

FY23.3 Financial Results Overview, Third Quarter

February 7, 2023

KYUSHU RAILWAY COMPANY

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I Financial Results for the First Nine-Months of FY23.3

Consolidated Financial Highlights for the Nine-Month Period Ended December 31, 2022

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY	(¥bil)
Operating revenue	222.7	261.2	38.5	117.3%
Operating income	2.7	22.5	19.7	808.5%
Ordinary income	6.9	23.5	16.5	337.7%
Extraordinary gains and losses	(0.9)	2.7	3.6	-
Net income attributable to owners of the parent	9.2	21.5	12.3	233.7%
EBITDA [※]	22.6	44.2	21.5	195.2%

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

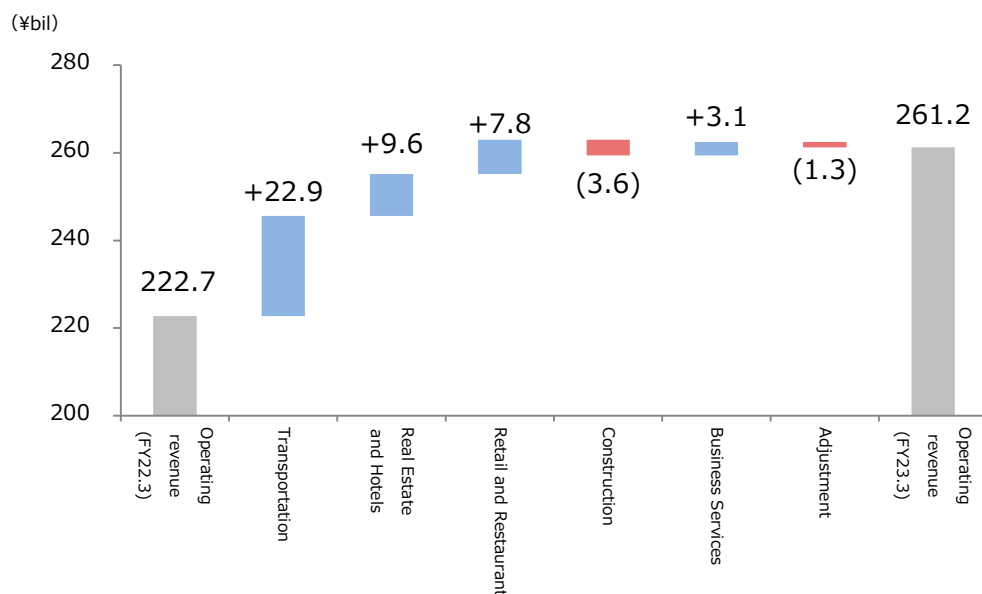
Operating revenue

Although COVID-19 continued to affect performance, revenue increased thanks to a modest recovery in demand from the railway business and various other businesses, as well as from the sale of a property held by the Company to a third party.

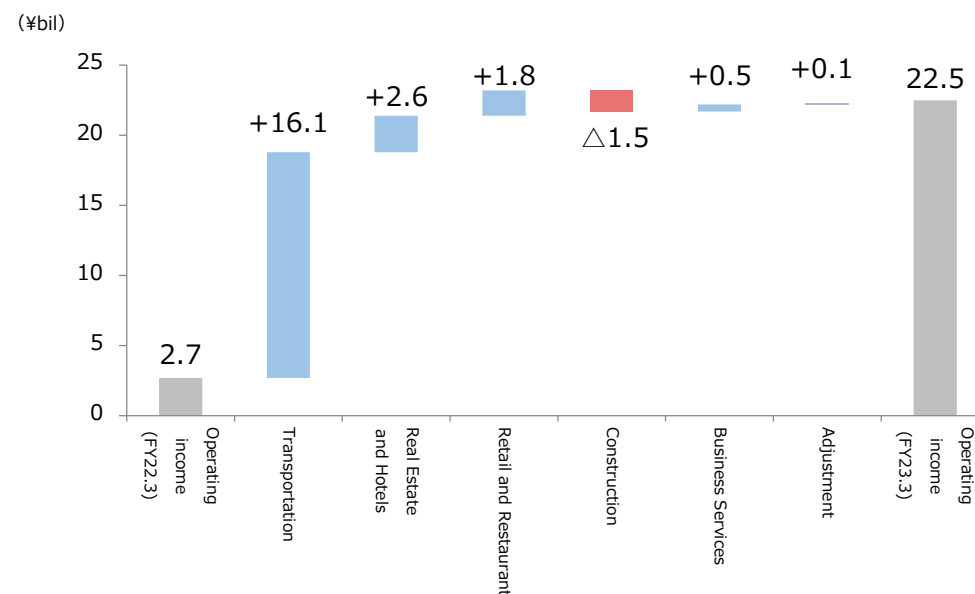
Operating income

Operating income increased due to higher operating revenue and the effect of reducing fixed costs in the railway business, among other factors.

Change in operating revenue by segment*



Change in operating income by segment*



* New segment categorization

Results for the First Nine-Months of FY23.3 (by segment) (Shown According to New Segments)

(¥bil)

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY		Major factors
Operating revenue	222.7	261.2	38.5	117.3%	
Transportation	78.0	100.9	22.9	129.4%	
Railway Business (non-consolidated)	77.1	99.9	22.7	129.5%	Increase due to moderate recovery in demand
Real Estate and Hotels	65.0	74.7	9.6	114.9%	
Real Estate Lease	43.7	46.2	2.5	105.7%	
Real Estate Sales	14.5	16.4	1.9	113.2%	Increase from the sale of a property, decrease in revenue from sales of condominiums
Hotel Business	6.7	11.9	5.2	177.8%	Increase due to moderate recovery in demand
Retail and Restaurant	32.4	40.2	7.8	124.1%	Increase due to moderate recovery in demand
Construction	60.5	56.8	(3.6)	93.9%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	48.8	51.9	3.1	106.4%	
Operating income	2.7	22.5	19.7	808.5%	
Transportation	(11.7)	4.3	16.1	-	
Railway Business (non-consolidated)	(11.0)	5.0	16.0	-	
Real Estate and Hotels	10.6	13.2	2.6	124.6%	
Real Estate Lease	11.6	11.6	(0.0)	99.6%	
Real Estate Sales	1.1	0.9	(0.2)	80.6%	
Hotel Business	(2.2)	0.6	2.8	-	
Retail and Restaurant	(0.7)	1.0	1.8	-	
Construction	2.6	1.0	(1.5)	39.7%	
Business Services	2.4	2.9	0.5	122.9%	
EBITDA	22.6	44.2	21.5	195.2%	
Transportation	(5.4)	12.2	17.6	-	
Railway Business (non-consolidated)	(5.2)	12.6	17.9	-	
Real Estate and Hotels	21.0	23.7	2.6	112.7%	
Real Estate Lease	20.4	20.4	(0.0)	99.7%	
Real Estate Sales	1.2	0.9	(0.2)	80.9%	
Hotel Business	(0.6)	2.3	2.9	-	
Retail and Restaurant	0.1	2.0	1.8	-	
Construction	3.3	1.8	(1.5)	54.6%	
Business Services	4.1	4.8	0.7	118.0%	

Results for the First Nine-Months of FY23.3 (non-consolidated)

(¥bil)

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY		Major Factors
Operating revenue	115.0	140.1	25.1	121.8%	
Railway transportation revenues	67.2	88.7	21.5	132.0%	Increase due to moderate recovery in demand
Shinkansen	20.8	31.6	10.8	152.0%	
Conventional Lines	46.4	57.0	10.6	123.0%	
Other revenue	47.7	51.3	3.6	107.6%	Increase due to the sale of a property, decrease in revenue from sales of condominiums
Operating expense	113.7	123.6	9.9	108.7%	
Personnel expense	30.3	30.1	(0.2)	99.2%	
Non-personnel expense	62.4	71.0	8.5	113.7%	
Energy cost	6.2	7.8	1.5	124.5%	Unit price increase due to soaring resource prices
Maintenance cost	17.6	18.2	0.5	102.9%	
Other	38.4	44.9	6.5	116.9%	Rise in cost of sales due to sale of a property, decline in cost of sales due to lower revenue from sales of condominiums
Taxes	9.0	9.1	0.1	101.8%	
Depreciation cost	11.8	13.2	1.4	112.0%	
Operating income	1.3	16.5	15.2	-	
Non-operating income and expense	3.3	3.8	0.5	115.9%	Increase in dividend income
Ordinary income	4.6	20.3	15.7	437.8%	
Extraordinary gain and losses	(0.7)	2.8	3.5	-	Increase due to a gain on the sales of Huis Ten Bosch shares
Net income	8.3	20.7	12.3	246.7%	

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

(¥bil)

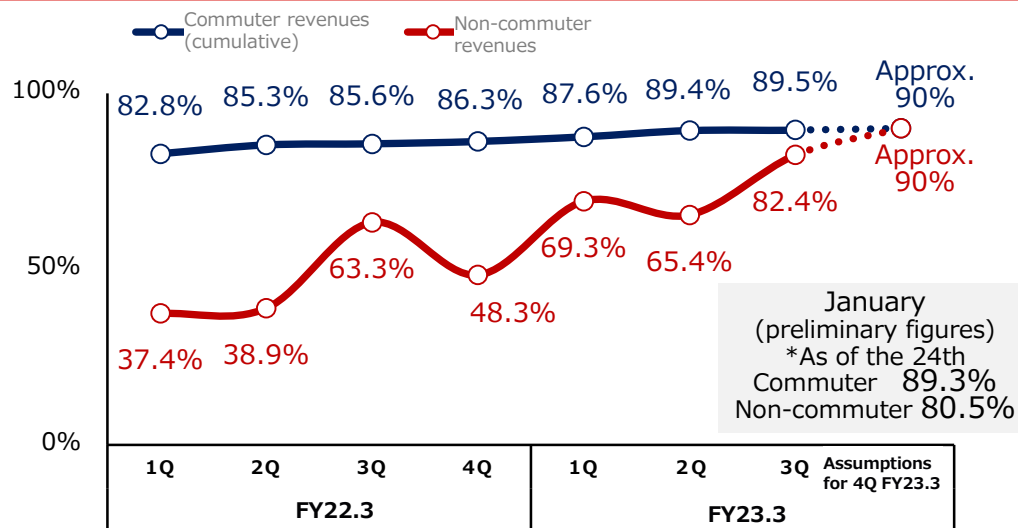
		9 months ended December, 31 2021	9 months ended December, 31 2022	YoY	
Railway business	Operating revenue	77.1	99.9	22.7	129.5%
	Operating income	(11.0)	5.0	16.0	-
Related businesses	Operating revenue	37.8	40.1	2.3	106.2%
	Operating income	12.3	11.4	(0.8)	93.0%

II Full-Year Performance Forecasts and Dividend Forecasts for FY23.3

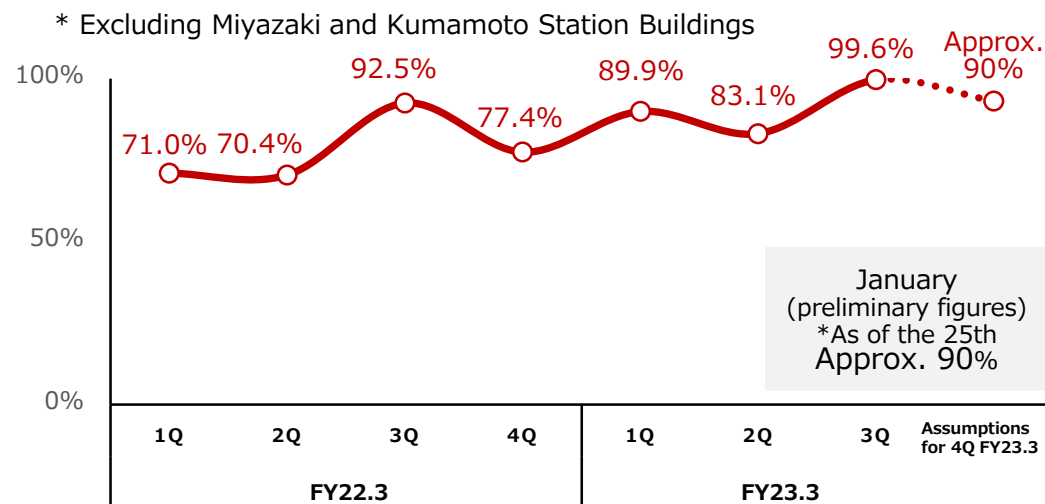
Performance Forecasts for FY23.3: Current Conditions and Revenues Expectations in Major Businesses

- Despite the resurgence of COVID-19, the trend toward a recovery in demand continued in each business, due to the introduction of a nationwide travel support program, the easing of protection measures, and other factors.
- Although the outlook remains uncertain, particularly in the railway and hotel businesses, we maintained revenue expectations for the current fiscal year.

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



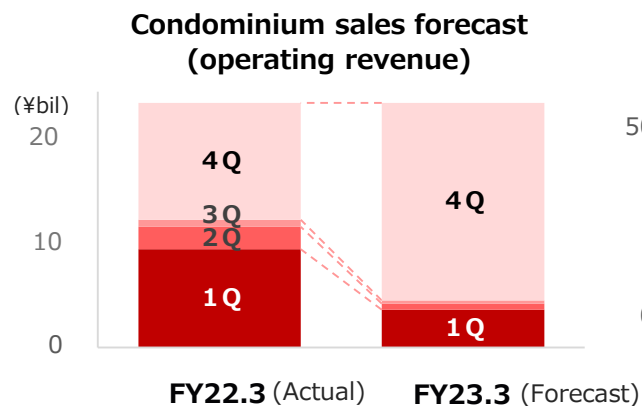
Real Estate Leasing Business | Station building* tenant sales (vs. FY19.3)



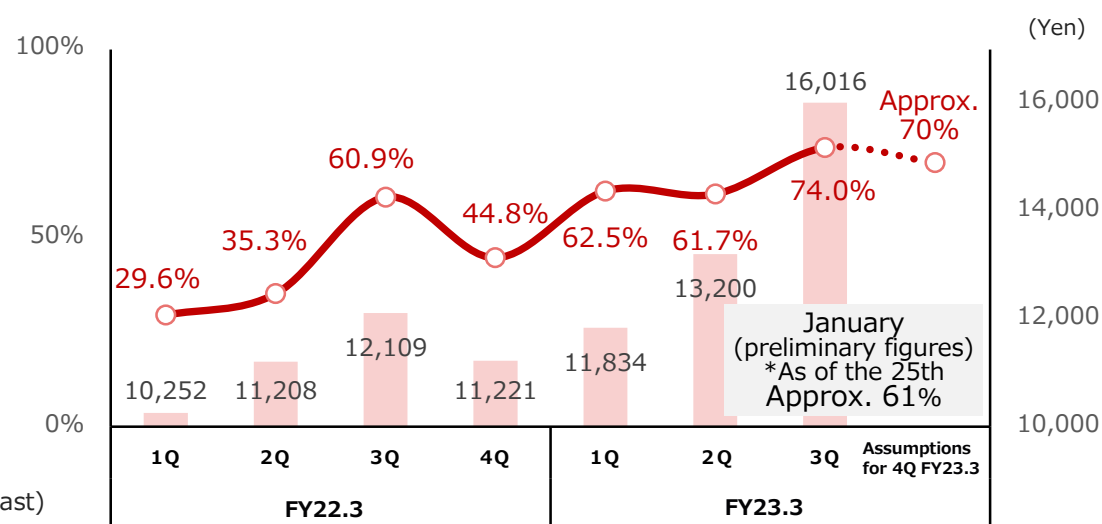
Real Estate Sales Business

- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.

- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.



Hotel business | Occupancy rate and ADR



Consolidated Financial Forecast Highlights for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY	
Operating revenue	329.5	381.4	51.8	115.7%
Operating income	3.9	29.0	25.0	735.2%
Ordinary income	9.2	30.0	20.7	324.8%
Net income attributable to owners of the parent	13.2	26.6	13.3	200.7%
EBITDA	30.7	58.2	27.4	189.1%

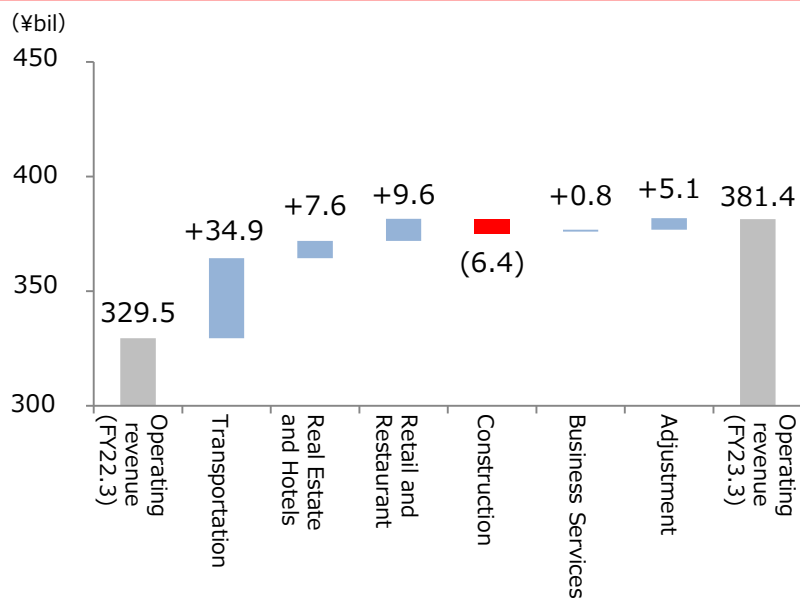
Operating revenue

Despite the impact of COVID-19 and a downturn in the sale of properties, we expect operating revenues to increase due to gradual demand recovery in each segment and other factors.

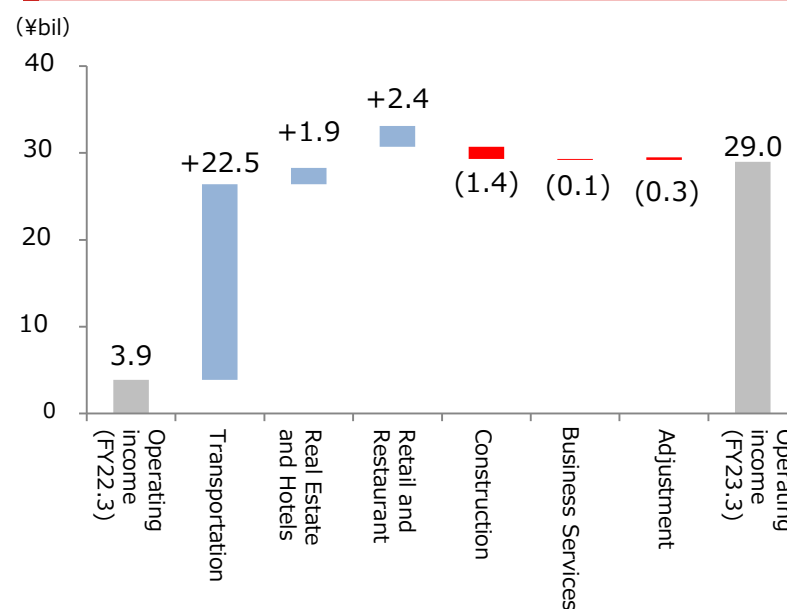
Operating income

We anticipate an increase in operating income due to the impact of higher operating revenues and expect to achieve a ¥14.0 billion/year reduction in fixed costs, despite an increase in depreciation costs and a rise in expenses associated with the conclusion of Shinkansen special measures (between Hakata and Shin-Yatsushiro).

Change in operating revenue by segment*



Change in operating income by segment*



* New segment categorization

Consolidated Financial Forecasts for FY23.3 (by segment) (Shown According to New Segments)

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY		Major factors
Operating revenue	329.5	381.4	51.8	115.7%	
Transportation	104.2	139.2	34.9	133.5%	Increase due to moderate recovery in demand in railway business
Railway Business (non-consolidated)	102.9	136.9	33.9	133.0%	
Real Estate and Hotels	113.7	121.4	7.6	106.8%	
Real Estate Lease	58.5	61.6	3.0	105.2%	Increase in revenues from leases due to moderate recovery in demand
Real Estate Sales	46.1	43.2	(2.9)	93.5%	Decrease in the sale of properties
Hotel Business	8.9	16.6	7.6	184.6%	Increase in the number of guests due to a moderate recovery in demand
Retail and Restaurant	43.6	53.3	9.6	122.1%	Increase due to a moderate recovery in demand and Nurubon's full-year contribution to results
Construction	92.9	86.5	(6.4)	93.1%	Decrease in construction related to the Nishi-Kyushu Shinkansen
Business Services	69.5	70.4	0.8	101.3%	
Operating income	3.9	29.0	25.0	735.2%	
Transportation	(22.7)	(0.2)	22.5	-	
Railway Business (non-consolidated)	(22.0)	0.1	22.1	-	
Real Estate and Hotels	18.0	20.0	1.9	111.0%	
Real Estate Lease	14.7	13.9	(0.8)	94.2%	
Real Estate Sales	6.2	5.4	(0.8)	86.7%	
Hotel Business	(2.9)	0.7	3.6	-	
Retail and Restaurant	(1.2)	1.2	2.4	-	
Construction	7.0	5.6	(1.4)	79.4%	
Business Services	3.3	3.2	(0.1)	95.9%	
EBITDA	30.7	58.2	27.4	189.1%	
Transportation	(14.1)	10.3	24.4	-	
Railway Business (non-consolidated)	(13.7)	10.4	24.1	-	
Real Estate and Hotels	31.9	34.2	2.2	107.0%	
Real Estate Lease	26.5	25.8	(0.7)	97.3%	
Real Estate Sales	6.2	5.4	(0.8)	86.4%	
Hotel Business	(0.7)	3.0	3.7	-	
Retail and Restaurant	0.0	2.5	2.4	-	
Construction	8.0	6.7	(1.3)	83.2%	
Business Services	5.7	5.6	(0.1)	98.0%	

Non-consolidated Financial Forecasts for FY23.3

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY		Major factors
Operating revenue	179.9	210.5	30.5	117.0%	
Railway transportation revenues	89.3	122.6	33.2	137.2%	Increase due to moderate recovery in demand
Shinkansen	27.4	43.8	16.3	159.5%	
Conventional Lines	61.9	78.8	16.8	127.3%	
Other revenue	90.6	87.9	(2.7)	97.0%	
Operating expense	181.3	192.3	10.9	106.1%	
Personnel expense	40.8	40.8	(0.0)	100.0%	
Non-personnel expense	113.2	121.2	7.9	107.0%	
Energy cost	8.6	10.1	1.4	116.4%	Unit price increases due to sharply higher crude oil prices
Maintenance cost	30.0	30.4	0.3	101.2%	
Other	74.5	80.7	6.1	108.3%	Increased expenses due to the conclusion of Shinkansen special measures
Taxes	11.3	12.2	0.8	107.6%	
Depreciation cost	15.9	18.1	2.1	113.6%	
Operating income	(1.3)	18.2	19.5	-	
Non-operating income and expense	3.5	4.5	0.9	125.7%	
Ordinary income	2.2	22.7	20.4	-	
Extraordinary gain and losses	(2.0)	2.4	4.4	-	
Net income	8.9	23.2	14.2	259.2%	

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

(¥bil)

	Results FY22.3	Forecasts FY23.3	YoY	
Railway business				
Operating revenue	102.9	136.9	33.9	133.0%
Operating income	(22.0)	0.1	22.1	-
Related businesses				
Operating revenue	77.0	73.6	(3.4)	95.5%
Operating income	20.7	18.1	(2.6)	87.4%

FY23.3 Dividend Forecasts

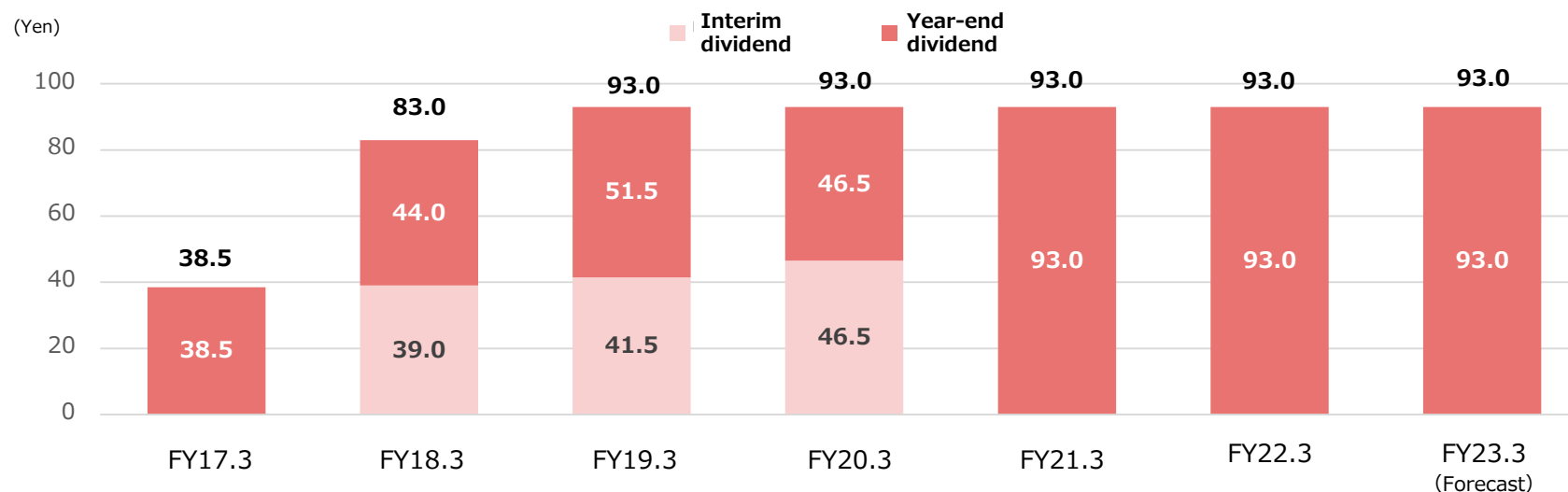
Shareholder return policy

- 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**.

FY23.3 dividend forecasts

- We are forecasting continued extremely severe results for FY23.3. However, as a result of consideration in accordance with the above policy, **the dividend forecast for FY23.3 is ¥93.0 per share**.
- In FY23.3 we plan to pay dividends in one part, which will be the year-end dividend, with no interim dividend**. This is due to the need to carefully consider the influence on future results of matters such as the COVID-19 infection.

(Reference) Annual dividends per share



Dividend payout ratio	13.8%	26.3%	30.2%	46.9%	-	110.3%	54.9%
Total payout ratio	13.8%	26.3%	30.2%	78.6%	-	110.3%	54.9%

* Implementation of a share repurchase (¥10 billion)

III Status of Segments

Transportation Segment

- Q2 saw a temporary decrease in mobility demand due to the spread of COVID-19. However, operating in a business environment in which infections were increasing, in Q3, both domestic and inbound demand recovered steadily, centered on non-commuter medium- to long-distance revenues, due to the introduction of a nationwide travel support program, the easing of protection measures, and other factors.

【Results】

(¥bil)

【Forecasts】

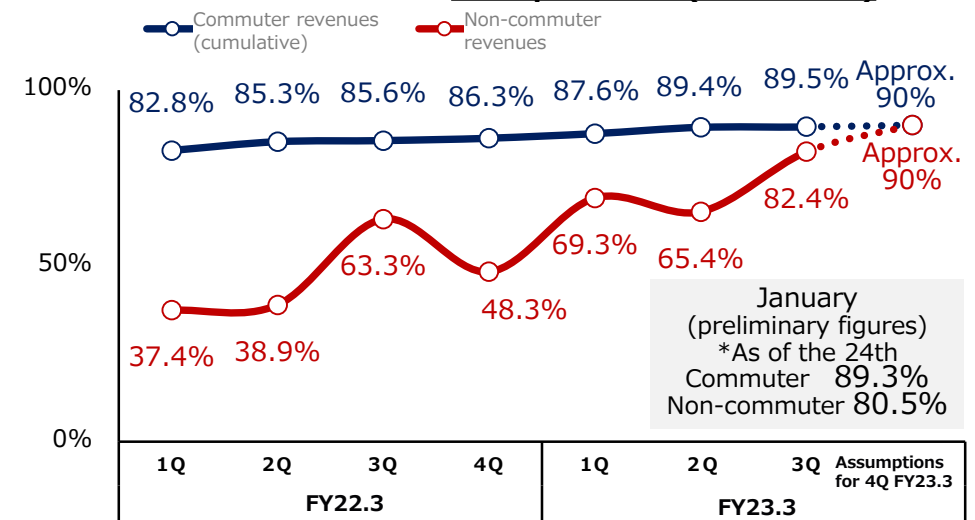
(¥bil)

	9 months ended		YoY		Results		Forecasts		YoY	
	December, 31 2021	December, 31 2022			FY22.3	FY23.3				
Operating revenue	78.0	100.9	22.9	129.4%	104.2	139.2	34.9	133.5%		
Railway Business (non-consolidated)	77.1	99.9	22.7	129.5%	102.9	136.9	33.9	133.0%		
Railway transportation revenues	67.2	88.7	21.5	132.0%	89.3	122.6	33.2	137.2%		
Operating income	(11.7)	4.3	16.1	-	(22.7)	(0.2)	22.5	-		
Railway Business (non-consolidated)	(11.0)	5.0	16.0	-	(22.0)	0.1	22.1	-		
EBITDA	(5.4)	12.2	17.6	-	(14.1)	10.3	24.4	-		
Railway Business (non-consolidated)	(5.2)	12.6	17.9	-	(13.7)	10.4	24.1	-		

Assumptions behind performance forecasts

- Our performance forecasts for FY23.3 anticipate increased revenues due to the opening of the Nishi-Kyushu Shinkansen (September 2022).
- In Q4 FY23.3, we expect commuter revenues (cumulative) and noncommuter revenues to recover to around 90% of FY19.3 levels.
- We expect to achieve ¥14.0 billion in fixed cost reductions and ¥4.0 billion in cost reductions through emergency restraints and revenue-linked cost reductions.

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



Railway Business (Transportation Data)

Railway Transportation Revenues

(¥bil)

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY		Major Factors
Total	67.2	88.7	21.5	132.0%	
Commuter pass	21.4	22.2	0.8	104.0%	
Non-commuter pass	45.8	66.4	20.6	145.0%	
Cargo	0.0	0.0	0.0	155.7%	
Shinkansen	20.8	31.6	10.8	152.0%	
Commuter pass	1.8	2.0	0.1	108.7%	Increase due to gradual recovery in demand
Non-commuter pass	18.9	29.6	10.6	156.3%	
Conventional Lines	46.4	57.0	10.6	123.0%	
Commuter pass	19.5	20.2	0.7	103.6%	Increase due to gradual recovery in demand
Non-commuter pass	26.8	36.8	9.9	137.1%	

Passenger-Kilometers

(Millions of passenger-kilometer)

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY	
Total	4,714	5,582	868	118.4%
Commuter pass	2,831	2,931	99	103.5%
Non-commuter pass	1,882	2,651	768	140.8%
Shinkansen	762	1,121	359	147.2%
Commuter pass	136	151	15	111.0%
Non-commuter pass	625	970	344	155.1%
Conventional Lines	3,952	4,460	508	112.9%
Commuter pass	2,694	2,779	84	103.1%
Non-commuter pass	1,257	1,681	424	133.7%

Real Estate and Hotels Segment: Real Estate Leasing Business

- In Q3, station building tenant sales recovered to a level similar to FY19.3, mainly due to higher demand for clothing following sudden cold spell in December.
- In office buildings and rental apartments, performance was affected by such factors as the sale of properties to a private REIT and other buyers since FY22.3. However, performance remained robust, with no major changes to vacancy rates at currently owned properties.

【Results】

	9 months ended		YoY	
	December, 31 2021	December, 31 2022		(¥bil)
Operating revenue	43.7	46.2	2.5	105.7%
Operating income	11.6	11.6	(0.0)	99.6%
EBITDA	20.4	20.4	(0.0)	99.7%

【Forecasts】

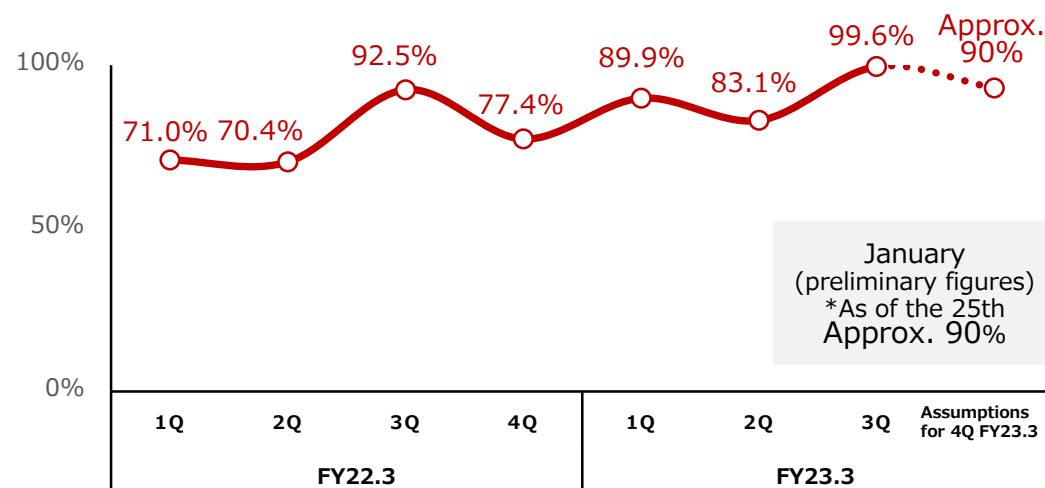
	FY22.3		YoY	
	Results	FY23.3 Forecasts		(¥bil)
Operating revenue	58.5	61.6	3.0	105.2%
Operating income	14.7	13.9	(0.8)	94.2%
EBITDA	26.5	25.8	(0.7)	97.3%

Assumptions behind performance forecasts

- In Q4 FY23.3, we expect tenant sales at five station buildings to recover to around 90% of FY19.3 levels.
- In office buildings and rental apartments, we anticipate solid performance, with no sign of major changes in vacancy rates at existing properties.
- Despite a decline in rents stemming from the sale of properties, we expect higher earnings from station buildings and other items.

Station building* tenant sales (vs. FY19.3)

* Excluding Miyazaki and Kumamoto Station Buildings



Real Estate and Hotels Segment: Real Estate Sales Business

- Q3 revenue from the sale of condominiums was slightly lower, as we had initially anticipated.
- In Q4, in addition to selling properties to a private REIT, we expect to sell numerous condominiums.

【Results】

	(¥bil)			
	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY	
Operating revenue	14.5	16.4	1.9	113.2%
Operating income	1.1	0.9	(0.2)	80.6%
EBITDA	1.2	0.9	(0.2)	80.9%

【Forecasts】

	(¥bil)			
	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	46.1	43.2	(2.9)	93.5%
Operating income	6.2	5.4	(0.8)	86.7%
EBITDA	6.2	5.4	(0.8)	86.4%

Assumptions behind performance forecasts

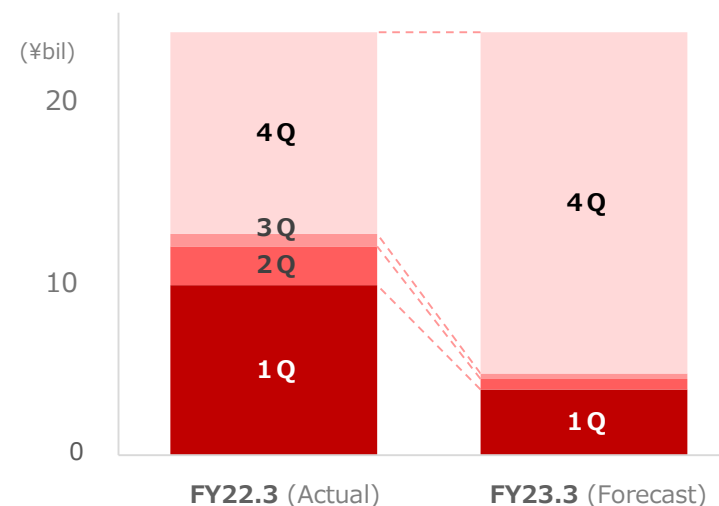
- Operating revenue from condominiums tends to fluctuate on a quarterly basis, but for the year we anticipate levels on a par with FY22.3.
- The sale of properties included the Q1 sale to a third party of Shinkawa East Building (an office building). Owing to this sale, combined with the future sale of properties to a private REIT, we anticipate operating revenue of around ¥17.0 billion for the full fiscal year.

Shinkawa East Building



Date of acquisition : January 2019
 Location: Chuo-ku, Tokyo
 Structure: 14 aboveground floors,
 1 belowground floor
 Date of construction: August 1990
 Floor space: Approx. 10,289m²
 Lot area: Approx. 1,249m²

Condominium sales forecast (operating revenue)



Real Estate and Hotels Segment: Hotel Business

- In Q3, both domestic and inbound demand recovered significantly with the introduction of a nationwide travel support program and the easing of protection measures. ADR also exceeded pre-pandemic levels, pushing operating income into positive territory on a quarterly basis for the first time since the start of the pandemic (Q3 of FY20.3).

【Results】

(¥bil)

	9 months ended December, 31 2021	9 months ended December, 31 2022	YoY	
Operating revenue	6.7	11.9	5.2	177.8%
Operating income	(2.2)	0.6	2.8	-
EBITDA	(0.6)	2.3	2.9	-

【Forecasts】

(¥bil)

	FY22.3 Results	FY23.3 Forecasts	YoY	
Operating revenue	8.9	16.6	7.6	184.6%
Operating income	(2.9)	0.7	3.6	-
EBITDA	(0.7)	3.0	3.7	-

Assumptions behind performance forecasts

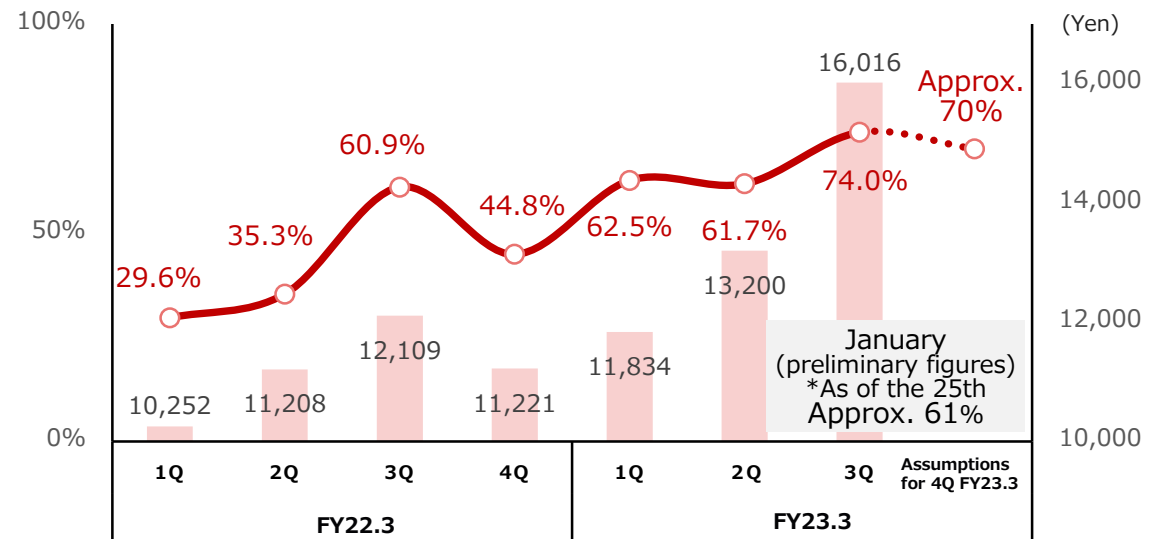
- THE BLOSSOM KYOTO (180 rooms) was opened on 26th August, 2022
- Blossom Fukuoka (90 rooms) has been temporarily closed due to building maintenance from October 3, 2022.
- In Q4 FY23.3, we expect occupancy rates to recover to around 70%.

THE BLOSSOM KYOTO



Date of open: 26th August, 2022
 Location: Shimogyo-ku, Kyoto City
 Guest rooms: 180
 Floor space : Approx. 9,600m²

Hotel business | Occupancy rate and ADR



IV Progress on the Three Key Strategies 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.

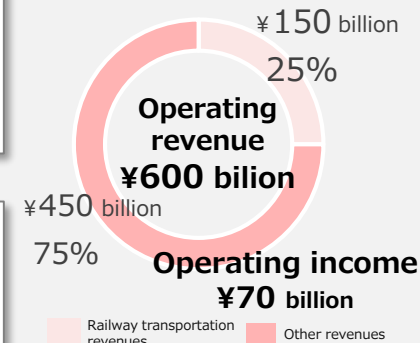
Policy ①

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)

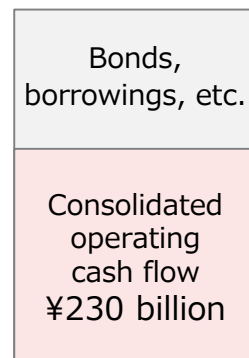
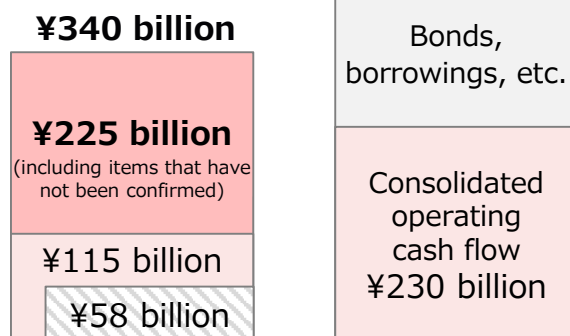
[Consolidated]

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

[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]



Financial soundness indicators (end-FY25.3)

D/EBITDA **Approx. 5 times**
 Capital adequacy ratio **Approx. 40%**

Legend:
 ■ 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.

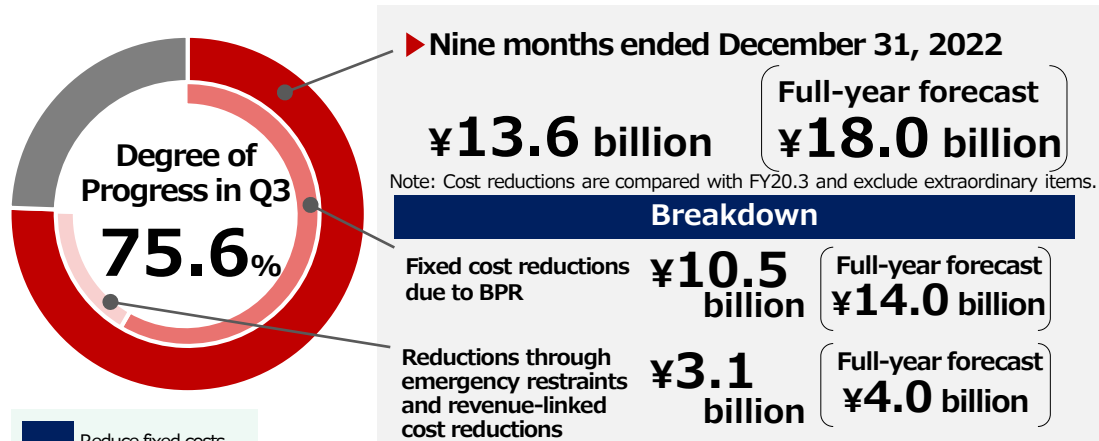
Key strategy ① Completing Business Structural Reforms: Reduce Costs in the Railway Business Through BPR*

* Business Process Re-engineering

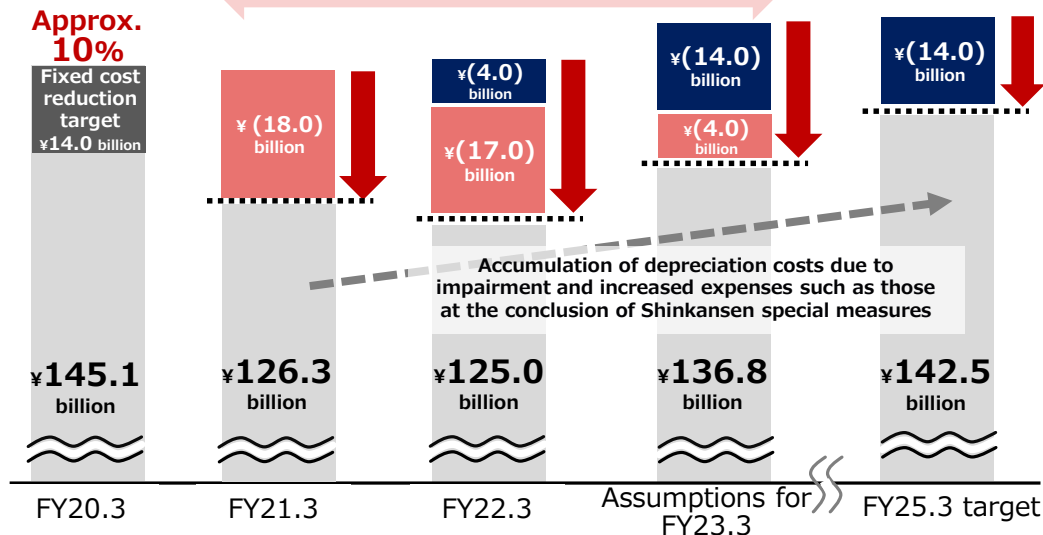
- We are making steady progress toward a ¥18.0 billion reduction in costs this fiscal year (fixed cost reductions through BPR: ¥14.0 billion; urgent control measures, etc.: ¥4.0 billion).
- To promote further growth in the railway business, we will move forward with considerations under the Future Railway Project

Progress on reducing costs (Q3 results)

- We are promoting the BPR project (business structural reforms) as a response to the sharp drop in demand due to COVID-19. We expect to complete the project this fiscal year.

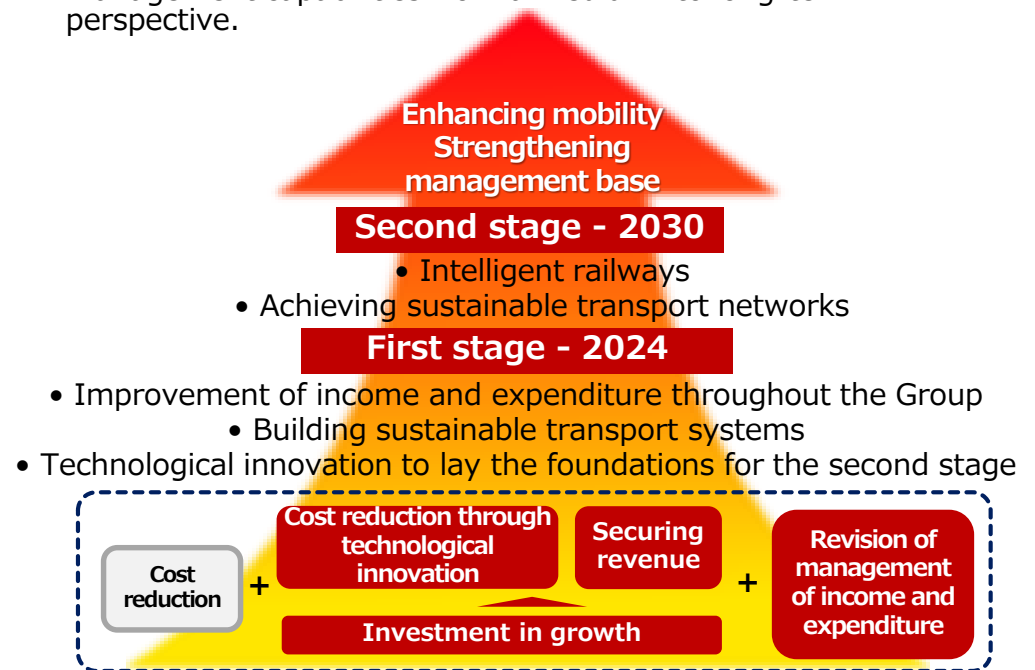


We expect project completion to take approximately two and a half years from startup to the appearance of effects.



The Future Railway Project

- To create a "railway of the future" that drives city-building in Kyushu, we will work to evolve mobility and strengthen our management capabilities from a medium- to long-term perspective.



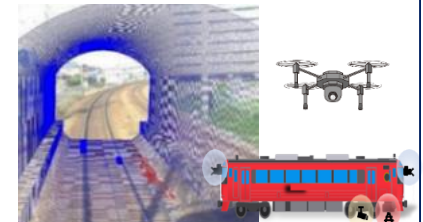
Examples of items being considered for the Future Railway Project



Self-driving trains (GoA2.5)



Use AI image analysis to check for loose bolts



Data acquisition by train, drone, etc. x AI-based decision making

Securing Revenues in the Railway Business: Capturing Demand Recovery Opportunities and Creating New Demand

Initiatives to capture the recovery in inbound demand and create new demand

Initiatives to capture inbound demand

● Resumption of inbound promotions



We have resumed full-scale promotion in Asia. We exhibited at travel expos and placed ads online and in inbound media to promote Kyushu tourism and rail pass sales.

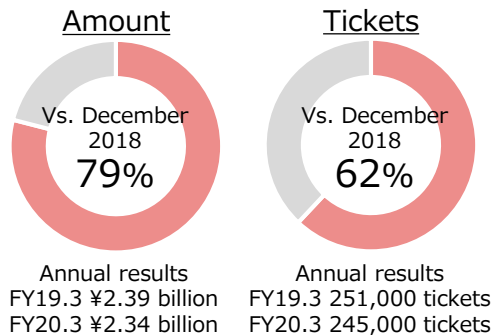
● Introduction of touch payment at automatic ticket gates (verification testing)



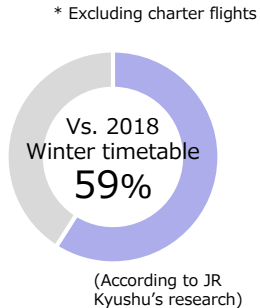
We have introduced on a trial basis a service that allows passengers to use trains by touching their touch payment-compatible credit cards or smartphones to dedicated terminals at automatic ticket gates. (In addition to Visa, we have also added compatibility to JCB and American Express.)

<Reference> Inbound-related indicators

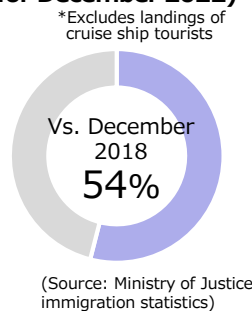
JR-KYUSHU RAIL PASS sales results (December 2022)



Number of international flights in Kyushu* (As of January 13, 2023)



Number of foreign arrivals in Kyushu* (Preliminary figures for December 2022)



Initiatives to create new demand

● Signing of a cooperation agreement with neuet, Inc.



We have signed an agreement with neuet, a company that operates a shared cycle service, to collaborate on "city-building initiatives for the realization of well-being." We will work together to establish cycle ports, utilize data, promote tourism, develop new businesses, and in other ways.

● Subscription service targeting people with commuter passes (verification testing)



We are introducing a trial subscription service and discount for SUGOCA commuter pass holders, which can be used at stores in Hakata Station and the Fukuoka area, such as coffee shops and izakaya (Japanese-style pubs).

● Operation of cycle trains (verification testing)



In cooperation with local governments, we are implementing on a trial basis a "cycle train" service that allows bicycles to be brought onto dedicated trains without disassembly.

● Expansion of a train luggage transportation service (verification testing)



On a trial basis, we are introducing a new service to transport fresh fish by Shinkansen from Kagoshima Prefecture to restaurants in the cities of Fukuoka and Osaka in just 11 hours or less on the same day, from order to delivery.

Key strategy ② Creating a Model For Building Cities that Promote Well-Being: City-Building in the Western Kyushu Area

Aiming to maximize the opening effect of the Nishi-Kyushu Shinkansen by promoting development in the western Kyushu area, using the opening of the Nishi-Kyushu Shinkansen as a catalyst

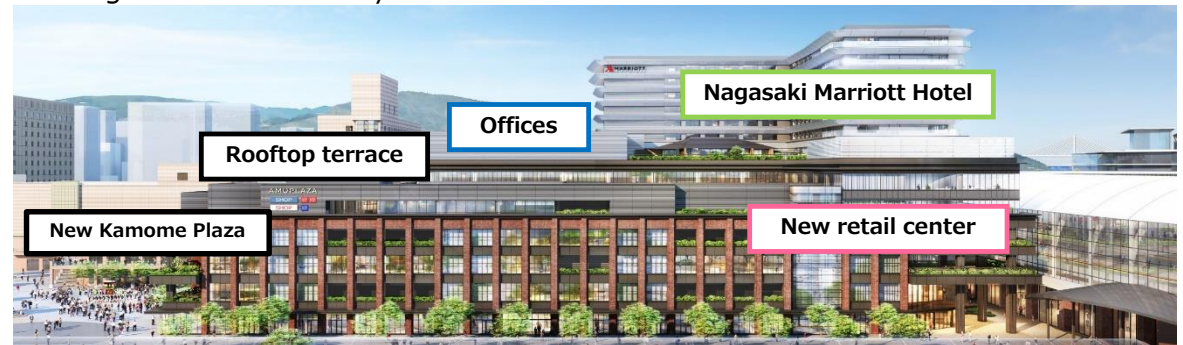


State of use, four months after the opening of the Nishi-Kyushu Shinkansen (between Takeo Onsen and Nagasaki from September 23 to January 22)

Total usage	Daily average	Compared with pre-COVID (Reference)	
Approx. 811,000 people	Approx. 6,600 people	Approx. 104%	Kyushu Shinkansen (Hakata to Kumamoto) Approx. 79%

Note: Usage is in comparison with the Kamome express on conventional line between Isahaya and Nagasaki on the same day of 2018

B New Nagasaki Station building area development* (autumn 2023)
*Nagasaki Marriott in early 2024



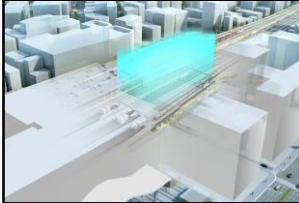
- Implementing an integrated development project as the land gateway to Nagasaki, an international tourism city. Including hotels (Nagasaki Marriott Hotel), commercial facilities, offices, parking lots, etc.
- Implementing such initiatives as environmental burden reduction, infection countermeasures, introduction of next-generation AI/ICT, etc.

January 2022	March 2022	September 2022	Spring 2023	Autumn 2023	Early 2024
A Akane-sasu Hizenhamashuku Accommodation in an old private home	B Kamome Ichiba Souvenirs, dining, etc.	Nishi-Kyushu Shinkansen	C Under the elevated tracks at Saga Station Renovation	B New Nagasaki Station Building D URESHINO YADOYA (Japanese-style inn with hot spring)	B Nagasaki Marriott Hotel

Key strategy② Creating a Model for Building Cities that Promote Well-Being: City-Building in the Fukuoka Area

In the city of Fukuoka, where the amount and rate of population growth are the largest among ordinance-designated cities in Japan, in addition to real estate development we are promoting city-building across a wide domain, including outsourced property management business and the development and operation of outdoor facilities.

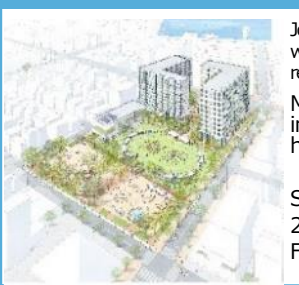
Project utilizing the space above the tracks at Hakata Station



Multi-faceted development incorporating offices, hotels, commercial facilities, squares, etc.

Scheduled to open end-2028

Project to utilize the former site of Sunoko elementary school



Joint development by eight companies, with Sakurajyuji Co., Ltd. as the representative company

Multi-faceted development incorporating private retirement home, commercial facilities, etc.

Scheduled to open in January 2024
Floor space approx. 27,000m²

Handling of outsourced property management for "VIORO," a commercial facility



First time performing subcontracted property management services on another company's commercial property

Started in November 2022
Leased area approx. 5,800m²

Aburayama Shimin no Mori and other renewal projects

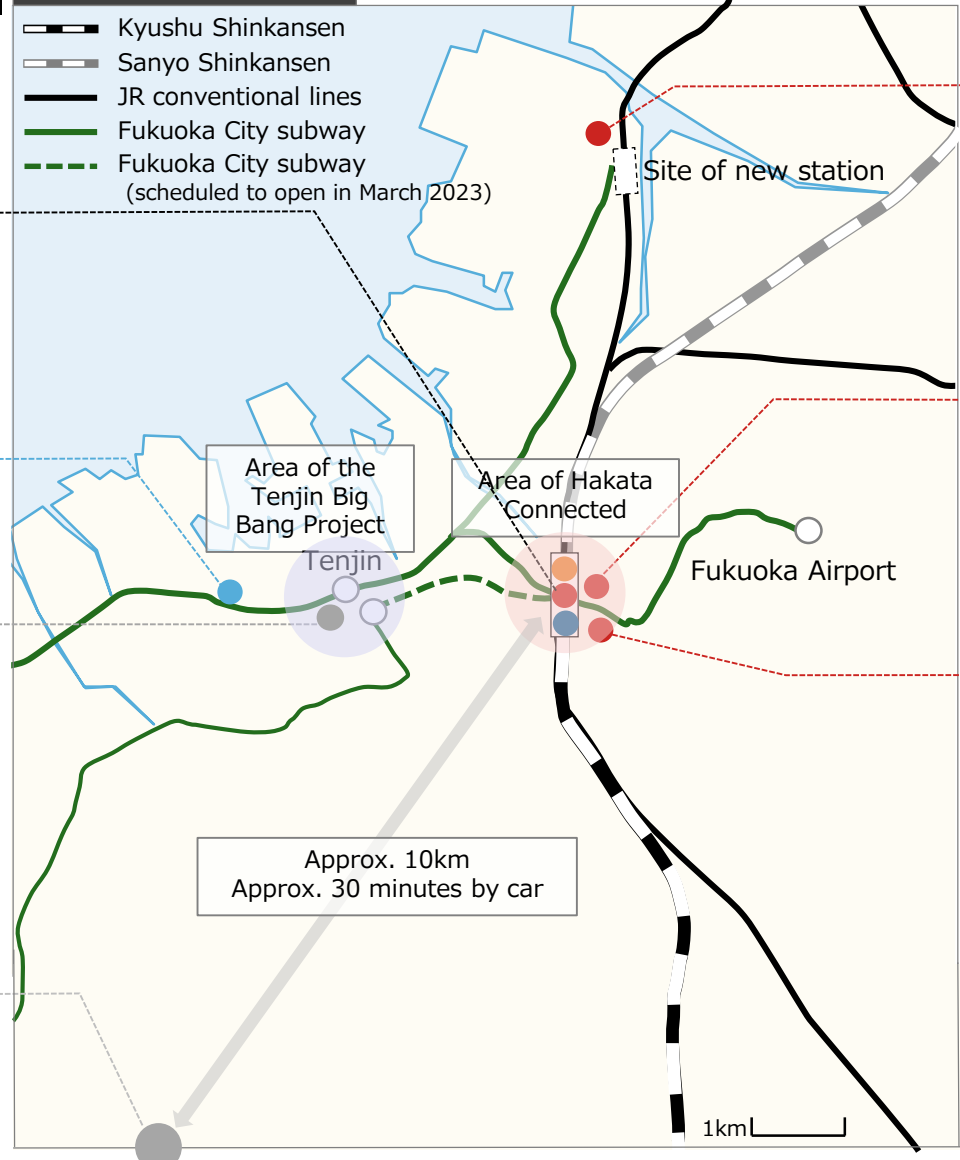


Joint development by nine companies, with Kyushu Railway as the representative company

Multi-faceted, experience type outdoor businesses

Scheduled to open in FY24.3
Lot area approx. 140ha

Map of Central Fukuoka



Acquired the i-PRO Building



Acquired in September 2022
Floor space approx. 12,200m²

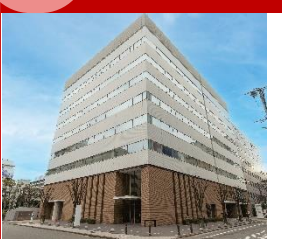
Project for effective use of site of Fukuoka Prefecture east government building



Joint development by three companies, with Kyushu Railway as the representative company

Scheduled to open March 2024
Floor space approx. 22,000m²

New Acquired JR Hakata Station East NS Building



In January 2023, we acquired this building from the perspective of city-building in the area around Hakata Station. The building is a five-minute walk from Hakata Station.



Lot area approx. 2,000m²
Floor space approx. 10,000m²

Key Strategy ② Creating a Model for Building Cities That Promote Well-Being: Rediscovering and Making Use of Regional Resources

Kyushu DREAM STATION: Nigiwai Partner

- Select partners who will work with us to create a lively atmosphere in the entire Kyushu area by utilizing JR Kyushu stations and train lines
- Starting with these four stations, continue to work with local companies to promote initiatives to invigorate the community



Nagayo Station (Nagasaki Prefecture)

- Partial outsourcing of station operations at Nagayo Station premises
- Planning and operation of exhibitions, product sales events, etc. through the employment support business at community halls

Nagayo Kousaikai, a social welfare corporation



Misumi Station (Kumamoto Prefecture)

- City-building not only in Misumi Station but also in the entire area including the Misumi East Port

Sea Cruise Co., Ltd.



Kirishima-Jingu Station (Kagoshima Prefecture)

- Renovation of the Kirishima-Jingu Station interior
- Development of "teahouses" (food and beverage shops) in the station

IFOO Co., Ltd.



Aoshima Station (Miyazaki Prefecture)

- Aoshima Station as a starting point for promoting tourism to the Aoshima area

Ofa Support Inc.


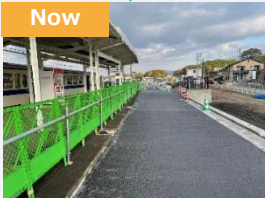



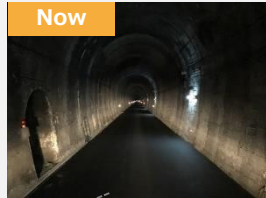






- Kyushu Shinkansen
- Nishi-Kyushu Shinkansen
- Sanyo Shinkansen
- Trunk Lines
- Local Lines

Key Strategy ② Creating a Model for Building Cities That Promote Well-Being: The BRT on the Hitahikosan Line

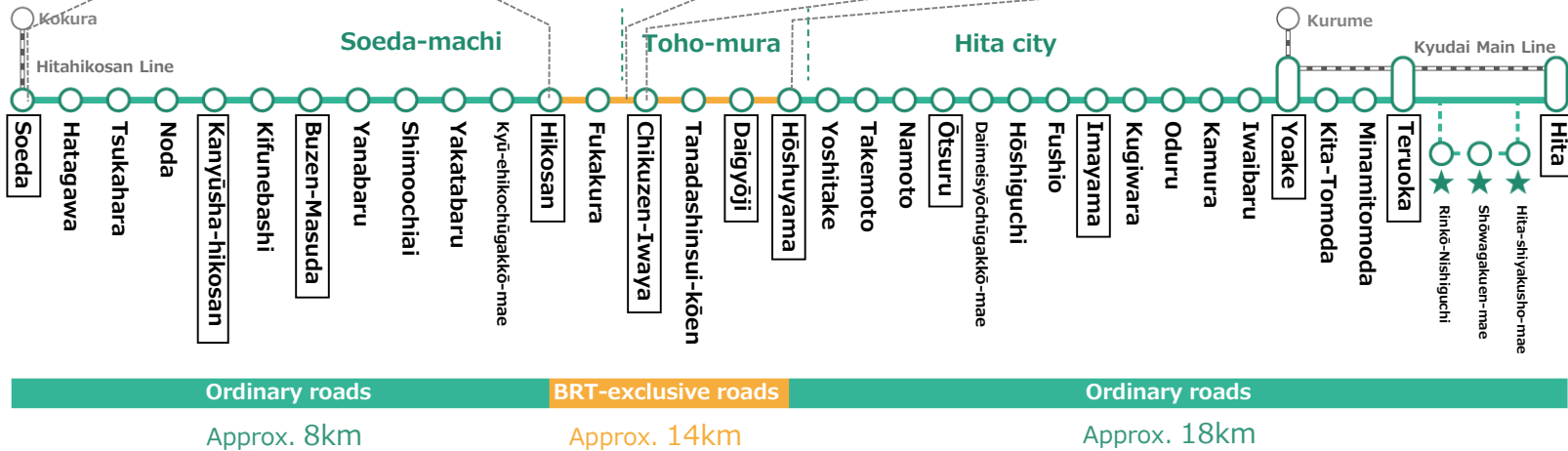
- In summer of 2023, BRT service is scheduled to commence on the Soeda–Yoake/Hita segment, which a disaster made impassible in July 2017.
- The number of stations is expected to triple from pre-disaster levels, mainly in areas closely connected to daily life (originally, 12 train stations)

Progress of construction

<p>[Soeda Station] Creating an area for cross-platform transfer</p> <p>Before construction</p>  <p>Now</p> 	<p>[Between Hikosan and Chikuzen-Iwaya] Asphalt pavement construction</p> <p>Around the time of the disaster</p>  <p>Now</p> 	<p>[Shakadake Tunnel] Asphalt pavement construction</p> <p>Around the time of the disaster</p>  <p>Now</p> 	<p>[Chikuzen-Iwaya Station] Bridge replacement work</p> <p>Around the time of the disaster</p>  <p>Now</p> 	<p>[Hoshuyama Station] Bridge replacement work</p> <p>Around the time of the disaster</p>  <p>Now</p> 
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Commencement of test runs using electric buses

The four electric buses to be introduced are scheduled to begin test runs on public roads on March 7, 2023, to confirm vehicle performance and equipment.



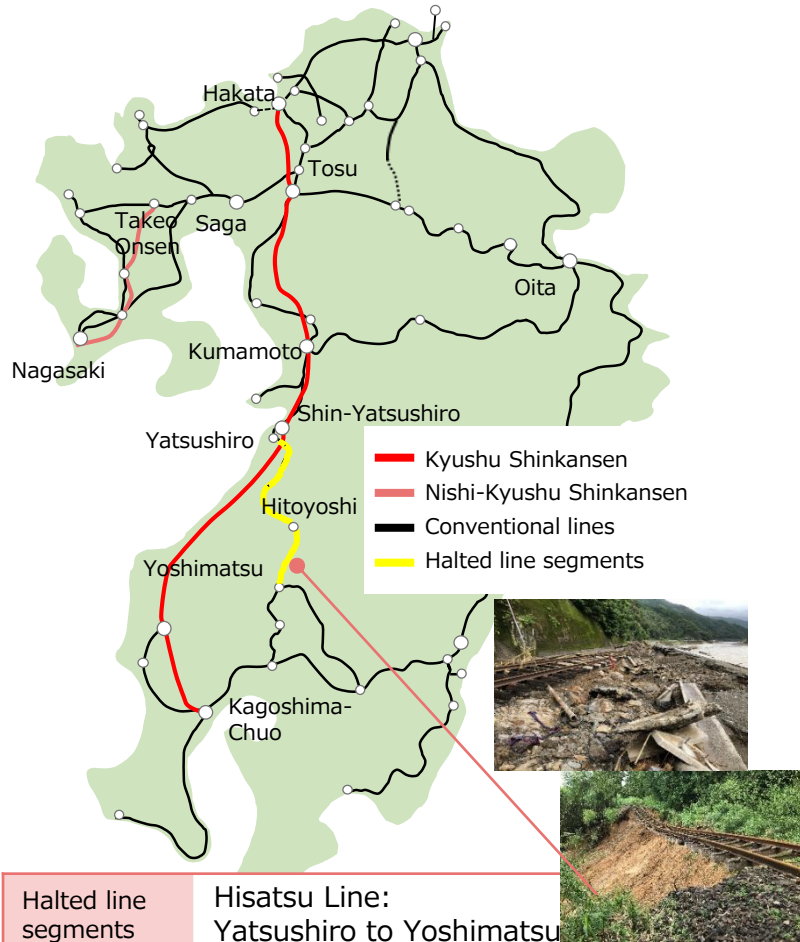
Construction updates are now available on [YouTube](#).



Note: Boxes indicate the names of railway stations operating prior to the heavy rains in northern Kyushu in July 2017. BRT stations shown with dotted lines “—★—” will provide partial morning and evening service. Plans are as of February 7, 2023, and are subject to change.

Damage to the Hisatsu Line due to Heavy Rains in July 2020

We participated in the JR Hisatsu Line Review Conference held by the Ministry of Land, Infrastructure, Transport and Tourism and Kumamoto Prefecture concerning policy for restoring the Hisatsu Line. The policy on restoration is being discussed carefully from various perspectives, including sustainability (factors such as recovery and maintenance costs, and forecasts for the usage of the line once service is restored).

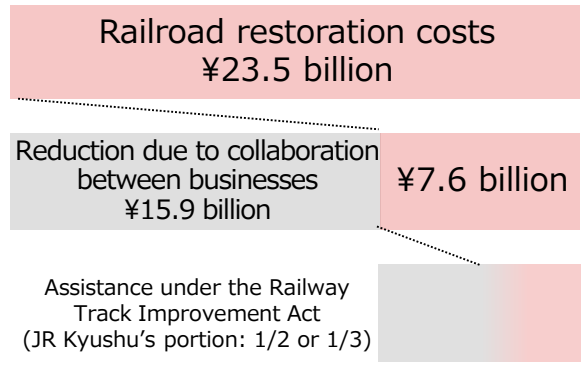


Halted line segments	Hisatsu Line: Yatsushiro to Yoshimatsu
Distance	86.8 km
Main damage	Washed-out bridges, sediment and embankment inflows, etc.
Restoration period	Undetermined

JR Hisatsu Line Review Conference

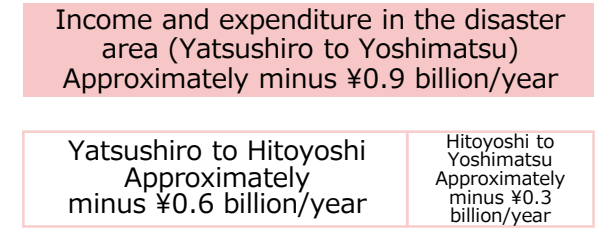
- Purpose of the conference:
To consider how to restore the Hisatsu Line, which was damaged by heavy rains, including the possibility of linking the line restoration with rivers, roads, and other public works, and what the Hisatsu Line should look like after restoration
- Attendees:
Personnel from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT); Kumamoto Prefecture; the Kyushu District Transport Bureau; the Kyushu Regional Development Bureau; and JR Kyushu
- Discussion points (based on the 3rd JR Hisatsu Line Review Conference agenda)

(1) Restoration costs



Note: The restoration amounts indicated here are calculated under specific conditions; amounts may vary depending on circumstances.

(2) Post-restoration sustainability



Note: Income and expenditure are as of FY20.3, before the disaster

In addition to restoration costs, each stage of the project should be considered from a broad perspective, starting with an overall regional picture of the future to the specifics of transportation (positioning of the railroad) and sustainability of the railroad.

Key Strategy③ Developing Businesses in New Areas in Which We Can Contribute: Reinforcing the Manufacturing Field

We will reinforce the manufacturing sector to provide stable support to the Transportation Segment and the Real Estate and Hotels Segment, which are central to city-building, and to expand the area of contribution to city-building by making the Construction Segment more competitive.

Development of the Fukuoka Works as a base for technological development and manufacturing

Conceptual image of the Fukuoka Works



We aim to concentrate management resources, such as human resources, technology, and equipment, by consolidating eight workplaces that are currently dispersed across Fukuoka Prefecture to improve technological development and manufacturing construction capabilities.

Operating entity	JR Kyushu Engineering, Ltd.														
Location	Koga, Fukuoka Prefecture														
Scheduled completion date	October 2023														
Scale, construction	<p>Lot area: 5,686.35m²</p> <p>[Office wing] Reinforced steel construction, three floors, 1,448.45m² Expect to obtain ZEB certification</p> <table border="0"> <tr> <td>1F Office</td> <td>Quarters for factory technicians</td> </tr> <tr> <td>2F Office</td> <td>Some headquarters functions</td> </tr> <tr> <td>3F Training room</td> <td>Employee training, technology training</td> </tr> <tr> <td>Clean room</td> <td>Maintenance of printed circuit boards for electronic equipment</td> </tr> <tr> <td>R&D laboratory</td> <td>Development of robots, test equipment, etc.</td> </tr> </table> <p>[Factory wing] Reinforced steel construction, two floors, 2,705.11m²</p> <table border="0"> <tr> <td>Inspection space</td> <td>Inspection of parts for rolling stock and rail maintenance machinery</td> </tr> <tr> <td>Production space</td> <td>Production of parts for rolling stock, wheel lathes, turning machines, etc.</td> </tr> </table>	1F Office	Quarters for factory technicians	2F Office	Some headquarters functions	3F Training room	Employee training, technology training	Clean room	Maintenance of printed circuit boards for electronic equipment	R&D laboratory	Development of robots, test equipment, etc.	Inspection space	Inspection of parts for rolling stock and rail maintenance machinery	Production space	Production of parts for rolling stock, wheel lathes, turning machines, etc.
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Examples of products

Driver's seats



Luggage racks



Wheel turning lathe



Track record
Osaka Municipal Transportation Bureau
Tokyo Metro Tokyo Metropolitan Bureau of Transportation

Examples of technology development



PANDHR, a robot for maintaining pantograph shoes

Using robots to maintain about 1,500 pantograph shoes per year for Shinkansen rolling stock will save labor and free workers from exposure to the dust generated by polishing.

Note: PANDHR = Panta shoe mainte Diversity of Human Robot

In the future, the company will also manufacture work robots, various measuring instruments, and other equipment to attract business from fields outside the railroad industry.



JR Kyushu Engineering, Ltd.

This wholly owned subsidiary belongs to the Group's Construction Segment. As the core Group business in the manufacturing category, JR Kyushu Engineering is mainly responsible for the manufacture, maintenance, and repair of rolling stock, machinery, and equipment.

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/