

FY24.3

Semi-Annual Investors Meeting

November 8, 2023

KYUSHU RAILWAY COMPANY

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Highlights

Financial results for the first six months of FY24.3

- Owing to a gradual recovery of demand in each segment, consolidated operating revenues, operating income, ordinary income, and net income attributable to owners of the parent all increased year on year.

Full-year performance forecasts and dividend forecasts for FY24.3

- In Q2, we made steady progress toward our full-year financial forecasts.
- Our consolidated financial forecast remains unchanged from our announcement on August 8.
- Our dividend forecast remains unchanged, at an annual dividend of ¥93.0 per share (year-end dividend only).

Status of segments

- The rate of recovery in railway business revenues has been increasing since Q1.
- In the hotel business, ADR has been rising since Q1.
- In the retail and restaurant business, store sales remain favorable.

Progress on the medium-term business plan

- We plan to open the New Nagasaki Station Building on November 10.
- The state of use of the BRT on the Hitahikosan Line is positive.
- We are promoting measures to enhance employee engagement.

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

Consolidated Financial Highlights for the Six-Month Period Ended September 30, 2023

(¥bil)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Operating revenue	170.1	190.7	20.5	112.1%
Operating income	11.1	26.8	15.6	239.8%
Ordinary income	11.8	28.0	16.2	236.8%
Extraordinary gains and losses	1.9	6.5	4.5	333.6%
Net income attributable to owners of the parent	12.0	27.9	15.9	233.2%
EBITDA[※]	25.2	42.4	17.1	168.1%

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

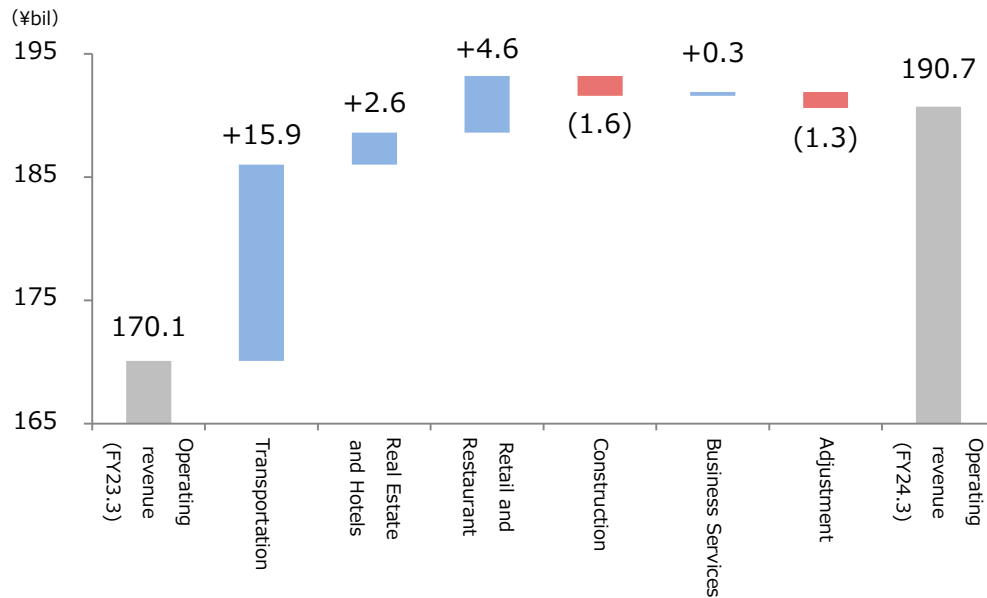
Operating revenue · income

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

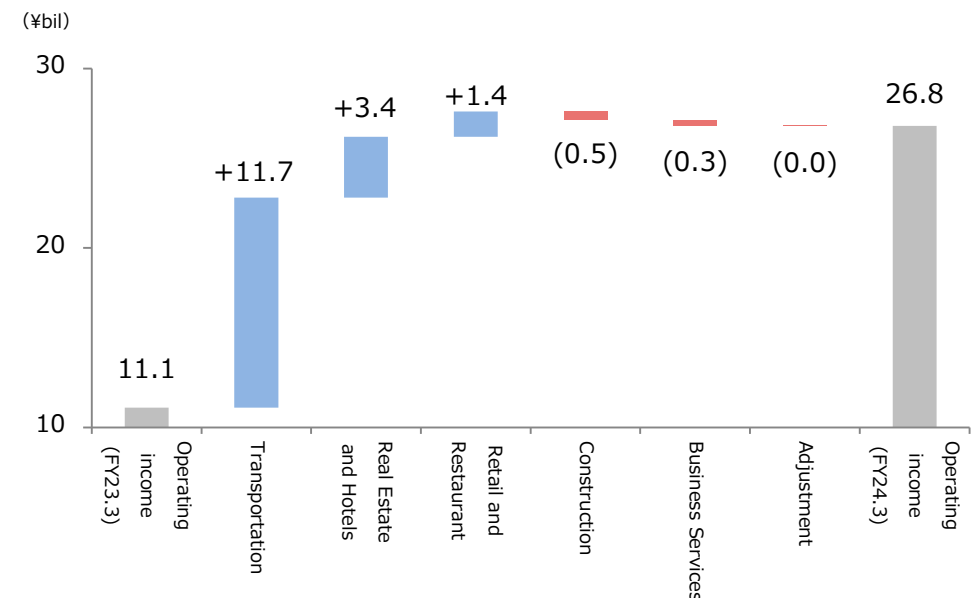
Extraordinary gains and losses

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 Six Months of FY24.3 (by Segment)

(¥bil)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major factors
Operating revenue	170.1	190.7	20.5	112.1%	
Transportation	63.4	79.3	15.9	125.1%	
Railway Business (non-consolidated)	62.8	77.9	15.1	124.1%	Increase due to moderate recovery in demand
Real Estate and Hotels	52.6	55.2	2.6	105.0%	
Real Estate Lease	30.3	33.5	3.1	110.5%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	15.4	10.6	(4.8)	68.8%	Decrease in the sale of properties
Hotel Business	6.8	11.0	4.2	162.7%	Increase due to moderate recovery in demand
Retail and Restaurant	25.2	29.9	4.6	118.4%	Increase due to moderate recovery in demand
Construction	35.5	33.9	(1.6)	95.4%	
Business Services	34.1	34.4	0.3	100.9%	
Operating income	11.1	26.8	15.6	239.8%	
Transportation	0.3	12.1	11.7	-	
Railway Business (non-consolidated)	0.8	12.3	11.4	-	
Real Estate and Hotels	8.4	11.8	3.4	140.1%	
Real Estate Lease	7.4	8.6	1.1	115.4%	
Real Estate Sales	1.3	1.5	0.1	113.5%	
Hotel Business	(0.2)	1.7	2.0	-	
Retail and Restaurant	0.2	1.6	1.4	665.4%	
Construction	0.1	(0.3)	(0.5)	-	
Business Services	1.9	1.6	(0.3)	83.8%	
EBITDA	25.2	42.4	17.1	168.1%	
Transportation	5.3	17.9	12.5	332.8%	
Railway Business (non-consolidated)	5.7	17.9	12.2	314.4%	
Real Estate and Hotels	15.4	19.3	3.9	125.4%	
Real Estate Lease	13.2	14.8	1.5	111.7%	
Real Estate Sales	1.3	1.5	0.1	113.4%	
Hotel Business	0.8	2.9	2.1	369.6%	
Retail and Restaurant	0.8	2.2	1.4	259.7%	
Construction	0.6	0.1	(0.5)	16.4%	
Business Services	3.0	3.0	(0.0)	99.8%	

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

(¥bil)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major Factors
Operating revenue	94.2	106.2	12.0	112.8%	
Railway transportation revenues	55.4	70.4	14.9	127.1%	Moderate recovery in demand
Shinkansen	18.7	28.0	9.2	149.6%	
Conventional Lines	36.6	42.3	5.6	115.5%	
Other revenue	38.8	35.8	(2.9)	92.3%	Decrease in the sale of properties, increase in the sale of condominiums
Operating expense	85.1	85.0	(0.1)	99.9%	
Personnel expense	19.8	20.3	0.5	102.9%	
Non-personnel expense	50.4	48.6	(1.7)	96.5%	
Energy cost	4.9	5.5	0.6	112.0%	Unit price increase due to soaring resource prices
Maintenance cost	11.8	11.6	(0.2)	98.3%	
Other	33.6	31.4	(2.1)	93.5%	Decrease in cost of sales due to the sale of properties, increase in cost of sale due to the sale of condominiums
Taxes	6.2	6.1	(0.0)	98.8%	
Depreciation cost	8.6	9.7	1.1	113.7%	
Operating income	9.0	21.2	12.1	233.4%	
Non-operating income and expense	4.0	5.5	1.5	137.5%	
Ordinary income	13.1	26.8	13.6	203.8%	
Extraordinary gain and losses	2.2	6.5	4.2	287.5%	Increase due to a gain on the sale of Drug Eleven shares
Net income	14.3	28.2	13.9	197.0%	

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

(¥bil)

		6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Railway business	Operating revenue	62.8	77.9	15.1	124.1%
	Operating income	0.8	12.3	11.4	-
Related businesses	Operating revenue	31.4	28.3	(3.0)	90.1%
	Operating income	8.2	8.9	0.6	107.7%

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

Consolidated Financial Forecast Highlights for FY24.3

(¥bil)

	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%

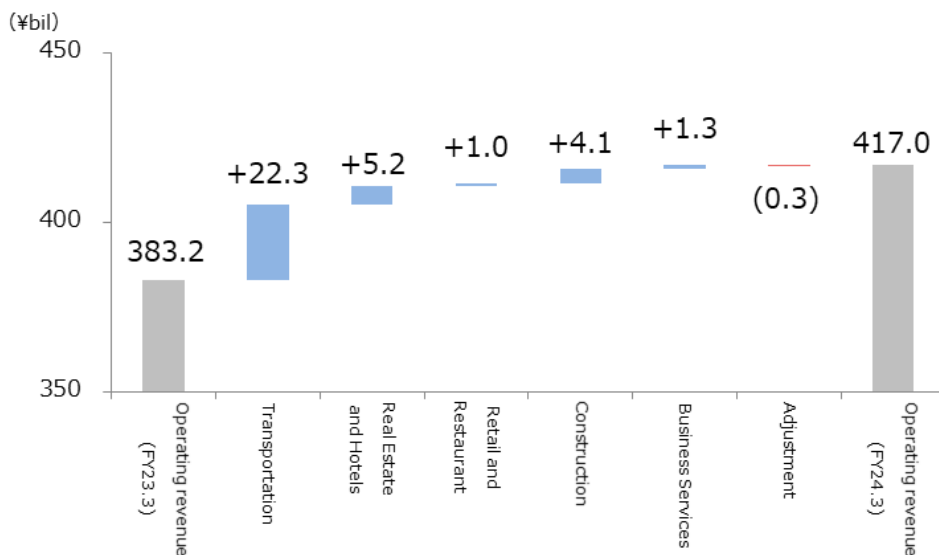
Operating revenue

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.

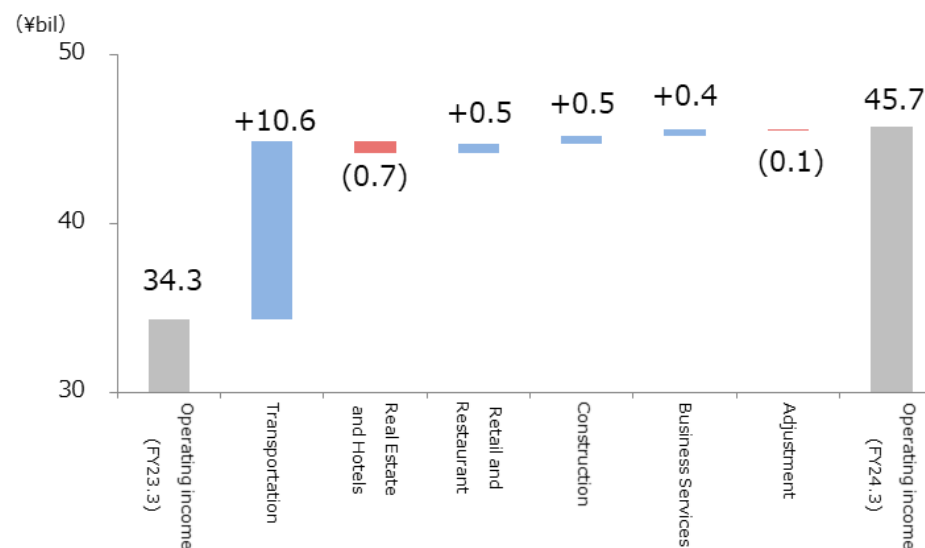
Operating income

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

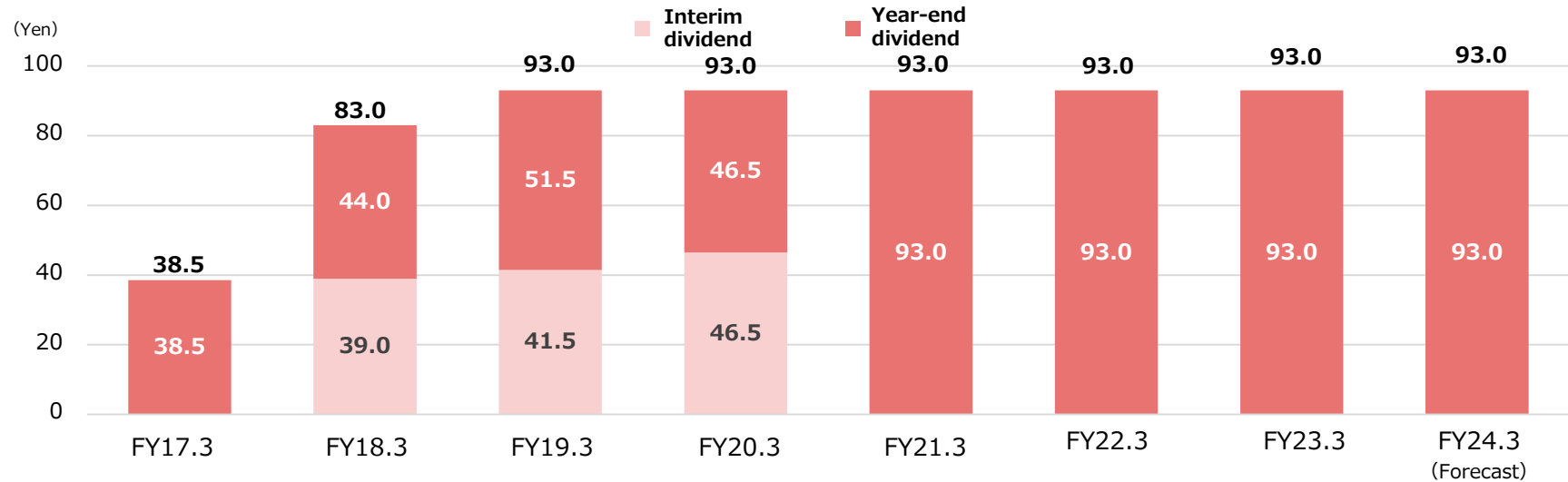
Shareholder return policy

- 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

Transportation Segment

- Railway transportation revenues continued to recovery gradually, in line with expectations.

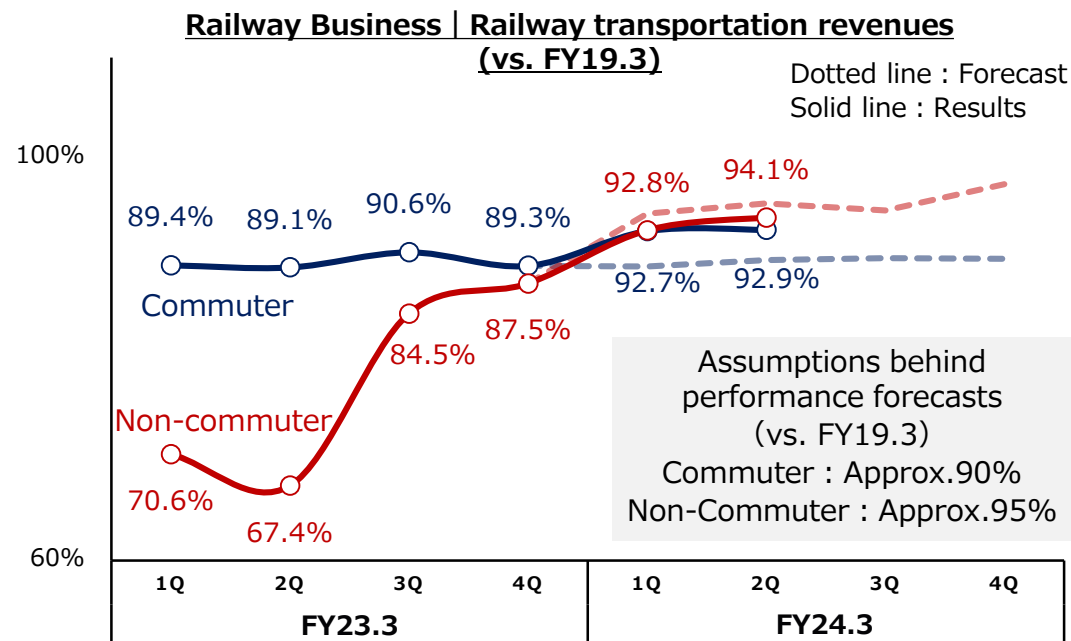
	【Results】 (¥bil)				【Forecasts】 (¥bil)			
	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		FY23.3 Results	FY24.3 Forecasts	YoY	
Operating revenue	63.4	79.3	15.9	125.1%	138.3	160.7	22.3	116.2%
Railway Business (non-consolidated)	62.8	77.9	15.1	124.1%	136.5	156.9	20.3	114.9%
Railway transportation revenues	55.4	70.4	14.9	127.1%	121.4	142.8	21.3	117.6%
Operating income	0.3	12.1	11.7	-	2.5	13.2	10.6	523.2%
Railway Business (non-consolidated)	0.8	12.3	11.4	-	3.1	13.3	10.1	422.7%
EBITDA	5.3	17.9	12.5	332.8%	13.1	25.4	12.2	193.3%
Railway Business (non-consolidated)	5.7	17.9	12.2	314.4%	13.5	25.2	11.6	186.4%

Status of Key Businesses

- Railway transportation revenues were essentially in line with overall expectations, with non-commuter revenues slightly below expectations and commuter revenues stronger than expected.

[Railway transportation revenues (vs. FY19.3)]
1H results: 93.3% Vs. full-year expectations: 94.3%

- With regard to expenses in the railway business, energy costs were slightly lower than expected and maintenance costs were somewhat delayed. However, in 2H we expect costs to rebound from levels curtailed during the pandemic.



Status of Inbound Measures in the Railway Business

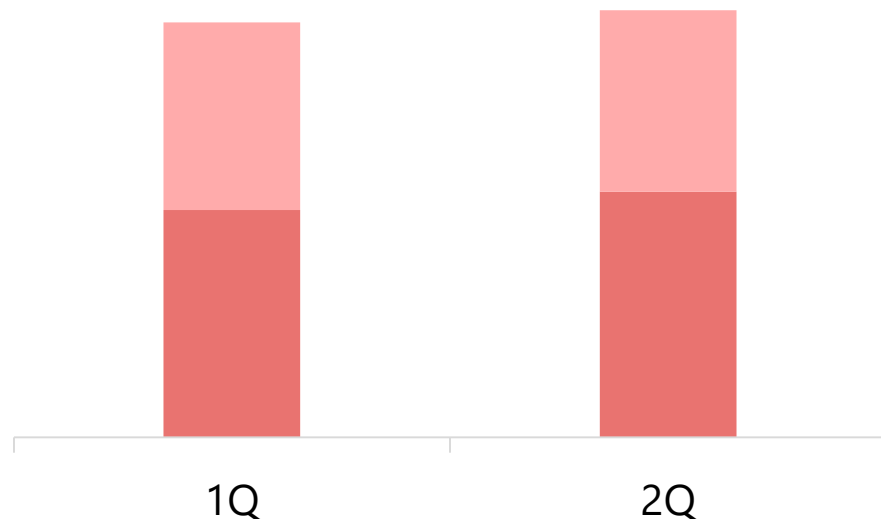
- In Q2, inbound revenue was essentially on a par with Q1. We revised rail pass prices in October.

Inbound revenue (approximate)

JR-KYUSHU RAIL PASS Others Vs. FY19.3



Approx. ¥1.1 billion Approx. ¥1.1 billion



Percentage of railway transportation revenues

Approx. 3.3%

Approx. 3.2%

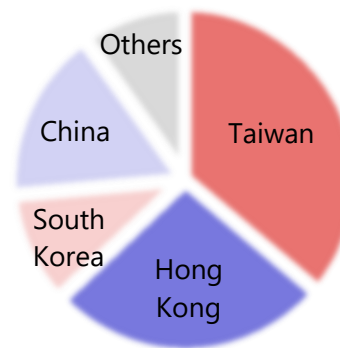
Demand for JR-KYUSHU RAIL PASS

	1H FY19.3	1H FY24.3	
	Results	Results	Vs. FY19.3
Number of tickets sold	115,000	116,000	100%
Sales	¥ 1.09 billion	¥ 1.39 billion	127%
(Reference) Unit price*	¥8,500	¥10,000	118%

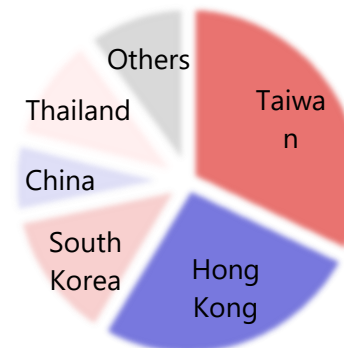
*Amount for northern Kyushu (3 days)

Sales by nationality

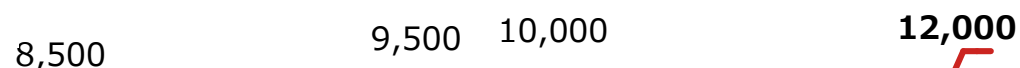
1H FY19.3



1H FY24.3



Price change (3 days, northern Kyushu)



April 2018

June 2020

April 2021

October 2023

Changing the Station System in the Railway Business

- To improve the efficiency of the station system, on October 1, we moved to direct management of station operations that had been outsourced to a subsidiary.

Issues prior to switching

As some operations could not be outsourced, such as train control operations and transporting cash, as we have progressed toward unmanned stations, the burden on directly managed stations of managing outsourced and unmanned stations has increased, leading to greater inefficiency.



By moving to directly handle all station operations that had been outsourced to a subsidiary, we aim to make the station operation system more efficient, shrink indirect departments, improve organizational capabilities, and invigorate the utilization and transfer of human resources.

[System before switching]

	Directly managed stations	Outsourced stations	Simply outsourced stations, unmanned stations	Total
Number of stations	47	130	394	571
Percentage	8%	23%	69%	—

Switching method

- End the outsourcing of station operations to a subsidiary, JR Kyushu Service Support (Business Services Segment).
- Employees of JR Kyushu Service Support that had handled station operations will, in principle, continue their employment at JR Kyushu.

Projected impact on performance (annual)

[Consolidated]
No impact

[Non-consolidated]
Personnel expense
Approx. +2.0 billion yen
Non-personnel expense
Approx. (2.0) billion yen

[Segment]
Business Services Segment
Operating revenue
Approx. (2.0) billion yen
Operating income
No impact

Note: We assume that expenses will decrease on a consolidated basis over the medium to long term due to efficiency gains.

Subcommittee on Rail Fares and Charges (Ministry of Land, Infrastructure, Transport and Tourism)

Interim summary of the subcommittee (July 2022)

(1) Immediate measures

Start specific studies on the following items, based on the current fare and charge system. Implement these items, starting with those for which results are obtained.

1. Revise the total cost calculation method

→Investigate methods to appropriately reflect investments and costs for safety, security, and the environment in the total cost.

2. Improve and innovate the current system's operations

3. Review the system to maintain and ensure regional mobility in rural areas

→Consider establishing a system that would allow for setting fares that differ from approved fares if agreed upon by local stakeholders.

(2) Future considerations

Continue to review the current fare and charge system, taking into account the results of the immediate actions described in (1) above.

Direction for Review of Total Cost Calculation Method (June 2023: Selected Key Issues)

- Introduction of accelerated depreciation expense for future capital investments
- Reflect the rate of change in the fair unit price of fuel in energy cost
- Reflect in personnel expense the rate of increase in fair unit personnel expense
- Reflect in expenses the rate of increase in prices based on the consumer price index, the corporate goods price index and other key government statistical data
- Factor in extraordinary losses due to disasters
- Depreciation expense calculation for impaired assets (considered on a business-by-business basis, taking individual circumstances into account)
- The national government intends to revise the revenue cost calculation guidelines by the end of this fiscal year

Our position on the fare system

- Our belief that more flexibility in setting fares would lead to better and more sustainable service remains unchanged.
- On the other hand, we see the fact that the cost-of-income calculation procedures are being considered for revision in the current fiscal year as positive, as the strict conditions have made it difficult for us to revise fares.
- We will continue to monitor the specific details of the revision of the guidelines.

Railway business (transportation data)

Railway Transportation Revenues

(¥bil)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY		Major Factors
Total	55.4	70.4	14.9	127.1%	
Commuter pass	14.8	15.4	0.5	104.0%	
Non-commuter pass	40.5	54.9	14.4	135.5%	
Cargo	0.0	0.0	0.0	121.9%	
Shinkansen	18.7	28.0	9.2	149.6%	
Commuter pass	1.3	1.5	0.1	112.4%	Gradual recovery in demand, opening of the Nishi-Kyushu Shinkansen
Non-commuter pass	17.3	26.5	9.1	152.5%	
Conventional Lines	36.6	42.3	5.6	115.5%	
Commuter pass	13.5	13.9	0.4	103.1%	Gradual recovery in demand
Non-commuter pass	23.1	28.4	5.2	122.8%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
Total	3,613	4,225	612	117.0%
Commuter pass	1,976	2,033	56	102.9%
Non-commuter pass	1,636	2,192	555	134.0%
Shinkansen	672	968	295	143.9%
Commuter pass	100	112	12	112.2%
Non-commuter pass	572	856	283	149.5%
Conventional Lines	2,940	3,257	316	110.8%
Commuter pass	1,876	1,920	44	102.4%
Non-commuter pass	1,063	1,336	272	125.6%

Real Estate and Hotels Segment: Real estate leasing business

- The real estate leasing business performed steadily, at the anticipated level.

【Results】

	(¥bil)		
	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY
Operating revenue	30.3	33.5	3.1 110.5%
Operating income	7.4	8.6	1.1 115.4%
EBITDA	13.2	14.8	1.5 111.7%

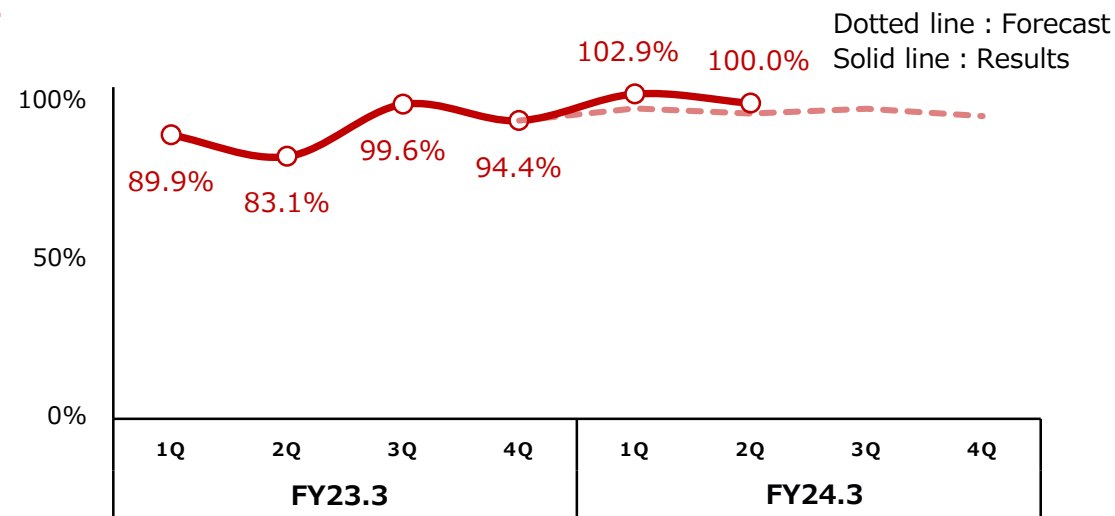
【Forecasts】

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

Status of Key Businesses

- Station building tenant sales are in line with the recovery trend, driven mainly by Hakata City.
- In office buildings and rental apartments, performance remained robust, with no major changes to vacancy rates at currently owned properties.
- The JR Nagasaki Station Building is scheduled to open on November 10, 2023, so we anticipate opening expenses in 2H.

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

- 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】

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	15.4	10.6	(4.8)	68.8%
Operating income	1.3	1.5	0.1	113.5%
EBITDA	1.3	1.5	0.1	113.4%

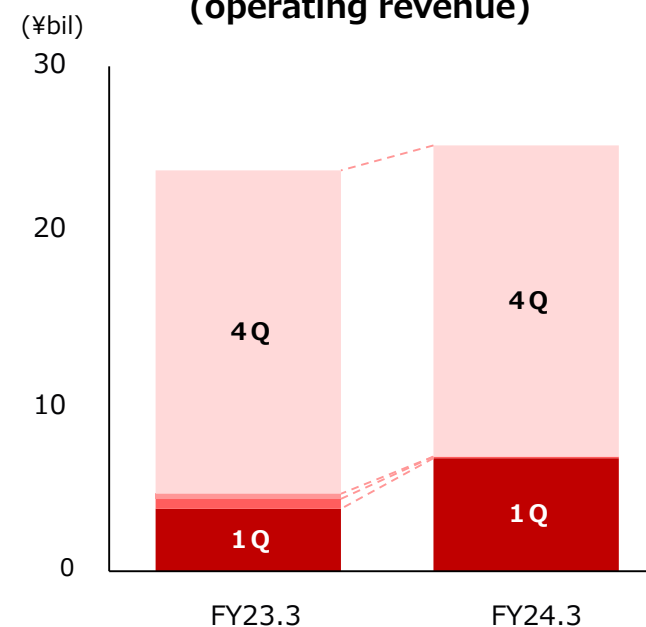
【Forecasts】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
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%

Status of Key Businesses

- We expect operating revenue from condominiums to rise slightly from FY23.3 levels. In 2H, we plan to deliver the Company's first development property in Tokyo.
- 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 from the sale of properties to a private REIT and to third parties (around ¥17.0 billion in FY23.3).

Condominium sales forecast (operating revenue)



RJR Precia Shin-Yokohama

Acquisition date: October 2018
 Location: Kohoku-ku, Yokohama
 Structure: 10 floors above ground, one below
 Construction date: May 2009
 Units: 110

Condominium Sales Business

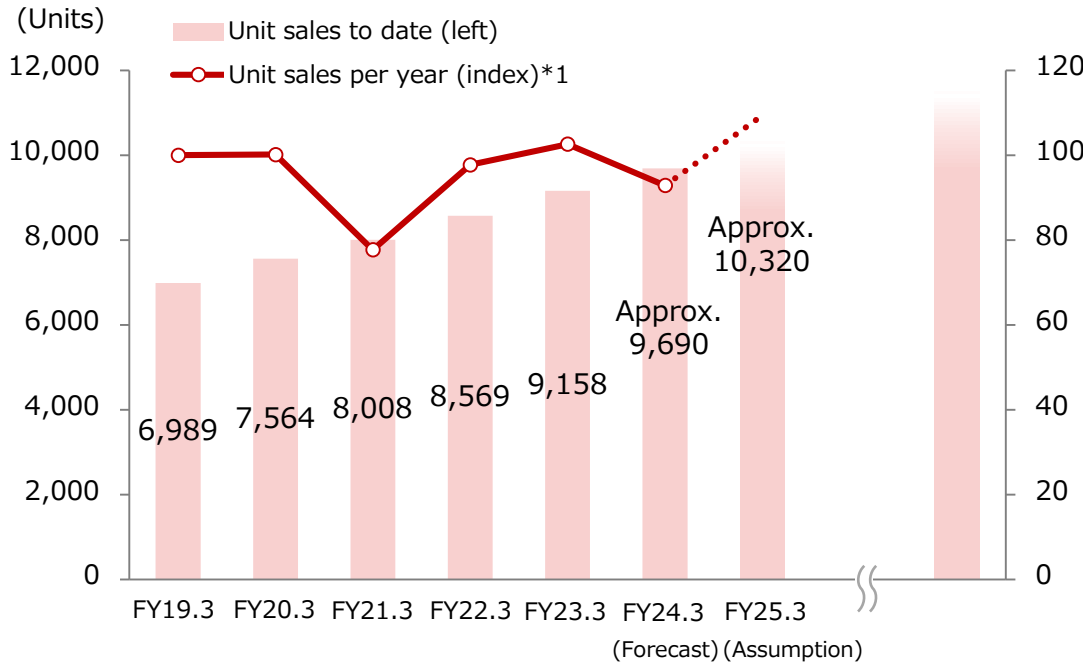


- More than 30 years after launching the business, the MJR brand has established a solid position and track record in Kyushu.
- We will continue to ensure a stable supply, and aim to increase the number of residents along our train lines and invigorate local communities.

About the MJR brand

- Started supplying condominiums in 1989
- Business operations in major cities in Kyushu, as well as in the Tokyo metropolitan area and the Kansai region
- Top-class sales performance in Kyushu

Unit sales



*1 The number of units sold in FY19.3 is indexed to 100.

*2 Figures for FY24.3 and beyond are planned and may change depending on actual sales conditions and other factors.

Major projects in the pipeline

Slated for completion in FY24.3

MJR Fukagawa Sumiyoshi

Location: Koto-ku, Tokyo
 Structure: 14 floors above ground
 Delivery date: March 2024 (expected)

Units: 165
 Sales status: All sold
 Note: First property to be sold in Tokyo



FY25.3

MJR Hakata The Residence

Location: Hakata-ku, Fukuoka
 Structure: 14 floors above ground
 Delivery date: April 2025 (expected)

Units: 262
 Sales status: Sales in progress



FY26.3

MJR Kumamoto Gate Tower

Location: Nishi-ku, Kumamoto
 Structure: 30 floors above ground
 Delivery date: March 2026 (expected)

Units: 236
 Sales status: Sales in progress



Note: This is a joint development project with Keihan Real Estate Co., Ltd.

Real Estate and Hotels Segment: Hotel Business

- Due to a further increase in accommodation demand, ADR reached the ¥19,000 level.
- The percentage of inbound travelers rose from Q1 as a percentage of total room sales.

【Results】

	6 months ended September, 30		YoY	
	2022	2023		
Operating revenue	6.8	11.0	4.2	162.7%
Operating income	(0.2)	1.7	2.0	-
EBITDA	0.8	2.9	2.1	369.6%

(¥bil)

【Forecasts】

	FY24.3 Forecasts		YoY	
	FY23.3 Results	FY24.3 Forecasts		
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%

(¥bil)

Status of Key Businesses

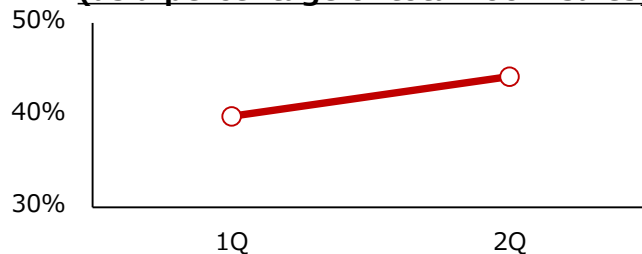
- Stronger inbound demand, especially in the Tokyo metropolitan and Fukuoka areas, drove up occupancy rates and ADR.

[Assumptions for FY24.3]

Occupancy rates: Remain at around 75%

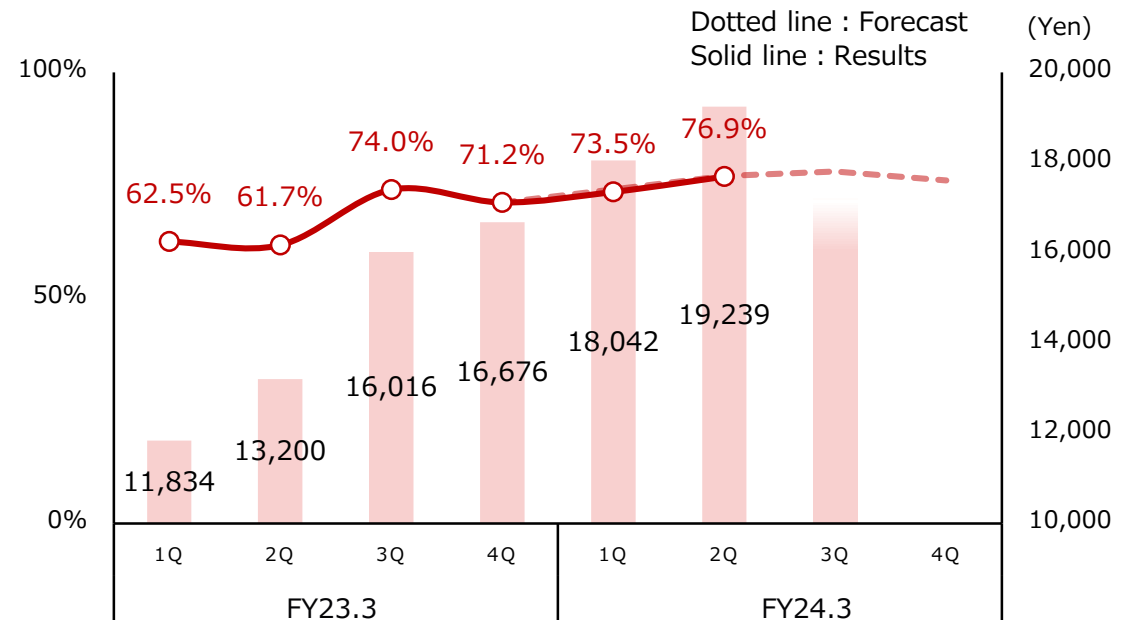
ADR: Move in the range of ¥15,000 to ¥17,000

**Percentage of inbound travelers
(as a percentage of total room sales)**



- The Nagasaki Marriott Hotel is scheduled to open in early 2024, so we forecast opening expenses in 2H.

Occupancy rate and ADR



Retail and Restaurant segment

- The recovery trend continued, buoyed by a further recovery in foot traffic in Q2.
- Sales both at stores in areas surrounding stations and at suburban stores were favorable, pushing up revenue and income.

【Results】

	6 months ended		YoY	
	September, 30 2022	September, 30 2023		
Operating revenue	25.2	29.9	4.6	118.4%
Operating income	0.2	1.6	1.4	665.4%
EBITDA	0.8	2.2	1.4	259.7%

(¥bil)

【Forecasts】

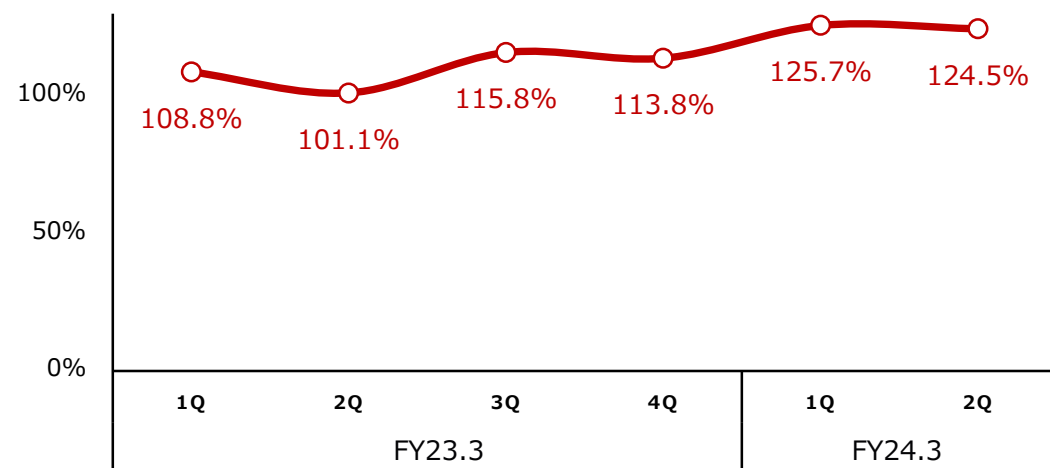
	FY24.3		YoY	
	FY23.3 Results	Forecasts		
Operating revenue	54.7	55.8	1.0	101.9%
Operating income	1.4	2.0	0.5	141.7%
EBITDA	2.7	3.3	0.5	121.1%

(¥bil)

Status of Key Businesses

- The convenience store business and the restaurant-related franchise business continued to drive performance.
- Existing store sales were more than 100% of levels for the same period of the previous year, centered on major subsidiaries.

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

- The order backlog is building up, and we aim to win more orders and steadily progress on construction projects.

【Results】

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	35.5	33.9	(1.6)	95.4%
Operating income	0.1	(0.3)	(0.5)	-
EBITDA	0.6	0.1	(0.5)	16.4%

【Forecasts】

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

Business Services Segment

- Revenue rose due to increased deliveries of construction materials, but income fell due to lower sales of construction equipment.

【Results】

	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	
				(¥bil)
Operating revenue	34.1	34.4	0.3	100.9%
Operating income	1.9	1.6	(0.3)	83.8%
EBITDA	3.0	3.0	(0.0)	99.8%

【Forecasts】

	FY23.3 Results	FY24.3 Forecasts	YoY	
				(¥bil)
	73.4	74.8	1.3	101.8%
	3.4	3.9	0.4	111.9%
	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.

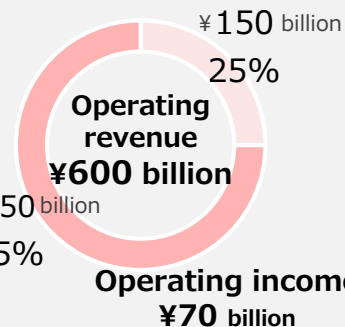
Policy ①

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)



Light pink: Railway transportation revenue
Dark pink: Other revenues

Numerical targets, etc. (FY25.3)

[Consolidated]

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

[By segment*]

Segment name	Operating revenue (¥bil)	Operating income (¥bil)
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%**

Light pink: Growth investment (including M&A)
Dark pink: Maintenance and upgrade investment
Hatched: 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



- Promoting operational efficiency through collaboration with other companies and the use of new technologies

Lost-and-found inquiry service using AI and chat



- Service launched on September 1, 2023 with the introduction of find's system

[Results of deployment]

- (1) Telephone inquiries down by round 80%
- (2) About 60% reduction in inquiry response time
- (3) Return rate of lost and found items about three times higher than with telephone calls

Use of AI image analysis to detect loose bolts



- Electric carts are being equipped with cameras and CPUs for AI processing, and walking patrols of Shinkansen tracks are being replaced with cart patrols.
- We worked with Tokyo Artisan Intelligence to jointly develop AI software capable of detecting loose bolts even while driving at 15km/hour.

[Results of deployment]

34% decrease in the total number of personnel involved in line patrols

Development of multifunctional inspection vehicle (BIG EYE)



- Commercial rolling stock damaged in a disaster renovated and repurposed as an inspection vehicle
- Self-propelled, so allows more frequent inspections than current vehicles
- Operations scheduled to start in November 2023

Track inspection system	Component inspection support camera system	Building limit measuring equipment
<p>Measures track distortion by irradiating rails with a laser, etc.</p>	<p>High-precision imaging of rail surface defects and various components with a line sensor camera</p>	<p>Measures the distance between platforms, tunnels, and tracks, etc. using 3D point cloud data</p>

[(Expected) results of deployment]

- (1) Inspection to become unmanned (from 3 people to 0)
- (2) More sophisticated management methods and realization of CBM through the collection of big data

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

- Usage is steadily increasing on the Nishi-Kyushu Shinkansen one year after the start of service in September 2022
- By opening the New Nagasaki Station Building (scheduled for November 10, 2023), we expect to realize further effects of the Shinkansen's start of service

Usage of the Nishi-Kyushu Shinkansen One Year After Opening

Number of people

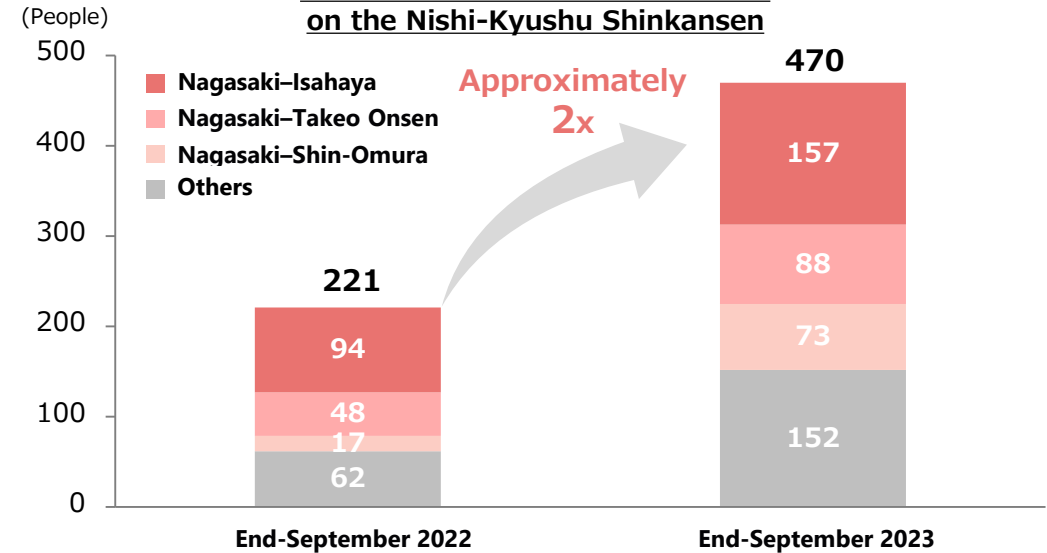
Approx.
6,600 people/day
Vs. FY19.3: **102%**
(9/23/2022 to 9/22/2023)

Notes: Results on the section between Takeo Onsen and Nagasaki. The comparison with FY19.3 levels is on the same day, for the Kamome limited express on the section between Isahaya and Nagasaki.

Revenues

Approx.
¥4.8 billion
(9/23/2022 to 9/30/2023)

Number of Commuter Pass Users on the Nishi-Kyushu Shinkansen



- The number of commuter pass users has approximately doubled since the opening.
- Municipalities along the Shinkansen line such as Takeo city and Ureshino city are introducing Shinkansen commuting support programs, which is expected to further promote the use of the Shinkansen.

Status of Developments in the Western Kyushu Area

April 2023

October 2023

November 2023

Early 2024

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



- Lot area: Approx. 2,800m²
- Stores: 19 sections

B URESHINO YADOYA (Japanese style inn)



- Guest rooms: 36
- All rooms will be equipped with hot springs.

C JR Nagasaki Station Building



D Nagasaki Marriott Hotel

- C**
- Floor space: Approx. 102,000m²
 - Retail use: Approx. 41,000m² Stores: 86 (expected)
 - Offices: Approx. 9,000m²

- D**
- Guest rooms: Total of 207
 - Floor space: Approx. 20,000m²

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

- In the city of Fukuoka, which has the largest population growth rate among ordinance-designated cities, we are promoting urban development in a wide range of areas, including not only real estate development but also the development and operation of outdoor experience-type complex facilities.

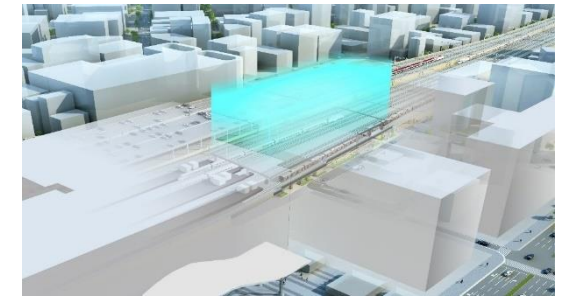
2023


2024

ABURAYAMA FUKUOKA



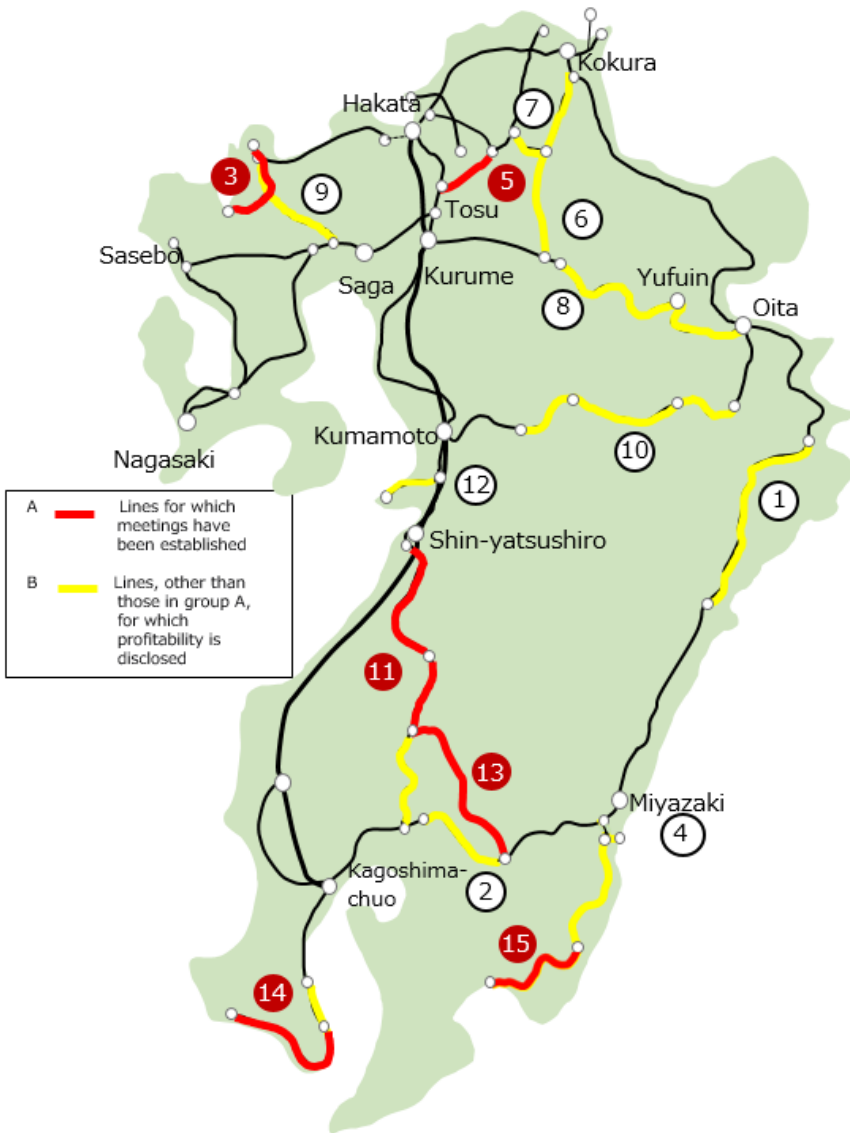
Risunoko Square



Name	Aburayama Shimin no Mori and other renewal projects			Project to utilize the former site of Sunoko elementary school	Project for effective use of site of Fukuoka Prefecture east government building	Project utilizing the space above the tracks at Hakata Station																																																									
Opening date	[Phase 1] April 2023	[Phase 2] Autumn 2023	[Phase 3] Spring 2024	January 2024	March 2024	End-2028																																																									
Details	Experience-based outdoor complex business			Multi-faceted development incorporating hospital, private retirement home, etc.	Office building development (partly commercial stores)	Joint development of offices, hotel, commerce, etc.																																																									
	Phase 1	[Already opened] Store, camping field, restaurant, cafe, BBQ, shared farm			[SJR The Class Otemon] Type of facility: Residential fee-based nursing home Move-in date: Mid-January 2024 (scheduled) Structure: 13 floors above ground Total number of rooms: 168	[CONNECT SQUARE HAKATA]	Building overview																																																								
	Phase 2	New Shared office (Opened 10/1) [Scheduled to open] Forest adventure, botanical cafe				<table border="1"> <tr><td>12F</td><td></td><td rowspan="12">Structure: 1 floor below ground 12 floors above ground</td></tr> <tr><td>11F</td><td></td></tr> <tr><td>10F</td><td></td></tr> <tr><td>9F</td><td>Offices</td></tr> <tr><td>8F</td><td></td></tr> <tr><td>7F</td><td></td></tr> <tr><td>6F</td><td></td></tr> <tr><td>5F</td><td></td></tr> <tr><td>4F</td><td></td></tr> <tr><td>3F</td><td>Prefectural tax office</td></tr> <tr><td>2F</td><td></td></tr> <tr><td>1F</td><td>Entrance / stores</td></tr> <tr><td>B1F</td><td>Parking lot</td></tr> </table>	12F		Structure: 1 floor below ground 12 floors above ground	11F		10F		9F	Offices	8F		7F		6F		5F		4F		3F	Prefectural tax office	2F		1F	Entrance / stores	B1F	Parking lot	<table border="1"> <tr><td>Hotels</td><td>12F</td><td rowspan="12">Structure: 1 floor below ground 12 floors above ground</td></tr> <tr><td></td><td>11F</td></tr> <tr><td></td><td>10F</td></tr> <tr><td>Offices</td><td>9F</td><td rowspan="6">Progress: Conventional lines relocated in May 2023</td></tr> <tr><td></td><td>8F</td></tr> <tr><td></td><td>7F</td></tr> <tr><td></td><td>6F</td></tr> <tr><td></td><td>5F</td></tr> <tr><td></td><td>4F</td></tr> <tr><td></td><td>3F</td></tr> <tr><td></td><td>2F</td><td rowspan="2">Shinkansen</td></tr> <tr><td>Commercial</td><td>1F</td></tr> <tr><td>Parking lot</td><td>B1F</td></tr> </table>	Hotels	12F	Structure: 1 floor below ground 12 floors above ground		11F		10F	Offices	9F	Progress: Conventional lines relocated in May 2023		8F		7F		6F		5F		4F		3F		2F	Shinkansen	Commercial	1F	Parking lot	B1F
	12F		Structure: 1 floor below ground 12 floors above ground																																																												
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	2F		Shinkansen																																																												
Commercial	1F																																																														
Parking lot	B1F																																																														
Phase 3	[Scheduled to open] Glamping facility																																																														
Lot area	Approx. 140ha			Approx. 8,560㎡	Approx. 2,700㎡	Approx. 5,200㎡																																																									
Floor space	—			Approx. 27,000㎡	Approx. 22,000㎡	Approx. 50,000㎡																																																									

Key strategy② Creating a model for building cities that promote well-being: Disclosing profitability for train lines

- Disclosing profitability for train lines with an average of less than 2,000 passengers per day
- Of these, in regard to those lines on which the average number of passengers in FY2019.3 has declined by 70% or more in comparison with the point at which the JR companies were established, in collaboration with local governments in the areas around our train lines, we have established meetings to consider issues related to the utilization of train lines
- We will hold discussions about transportation in the region with local governments along our train lines, based on the objective of the Regional Transportation Law, which has been in effect since October.

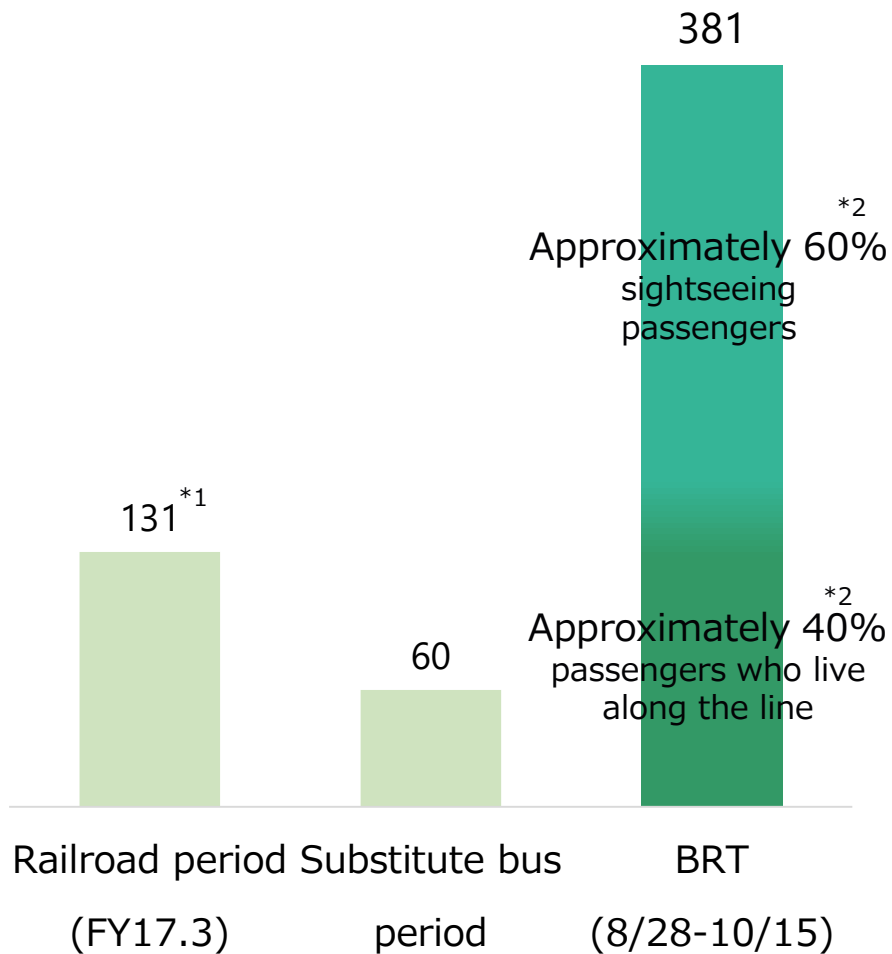


No.	Name of line	Segment	Operating kilometers (Km)	Operating profit (loss) in FY2023.3 (¥ million)	Average number of passengers (passengers/day)		
					FY1988.3	FY2023.3	% decline
①	Nippo Main Line	Saiki – Nobeoka	58.4	(476)	3,428	604	-82%
		Miyakonojō – Kokubu	42.2	(360)	2,029	1,068	-47%
③	Chikuhi Line	Karatsu – Imari	33.1	(140)	728	196	-73%
④	Miyazaki Airport Line	Tayoshi – Miyazaki Airport	1.4	(15)	—	1,494	—
⑤	Chikuho Main Line	Keisen – Haruda	20.8	(96)	2,981	385	-87%
⑥	Hitahikosan Line	Jōno – Tagawa-Gotōji	30.0	(416)	3,287	1,945	-41%
		Tagawa-Gotōji – Yoake	38.7	—	1,103	—	—
⑦	Gotoji Line	Shin-Iizuka – Tagawa-Gotōji	13.3	(195)	1,728	1,205	-30%
⑧	Kyudai Main Line	Hita – Yufuin	51.5	(100)	2,564	1,401	-45%
		Yufuin – Oita	42.4	(483)	3,890	1,793	-54%
⑨	Karatsu Line	Kubota – Karatsu	40.3	(341)	3,649	1,818	-50%
		Karatsu – Nishi-Karatsu	2.2	(259)	1,315	765	-42%
⑩	Hohi Main Line	Higo-Ozu – Miyaji	30.8	(280)	2,711	768	-72%
		Miyaji – Bungo-Taketa	34.6	(361)	1,028	171	-83%
		Bungo-Taketa – Miemachi	23.9	(170)	2,384	806	-66%
⑪	Hisatsu Line	Yatsushiro – Hitoyoshi	51.8	—	2,171	—	—
		Hitoyoshi – Yoshimatsu	35.0	—	569	—	—
		Yoshimatsu – Hayato	37.4	(343)	1,109	493	-56%
⑫	Misumi Line	Uto – Misumi	25.6	(329)	2,415	825	-66%
⑬	Kitto Line	Miyakonojō – Yoshimatsu	61.6	(373)	1,518	394	-74%
⑭	Ibusuki Makurazaki Line	Kiire – Ibusuki	19.1	(254)	3,687	1,862	-49%
		Ibusuki – Makurazaki	42.1	(337)	942	220	-77%
⑮	Nichinan Line	Tayoshi – Aburatsu	44.0	(678)	2,129	914	-57%
		Aburatsu – Shibushi	42.9	—	669	—	—
Total				(6,003)			

Key strategy② Creating a model for building cities that promote well-being: The BRT on the Hitahikosan Line

- On August 28, 2023, Hitahikosan Line BRT Hikoboshi Line service commenced on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of passengers has been strong since opening, and we will continue to promote the use of our services in cooperation with the local community.

Comparison of average number of passengers boarding per day



*1 Average number of passengers passing through Soeda–Yoake
*2 Results of interviews with crew and other staff

Situation after opening

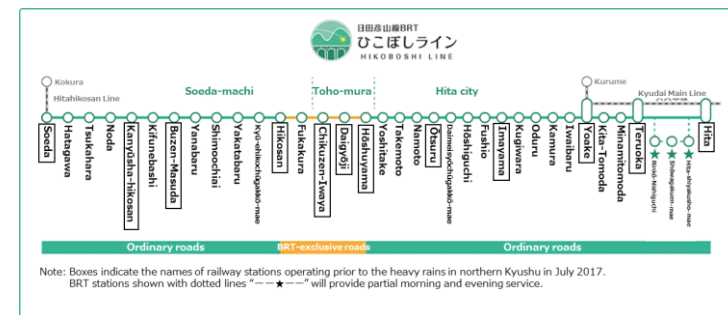
- Many passengers using the BRT on both weekdays and holidays



- Around 250 people using the BRT for events hosted by the city of Hita



- New BRT stations established at schools, commercial facilities, and hospitals Aiming to establish daily use of the BRT for commuting to school, going to the hospital, shopping, etc.

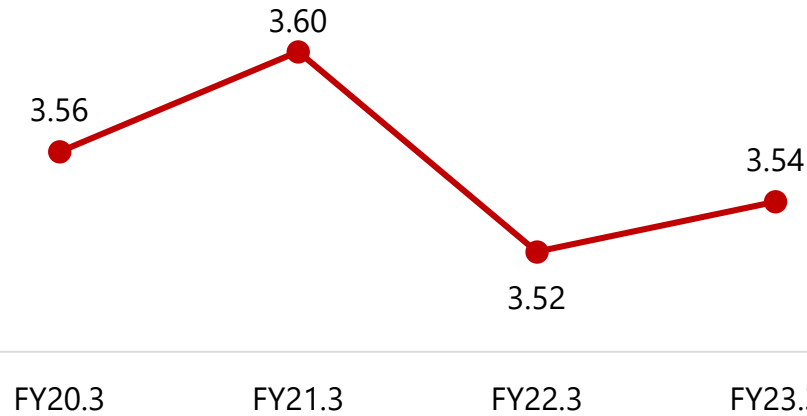


Human Resource Strategy | Increasing Employee Engagement

- Since FY23.3, the management team has held an “opinion exchange event for all employees” in response to a decline in employee satisfaction due to concerns and dissatisfaction regarding salaries and bonuses and the lack of communication in the difficult pandemic period.
- In these events, we further disseminate the Company philosophy, share management's thoughts, and consider measures to recognize and resolve issues.

Employee attitude survey results

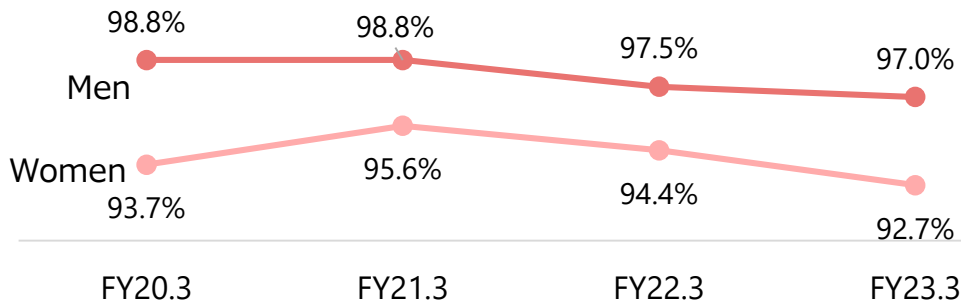
Overall satisfaction level



Issues identified by the survey

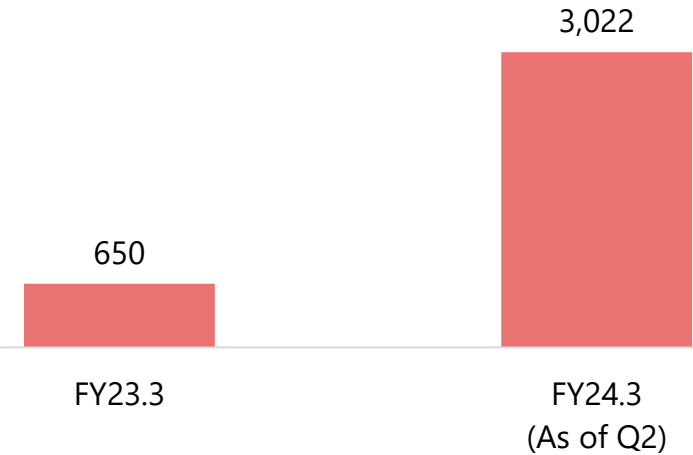
Attractiveness to employees
Market development
Loyalty to the Company

<Reference> Employee retention rates*

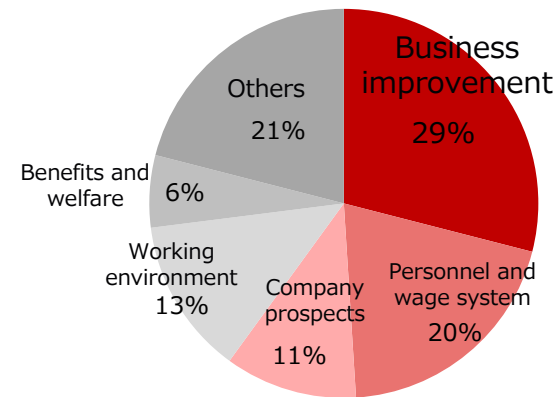


Opinion exchange event for all employees

Number of participants in opinion exchange events



Major opinion categories (FY24.3)



In addition to promoting awareness of the purpose of the personnel and wage system reforms planned for the next fiscal year and the objectives of the Company's policies, we are formulating an implementation plan for the opinions on operational improvements, giving priority to those that will contribute in the future in order to make improvements as soon as possible.



Note: Employee retention rate = 1 - (employee turnover rate), JR Kyushu on a standalone basis

V Efforts to Realize Management Conscious of the Cost of Capital and the Stock Price

Efforts to Realize Management Conscious of the Cost of Capital and the Stock Price

Recognition of the current situation

- **We recognize that improving return on capital is an important management issue.**

- In addition to operating revenue, operating income, and EBITDA, the current medium-term business plan indicates an ROE target of 8% or more for FY2024.
- Although the Company's P/B ratio is more than 1.0 times, we recognize the need to improve return on capital while being aware of the cost of capital in order to increase corporate value over the medium to long term, and we consider this to be an important management issue.

Policy

- **We will continue to promote management with an awareness of cost of capital and profitability through timely and appropriate reviews of the business portfolio and sincere efforts to engage in constructive dialogue with the capital markets.**

Specific initiatives

- **Ongoing reviews of the business portfolio**

- Flexible portfolio revisions, including exits
- Proactive investment based on return on capital

- **Strengthen profitability of existing businesses**

- Deepen pricing strategy in railway business
- Promotion of cyclical investment in the real estate business

- **Shareholder return policy (through FY2024)**

- Stable provision of return over the long term
- Implement share repurchases flexibly, as necessary

	Stock price (yen)	PBR (times)	ROE (%)	PER (times)
FY19.3	3,640	1.4	12.4	11.8
FY20.3	3,100	1.2	7.6	15.6
FY21.3	2,574	1.0	-4.7	-
FY22.3	2,507	1.0	3.4	29.7
FY23.3	2,949	1.1	7.8	14.9

APPENDIX

Balance Sheet and Cash Flow Statement

Balance Sheet

(¥bil)

	Results FY23.3	6 months ended September, 30 2023	YoY	Major factors
Total Assets	996.6	1,011.4	14.7	
Cash and time deposits	37.2	40.4	3.1	
Securities	15.0	21.5	6.4	
Property, plant and equipment	632.2	649.5	17.3	Increase due to acquisition of real estate
Railway business fixed assets	138.6	136.9	(1.7)	
Interest-bearing debt	351.6	363.0	11.4	Increase in long-term loans
Net assets	406.8	426.9	20.1	
Capital and paid-in capital	241.8	241.7	(0.0)	
Retained earnings	164.4	177.8	13.3	

Equity ratio	40.8%	42.1%
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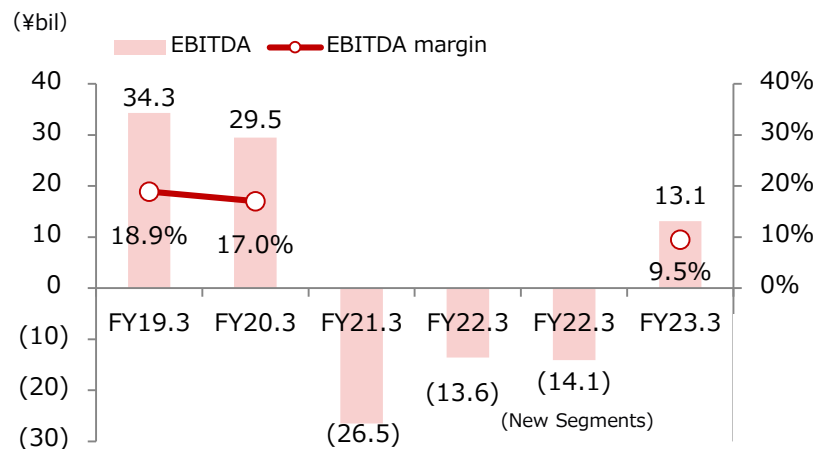
Cash Flow Statement

(¥bil)

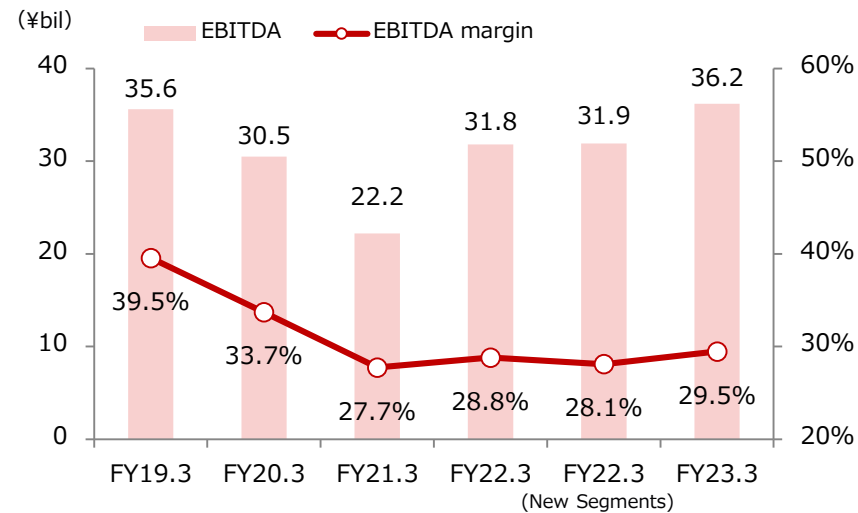
	6 months ended September, 30 2022	6 months ended September, 30 2023	YoY	Major factors
Cash flows from operating activities	26.7	50.1	23.3	Increase in income before income taxes
Depreciation expense	15.1	16.6	1.4	
Cash flows from investing activities	(49.6)	(36.8)	12.7	Increase due to proceeds from sale of shares in affiliated companies
Capital expenditures	(55.6)	(52.7)	2.8	
Free cash flow	(22.8)	13.2	36.1	
Cash flows from financing activities	(6.3)	(4.1)	2.1	
Cash and cash equivalents	49.6	61.4	11.8	

EBITDA by Segment

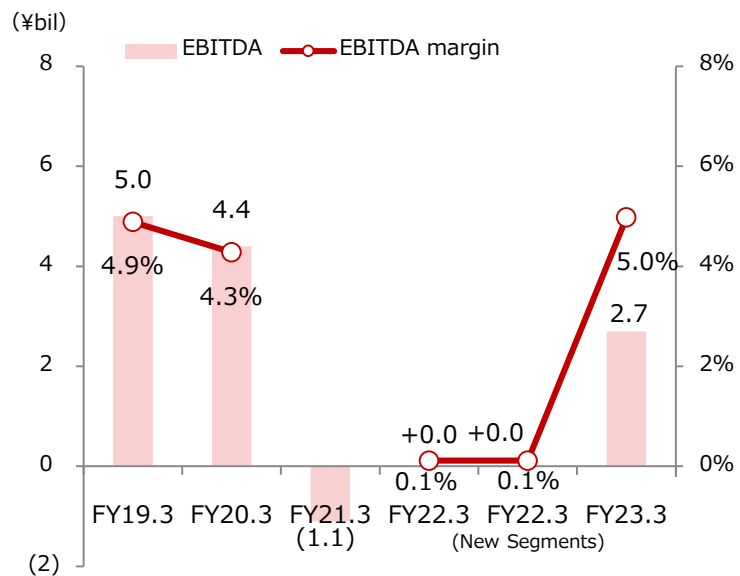
Transportation



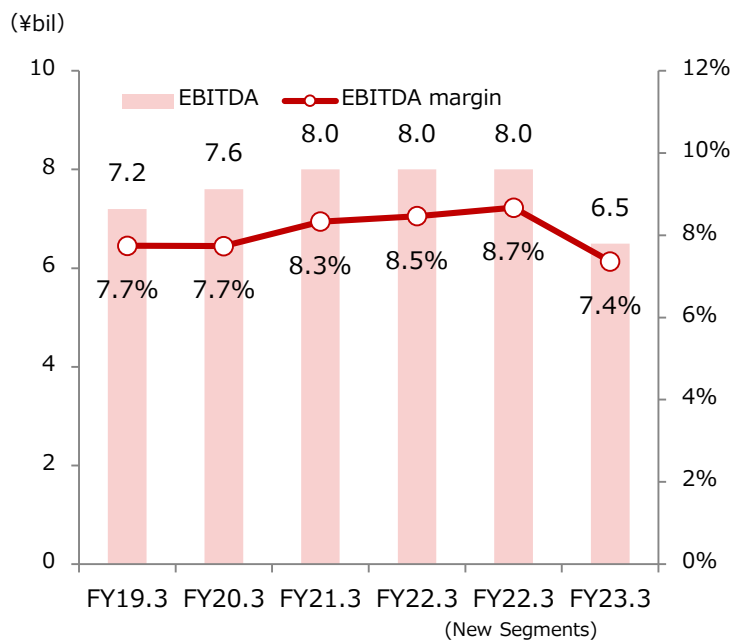
Real Estate and Hotels



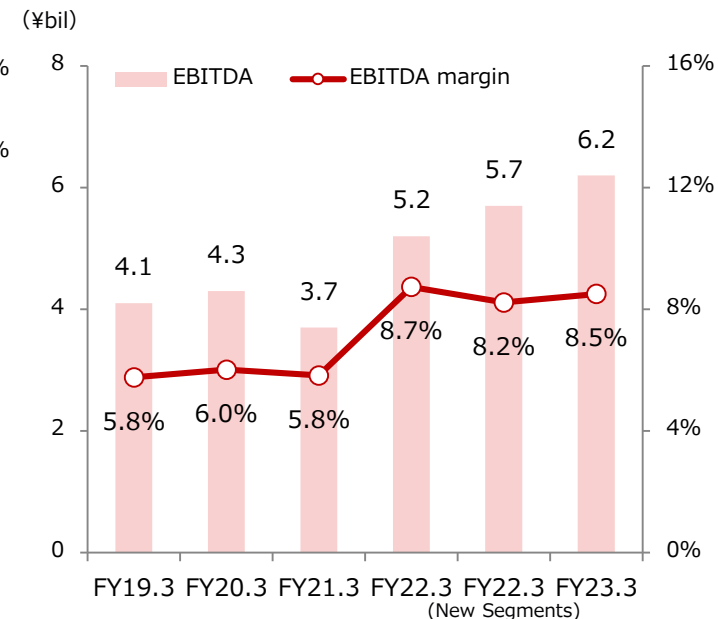
Retail and Restaurant



Construction



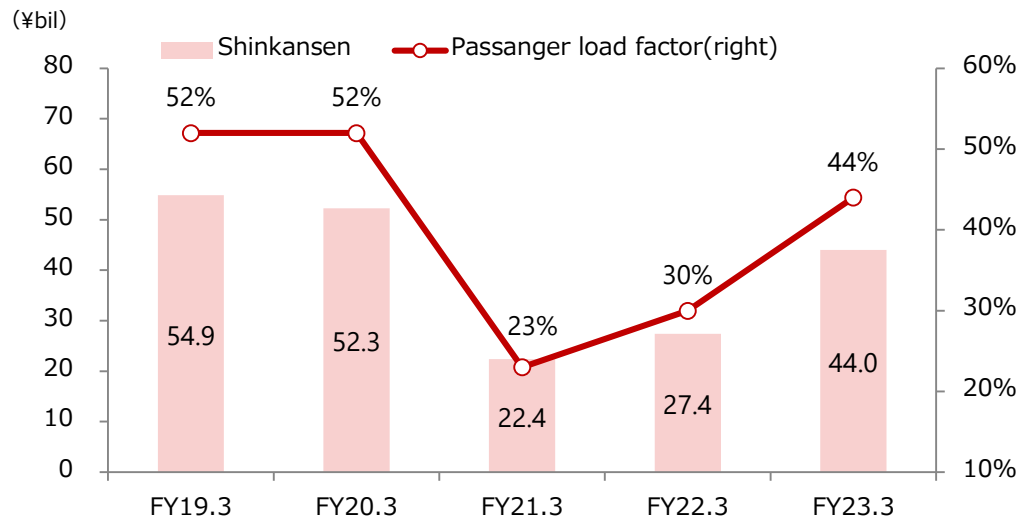
Business Services



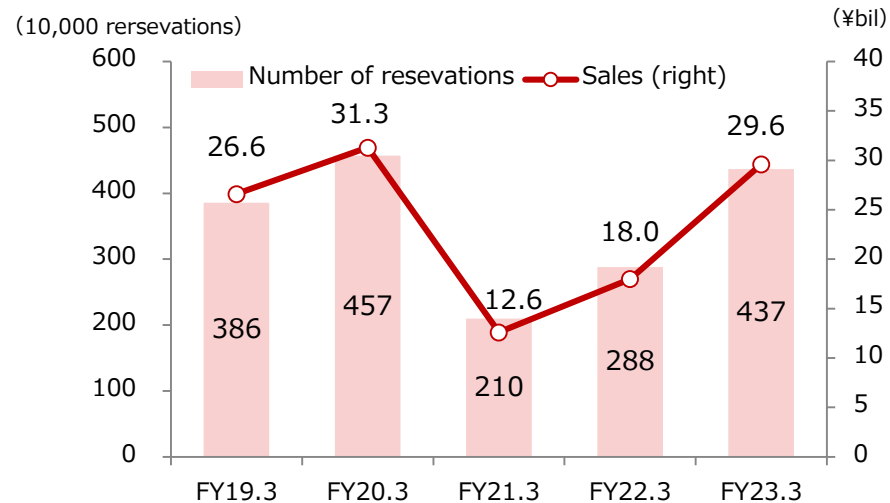
* Figures by segment are prior to eliminating intersegment transactions.

Trends in the Railway Business

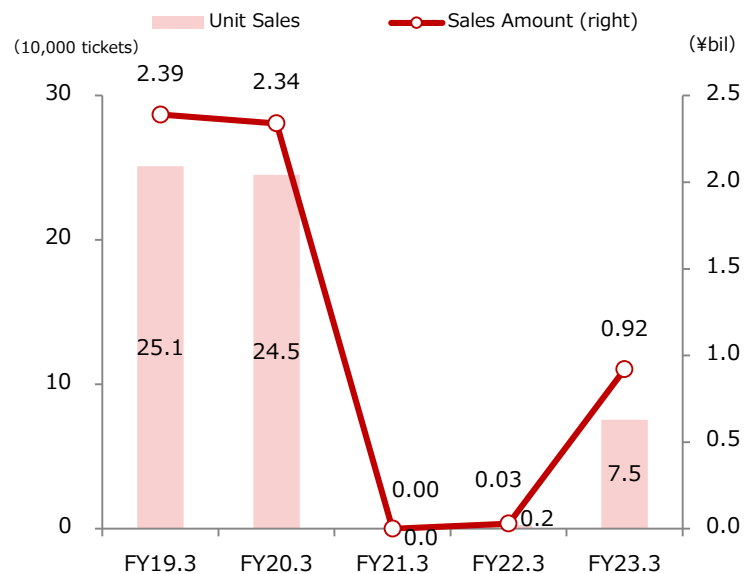
Railway transportation revenues (Shinkansen), passenger load factor on the Kyushu Shinkansen (Hakata – Kumamoto)



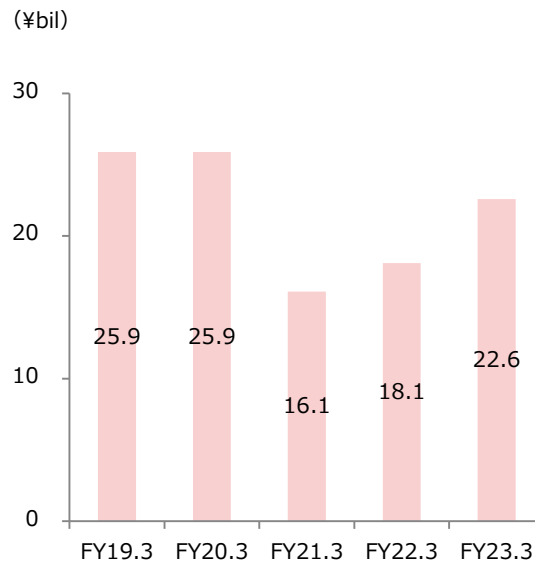
Internet train reservation services: Number of reservations, sales



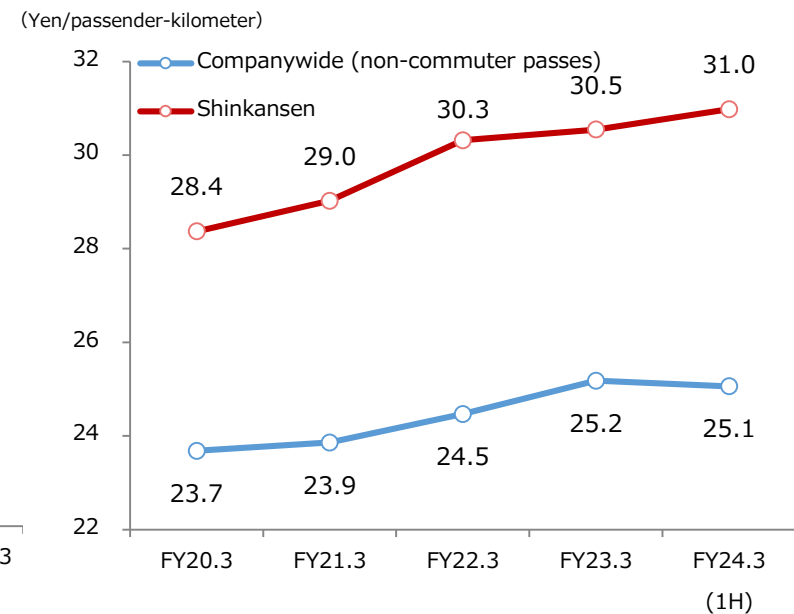
Sales Amount and Unit Sales of JR-KYUSHU RAIL PASS



Railway transportation revenues (short distance)

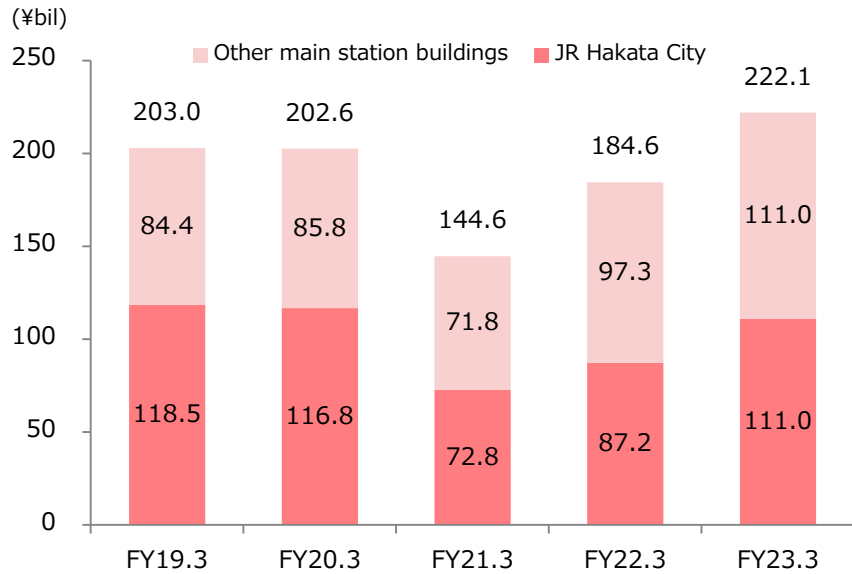


Yield (Companywide (non-commuter passes), Shinkansen)



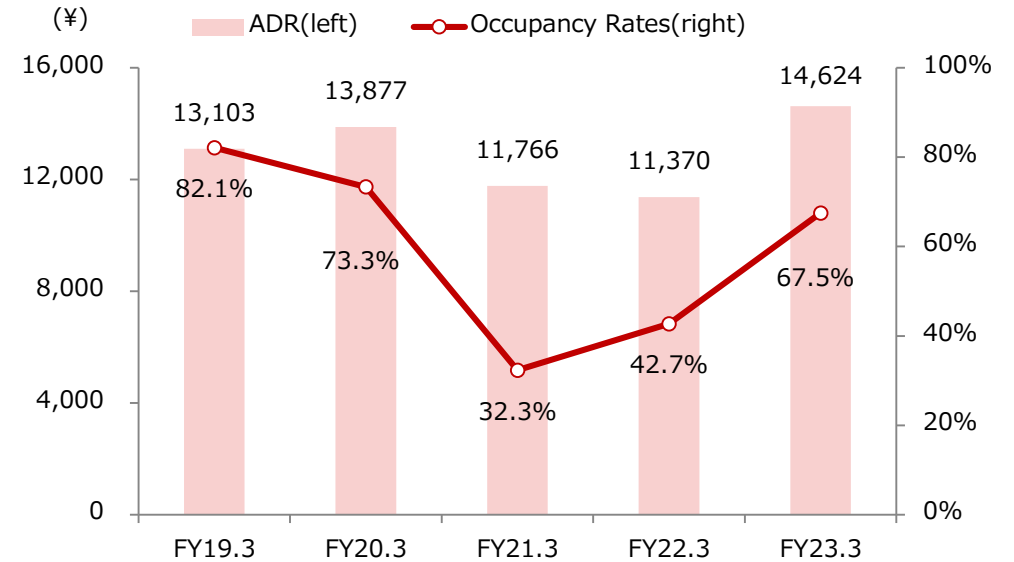
Trends in the Real Estate and Hotel Businesses

Station building tenant sales

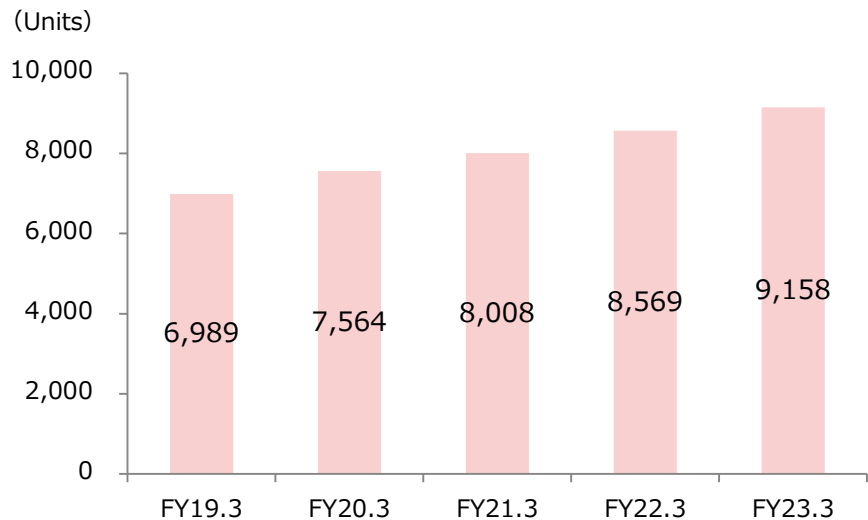


* Other main station buildings include the Miyazaki and Kumamoto Station Buildings from FY21.3.

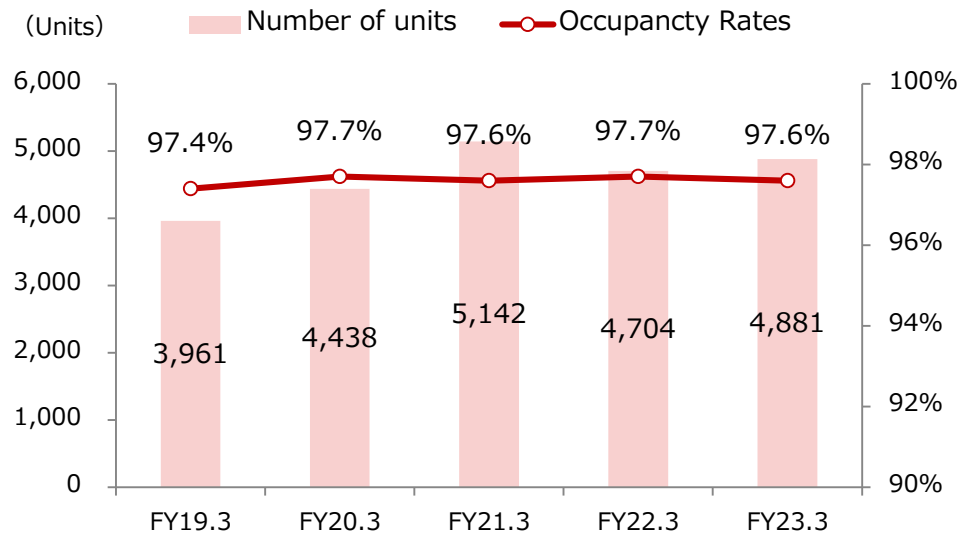
Hotel occupancy rates and average unit prices



Unit sales of condominiums (cumulative)



Rental apartment numbers (cumulative) and occupancy rate



* Numbers of rooms are as of the end of each fiscal year (excluding the sale of properties to a private REIT)
 * Occupancy rates are averages of the figures at the end of each month (excluding the year of opening for newly opened properties; excluding newly acquired properties)

Overview of Major Development Pipelines

Name	Location	Schedule	Floor space/Lot area/Units/Rooms	Notes (Uses, etc.)
Nagasaki Station area development	Nagasaki City, Nagasaki Prefecture	March 2022: Opening under elevated railway tracks November 2023: Opening of new station building Early 2024: Opening of hotel* * Revised from plans to open in fall 2023	Floor space: Approx. 102,000㎡	<ul style="list-style-type: none"> Integrated development incorporating commercial facilities, hotels, offices, etc. Considering environment burden reduction measures, use of AI/ICT
Kagoshima-Chuo Station West Entrance Development	Kagoshima City, Kagoshima Prefecture	Fall 2021: Start of construction April 2023: Phase 1 development opened Phase 2 development and opening to be FY2025 or later	Lot area: Approx. 9,500㎡ Floor space: Approx. 25,400㎡ (Phase 1 development)	<ul style="list-style-type: none"> Phase 1: commercial facilities, offices, multistory parking garage; Phase 2: integrated development, including residences, etc. Considering infection countermeasures, environment burden reduction measures, use of ICT
Project to utilize the former site of Sunoko elementary school * Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company	Chuo-ku, Fukuoka City	November 2021: Start of construction January 2024: Planned opening	Lot area: Approx. 8,560㎡ Floor space: Approx. 27,000㎡	Integrated development incorporating private retirement home, hospital, gymnasium, a square, etc.
Project for effective use of site of Fukuoka Prefecture east government building (building name: CONNECT SQUARE HAKATA) *Joint development by three companies, with JR Kyushu as the representative company	Hakata-ku, Fukuoka City	Spring 2022: Start of construction March 2024: Planned opening	Lot area: Approx. 2,700㎡ Floor space: Approx. 22,000㎡	<ul style="list-style-type: none"> Office buildings (section of commercial facilities and stores) Introducing automatic cleaning robot, photovoltaic power generation, etc.
Toranomon 2-chome category 1 urban redevelopment project * Joint development by six companies, with NIPPON STEEL KOWA REAL ESTATE CO., LTD., as the Group representative for the acquisition of reserved floor area.	Minato-ku, Tokyo	Winter 2020: Start of construction Spring 2025: Planned completion	Lot area: Approx. 22,500㎡ Floor space: Approx. 180,700㎡	Office buildings (partly commercial stores)
Aburayama Shimin no Mori and other renewal projects * Joint development by nine companies, with JR Kyushu as the representative company	Minami-ku, Fukuoka City	July 2022: Start of construction April 27, 2023: Opening Spring 2024: Steady rollout of activities, lodging facilities, etc.	Lot area: Approx. 140ha	<ul style="list-style-type: none"> Opened in April : camping, food and beverage/sale of merchandise, farms, etc. Opened in October 2023: Shared office To open by spring 2024: Forest activities, lodging facilities
Project utilizing the space above the tracks at Hakata Station	Hakata-ku, Fukuoka City	End 2028: Scheduled opening	Lot area: Approx. 5,200㎡ Floor space: Approx. 50,000㎡	Offices, hotels, and commercial operations, and plazas, etc.

Note: Schedules are subject to change.

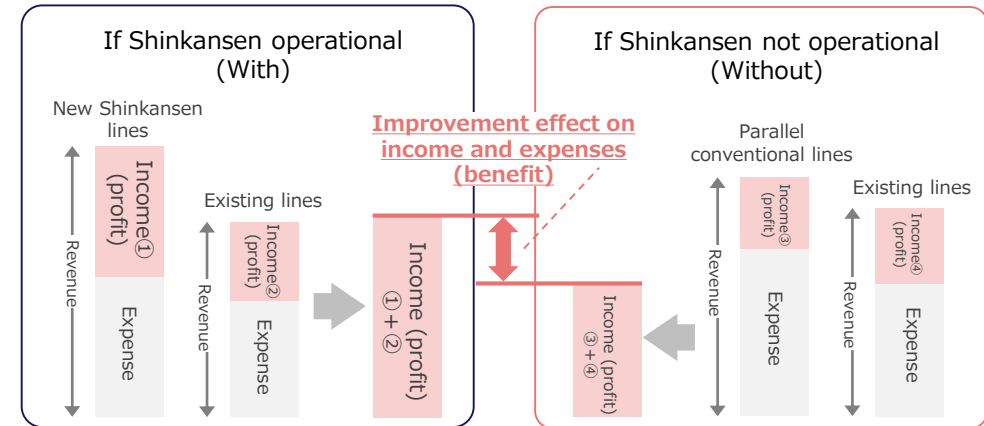
Railway Business Expenses

Leasing and other fees for the Shinkansen facility

- We lease facilities from the Japan Railway Construction, Transport and Technology Agency, which owns the Shinkansen facilities, and pay certain leasing and other fees for to operate the Shinkansen for 30 years
[Leasing and other fees]
Fixed leasing fee + property tax and other equivalent and other fees
- The fixed leasing fees on Kyushu Shinkansen were paid in full up to 30 years after opening, and currently only property tax and other equivalent fees are being paid.
- Property tax and other equivalent fees vary annually. Special tax measures exist and are currently being applied to the Nishi-Kyushu Shinkansen.

Leasing fees, etc., are based on the average benefit over the first 30 years of operation.

Name	Details of the special measures				Settlement item
	Item	Tax base			
		5 years after taxation	6-10 years	after 10 years	
Shinkansen special measures	Property tax*1	1/6	1/3	Ended	Non-personnel expenses



*1 Tax on Shinkansen-related assets borrowed from the Japan Railway Construction, Transport and Technology Agency

Depreciation costs

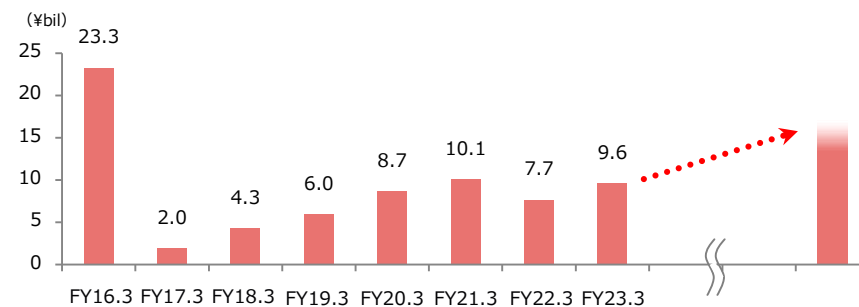
Change in depreciation method

- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets
- Amount of influence: Expected reduction in depreciation of ¥3.4 billion in FY22.3

Items	Affected assets	Details
Change in depreciation method	All assets	Declining-balance method → Straight-line method
Change in depreciation period	Rolling stock	Legal useful life (13 years) → Economic useful life (20 years)

Gradual increase in depreciation costs

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business after impairment losses
- Gradual increase of ¥1.0-2.0 billion per year in depreciation costs going forward due to continuation of current trends



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.

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