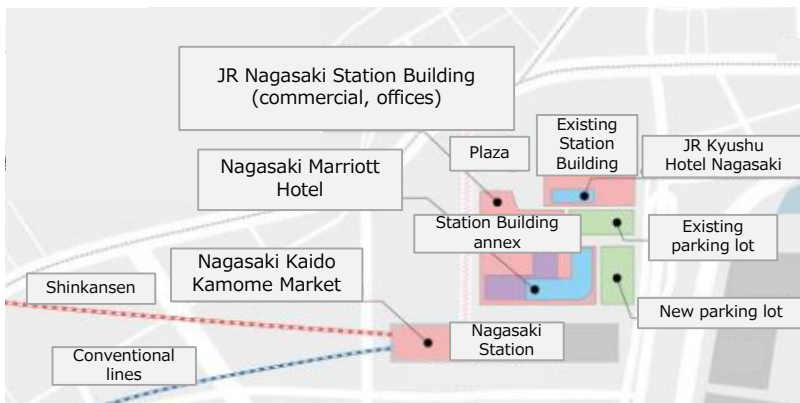
[Floor space and number of shops]

	Floor space	Sales floor space	Number of stores (expected*2)
New station building	Approx. 102,000m ²	Approx. 21,700m ²	86
Commercial facilities	Approx. 41,000m ²	Approx. 21,700m ²	86
Hotels	Approx. 20,000m ²	-	-
Offices	Approx. 9,000m ²	-	-
Parking lots	Approx. 900 units	-	-
Commercial facilities under elevated railway tracks	Approx. 4,400m ²	Approx. 2,200m ²	55
Existing station building*1	Approx. 58,500m ²	Approx. 24,000m ²	105
Parking lots	Approx. 600 units	-	-
Total	Approx. 160,000m²	Approx. 47,900m²	246

*1: Including JR Kyushu Hotel Nagasaki

*2: At the scheduled opening of Amu Plaza Nagasaki annex in fall 2023

[Overview of the Nagasaki Station area development]



Nagasaki Marriott Hotel (scheduled to open in early 2024)



Guest rooms: Total of 207 rooms
 Floor space: Approx. 20,000m²
 Floors: Above-ground floors 1, 7-13
 Other: 70% of guest rooms have balconies

Key strategy② Creating a model for building cities that promote well-being: City-Building in the Kyushu Area

- In addition to the Fukuoka and western Kyushu areas, we are pursuing new developments and acquiring properties in the northern Kyushu and Kagoshima areas.
- We will contribute to expand the non-resident population by utilizing the transportation network to promote city-building around railway lines and at terminal stations.

Commercial facilities under elevated railway tracks at Orio Station (new development)

- We are promoting city-building in the area around Orio Station as a comprehensive improvement project for the Orio area. We kicked off these efforts with a new station building in January 2021.

(Ekimachi-1chome Orio)

Name : えきマチ1丁目 折尾

Opening date: September 2023 (scheduled)

Lot area: Approx. 10,700m²

Number of stores: Total of 29 stores (scheduled)



New

Commercial facility adjoining Shimosone Station (acquisition)

- Large, community-based commercial facility adjacent to JR Shimosone Station
- Aim to secure stable revenues and at the same time increase the value of the property by replacing stores and holding events, etc., utilizing the JR Kyushu Group's know-how in the operation of commercial facilities

Name: Sunny Side Mall Kokura

Acquisition date: July 2023

Lot area: 36,250m²

Floor space: 78,758m²

Number of stores: Total of 116 stores



Commercial facilities under elevated railway tracks at Saga Station (renewal)

- As one aspect of our city-building in the western Kyushu area, we are fully renovating the area under the elevated tracks on the west side of the station. In addition to daily station users and neighborhood residents, the facility will also target tourists and business travelers.

(SAGAHATSU)

Name: サガハツ

Opening date: April 2023

Lot area: Approx. 2,800m²

Number of stores:

Total of 19 stores



Kagoshima-Chuo Station west entrance development (new development)

[Phase I development: commercial facilities, offices, multistory parking garage]

Name: JR Kagoshima-Chuo Building /AMU WE (commercial zone)

Opening: April 2023

Lot area: Approx. 6,500m²

Number of stores: Total of 16 stores

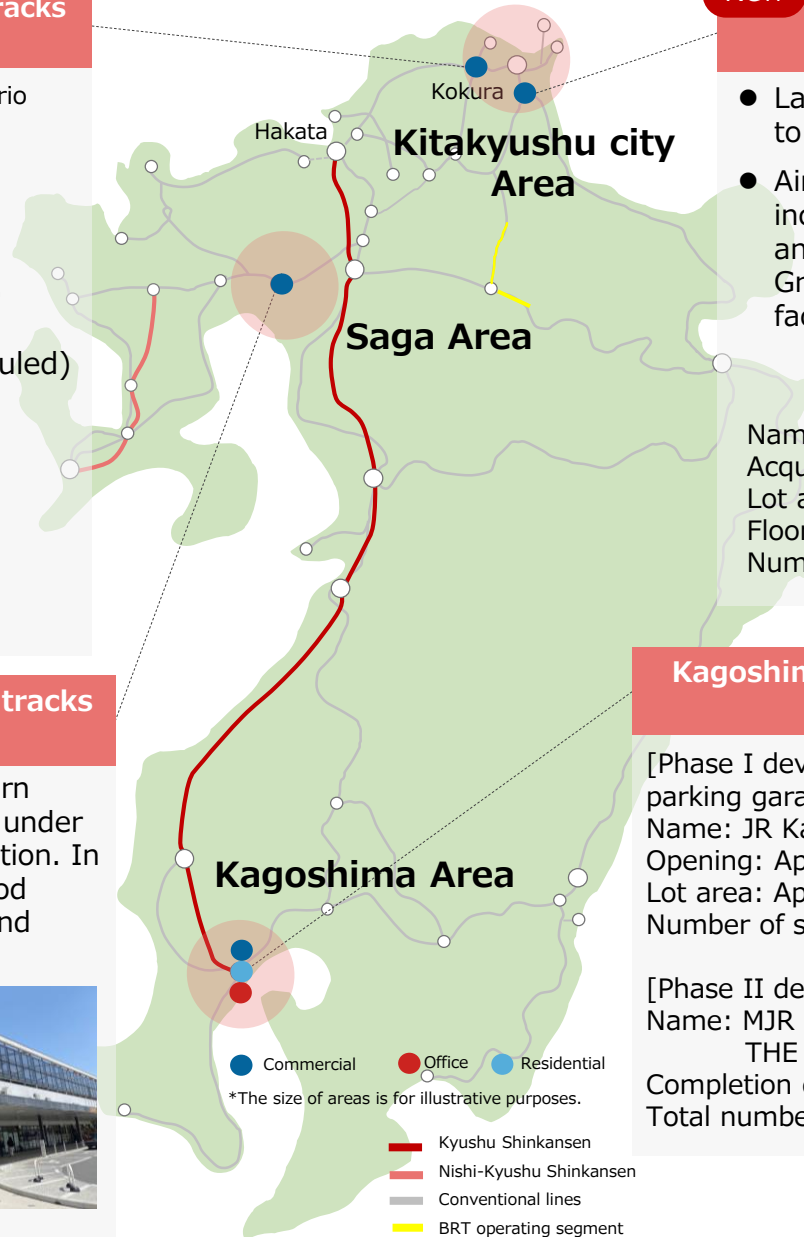
[Phase II development: condominiums]

Name: MJR Kagoshima-Chuo Ekimae

THE GARDEN

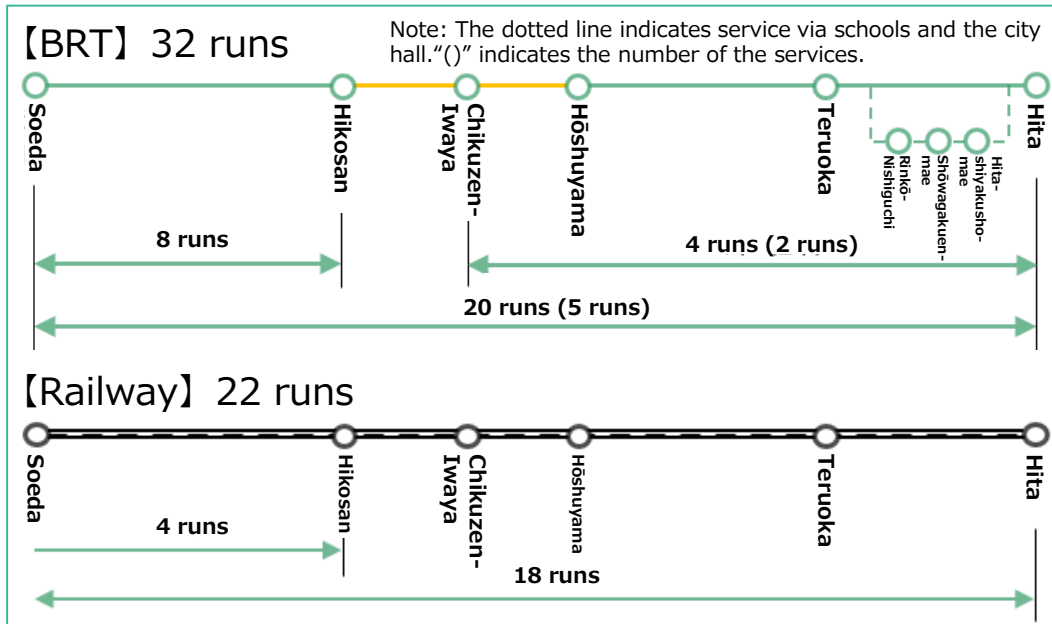
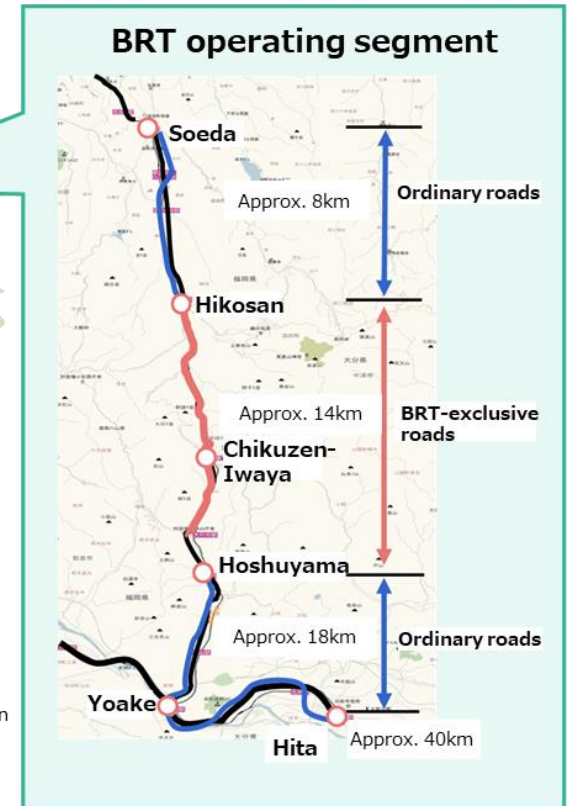
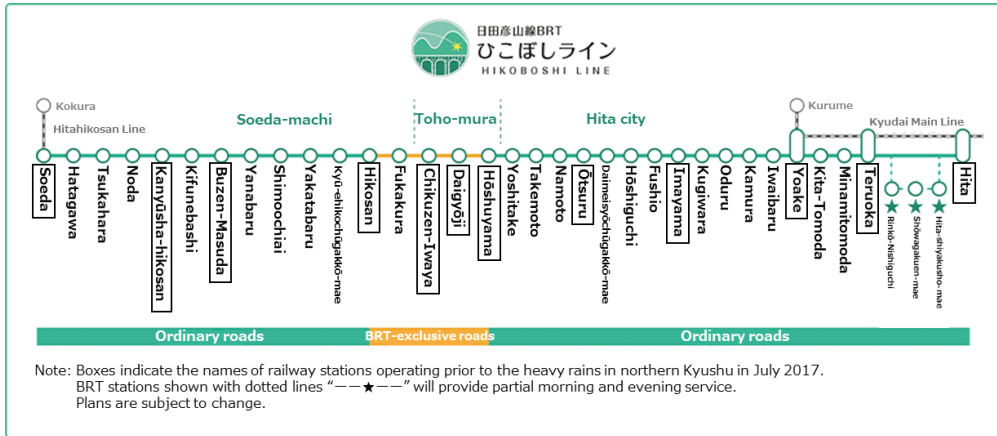
Completion date: January 2026 (scheduled)

Total number of units: 156 units



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

- On August 28, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of stations is set to triple from pre-disaster levels, with around 1.5 times the number of runs, providing routes closely connected to the community.



Average time required

	Soeda - Hikosan	Chikuzen-Iwaya - Hita	Soeda - Hita
BRT (Direct route)	Approx. 16 min	Approx. 59 min	Approx. 1 hr 32 min
BRT (Via schools and the city hall)	—	Approx. 1 hr 2 min	Approx. 1 hr 37 min

	Soeda - Hikosan	Chikuzen-Iwaya - Hita	Soeda - Hita
Railway (2017)	Approx. 12 min	Approx. 33 min	Approx. 56 min

Forward-Looking Statements

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

These statements are judgments made by the Company based on information, projections, and assumptions available at the time of the materials' creation. Accordingly, please be advised that actual operating results could greatly differ from the contents of the materials due to the influence of COVID-19; changes in people's values and lifestyles; the economic situation inside and outside Japan and the economic situation in Kyushu; real estate market conditions; the progress of respective projects; changes in laws and regulations; and a wide range of other risk factors.

IR materials can be viewed on our corporate website:

https://www.jrkyushu.co.jp/company/ir_eng/library/earnings/