

**JR Kyushu Group**  
**Medium-Term Business Plan 2019–2021**

**Toward the Next Growth Stage**

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# Review of the Medium-Term Business Plan 2016–2018

## Formulation of the New Medium-Term Business Plan

### 01. Formulation of the New Medium-Term Business Plan

● Review of the Medium-Term Business Plan 2016–2018

● Changes in the Operating Environment

02. 2030 Long-Term Vision

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04. The JR Kyushu Group's Corporate Culture

In addition to issues related to the three key strategies under the previous medium-term business plan, the issues in the new plan include the recognition of JR Kyushu as a listed company. On that basis, we will implement the new plan in a focused manner.

## The Medium-Term Business Plan 2016–2018

### Three Key Strategies

**Build robust railways that provide the foundation for all our businesses**

**Actively promote city-building in the Kyushu area**

**Take on the challenges of new businesses and expand outside the Kyushu area**

### Priority Items

- Improve transportation services (information on train operating conditions, etc.)
- Increase Shinkansen revenues by expanding online sales and diversify rail pass sales channels
- Expand SSS\*1 (3 train lines)
- Introduce energy-saving rolling stock (DENCHA, etc.)

- Open JRJP Hakata Building and Ropponmatsu 421
- Achieve steady growth in core businesses (station buildings, condominiums, rental apartments, and hotels)

- Consolidate Caterpillar Kyushu, Ltd.
- Open of JR Kyushu Hotel Blossom Naha
- Launch businesses in Thailand (serviced apartments, hotels, and condominiums)

### Ongoing Issues

- Address the end of special tax treatment and increased depreciation expense
- Response to frequent natural disasters
  - Disaster recovery expenses: ¥14.3 billion\*2
- Address the aging of facilities/rolling stock
- Address technical advancement in IoT, AI, etc.

- Enhance development capabilities using our strengths and collaboration with other companies
- Consider and advance development projects for 2022 onward

- Bolster our core business and move ahead with M&A and new businesses in order to generate synergies

## New issues for JR Kyushu as a listed company

### Strengthen Group management

- Further strengthen governance and pursue effective segment management
- Manage the Group in an agile and flexible manner

### Financial Strategy

- Work to achieve both financial soundness and capital efficiency with a focus on sustained growth in the Group's corporate value

### ESG Initiatives

- Bolster ESG initiatives to support long-term growth

\*1 SSS = Smart Support Station

\*2 Extraordinary losses, total estimate for the period from FY17.3 to FY19.3

**Issues to be addressed under the Medium-Term Business Plan**

# 01.

## Review of the Medium-Term Business Plan 2016–2018

### Formulation of the New Medium-Term Business Plan

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● Review of the Medium-Term Business Plan 2016–2018

● Changes in the Operating Environment

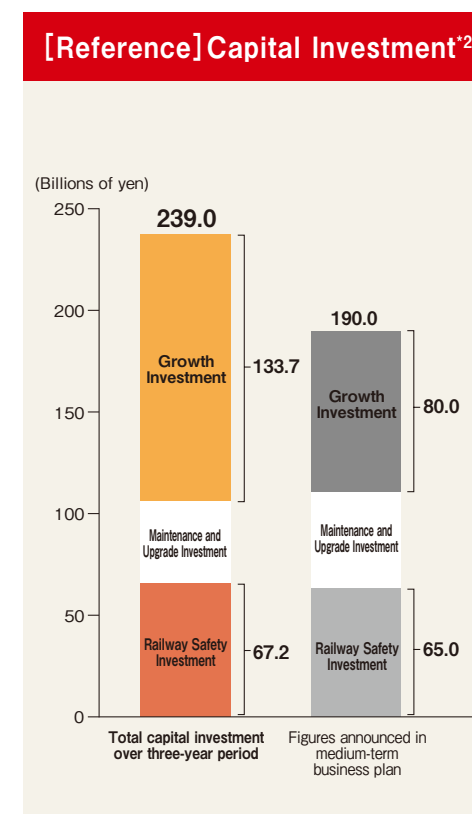
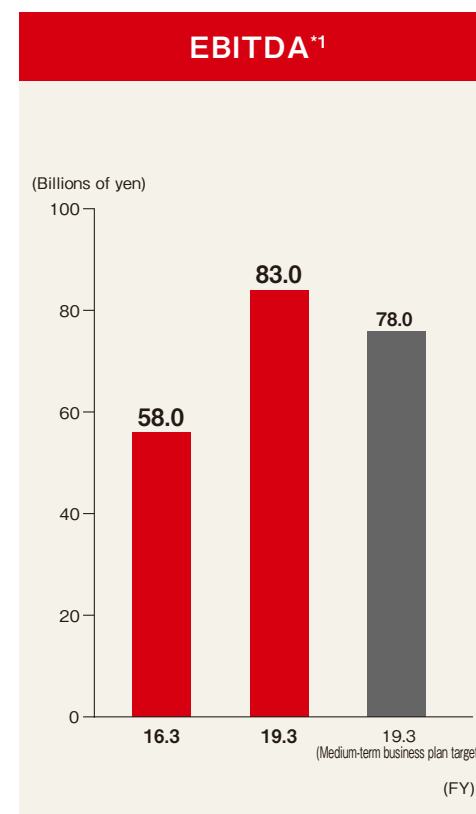
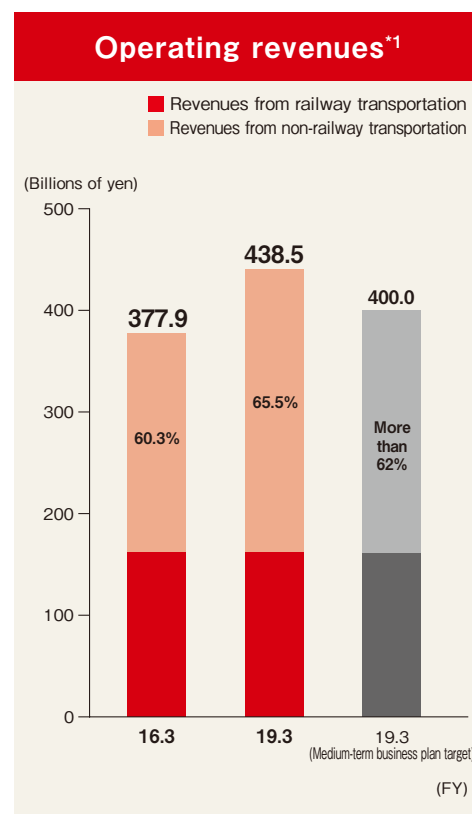
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Due to favorable results in revenues from railway transportation and in the construction segment, we expect to surpass the financial targets (operating revenues and EBITDA) in the previous medium-term business plan.

[Reference] Capital investment will surpass the initial plan of ¥190.0 billion due to growth investment mostly in the rental apartment business, the hotel business, and overseas projects



<sup>\*1</sup> Figures for FY19.3 are the most recent performance forecasts (announced February 4, 2019)

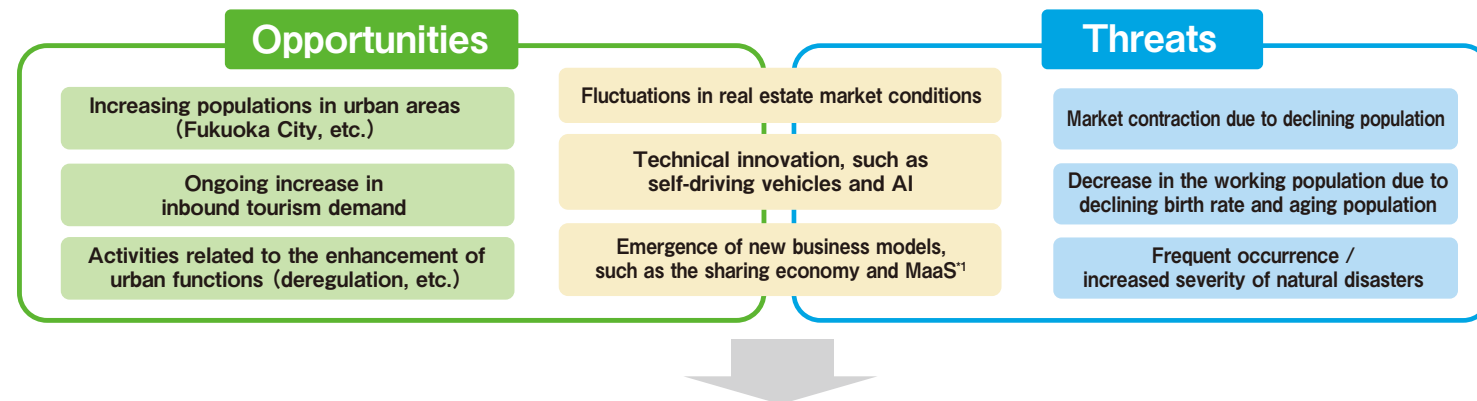
<sup>\*2</sup> For the total capital investment over three-year period, the amount for FY19.3 is the planned amount at the beginning of FY19.3

# 01.

## Changes in the Operating Environment

### Formulation of the New Medium-Term Business Plan

We believe that a long-term vision is essential because we anticipate a dramatic change in the environment including technical innovation and the emergence of new business models, in which we manage the company in the future.



With consideration for opportunities and threats, we will:

- Approach businesses from new perspectives that are not simply extensions of current approaches
- Develop countermeasures to ensure business sustainability

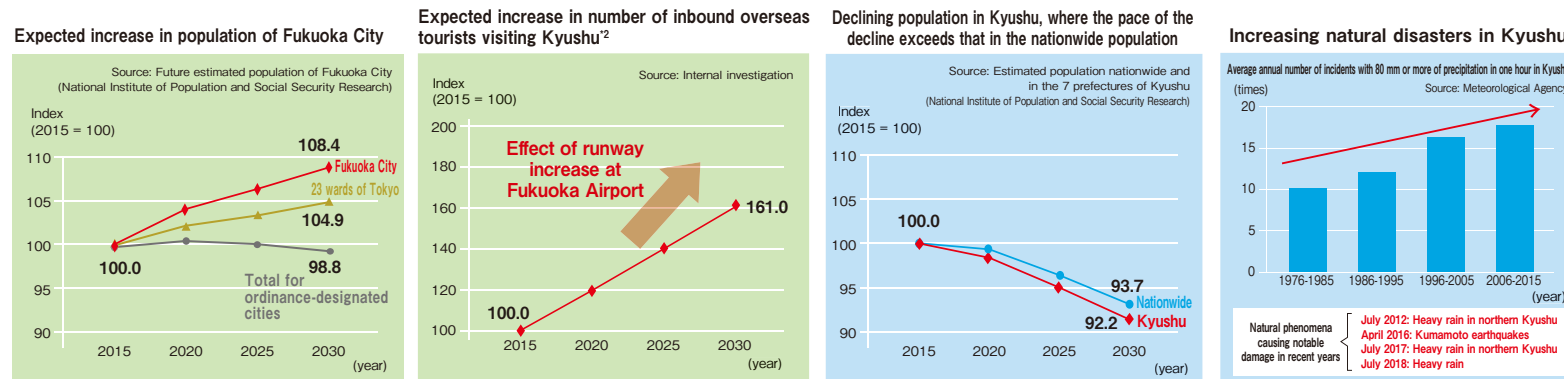
#### 01. Formulation of the New Medium-Term Business Plan

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<sup>\*1</sup> MaaS = Mobility as a Service. A new concept regarding seamless mobility in which ICT is used to leverage the cloud and mobility through all modes of transportation other than privately owned cars is addressed as a single service.  
<sup>\*2</sup> Estimates based on statistics from the Policy Research Institute for Land, Infrastructure, Transport and Tourism regarding inbound tourism demand for all of Japan. Assumes that the recent trend in the percentage of inbound travelers who visit Kyushu will remain the same in the future.

# Management Plan Framework and 2030 Long-Term Vision

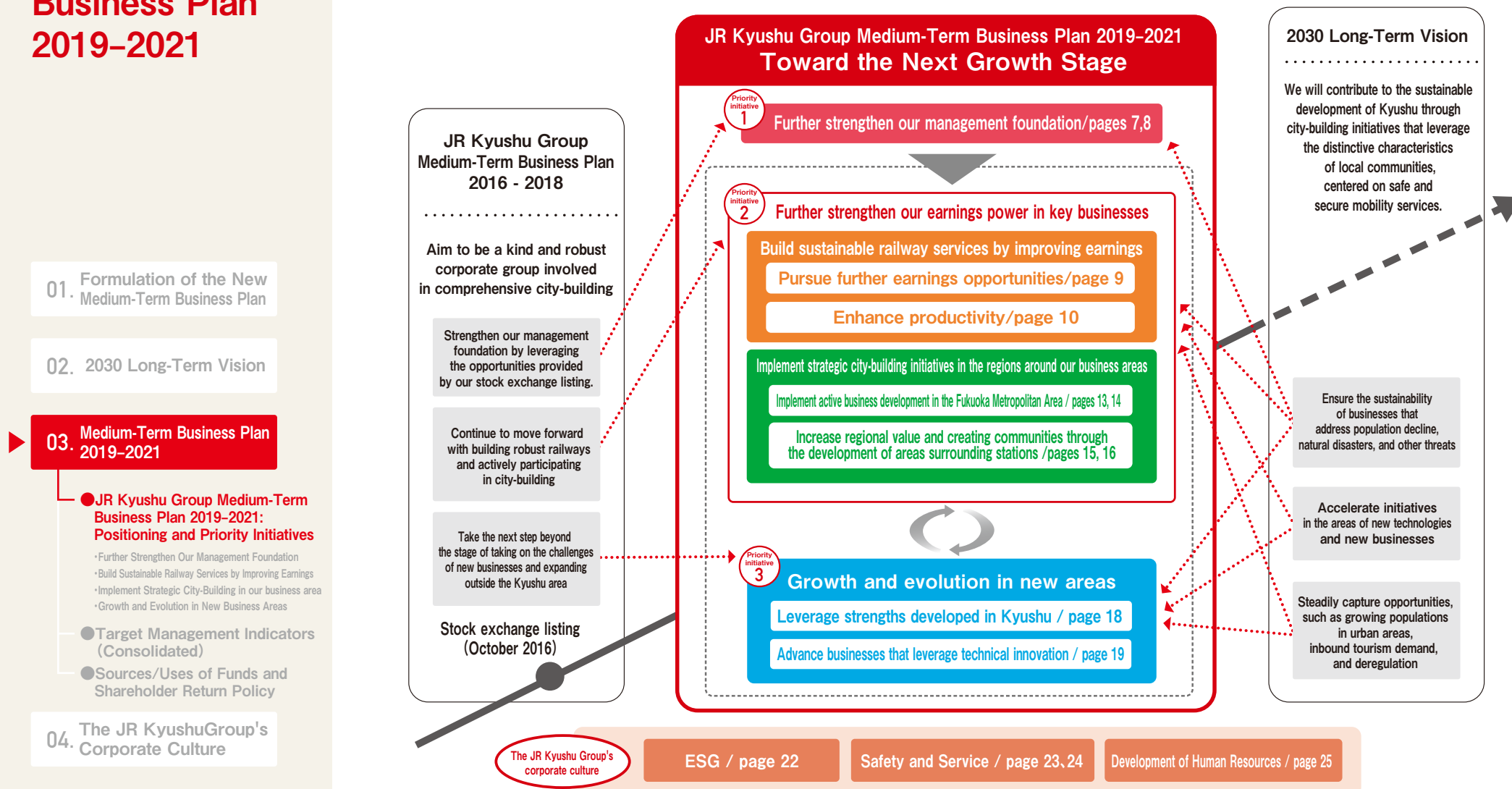
## 2030 Long-Term Vision

We created the 2030 Long-Term Vision to achieve “What the JR Kyushu Group aims to be” in a management environment undergoing dramatic change.



## Medium-Term Business Plan 2019-2021

With consideration for the issues carried over from the previous medium-term business plan and for backcasting from the long-term vision, the following three points have been positioned as priority initiatives under the new medium-term business plan.



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● JR Kyushu Group Medium-Term Business Plan 2019–2021: Positioning and Priority Initiatives

- Further Strengthen Our Management Foundation
- Build Sustainable Railway Services by Improving Earnings
- Implement Strategic City-Building in our business area
- Growth and Evolution in New Business Areas

● Target Management Indicators (Consolidated)

● Sources/Uses of Funds and Shareholder Return Policy

04. The JR Kyushu Group's Corporate Culture

We will work to strengthen Group management by bolstering governance and implementing efficient segment management.

Segment management

### Establish intermediate holding companies in the station building business and hotel business (planned for April 1, 2019)

Establish intermediate holding companies in order to strengthen governance and to facilitate decision-making and operational execution that are more agile and flexible (page 8)

### Change segment classifications, etc. (planned for April 1, 2019)

Change segment classifications and revenue/expense classifications in order to handle revenues and profits for segments, etc., in a more practical manner.

### Implement measures to rearrange businesses and reorganize the Group

Consider and implement measures to rearrange businesses and reorganize the Group in order to pursue flexible and efficient segment management

### Revise monitoring systems and processes (to be considered and implemented during the period of this plan)

Consider and implement the revision of monitoring systems/processes and KPIs, etc., in order to enhance the driving force of segment management

### Strengthen business portfolio management system

Work to achieve appropriate management resource allocation by clarifying the position of CFO, etc., in order to form a strategic business portfolio while leveraging M&A, etc.

### Revise officer compensation system

Consider the introduction of stock compensation plan in order to enhance value shared with shareholders

### Establish the Nomination and Compensation Advisory Committee

Establish the Nomination and Compensation Advisory Committee (March 19, 2019), centered on outside directors, and working to increase the objectivity and transparency of procedures related to officer nomination, compensation, etc.

Strengthen governance

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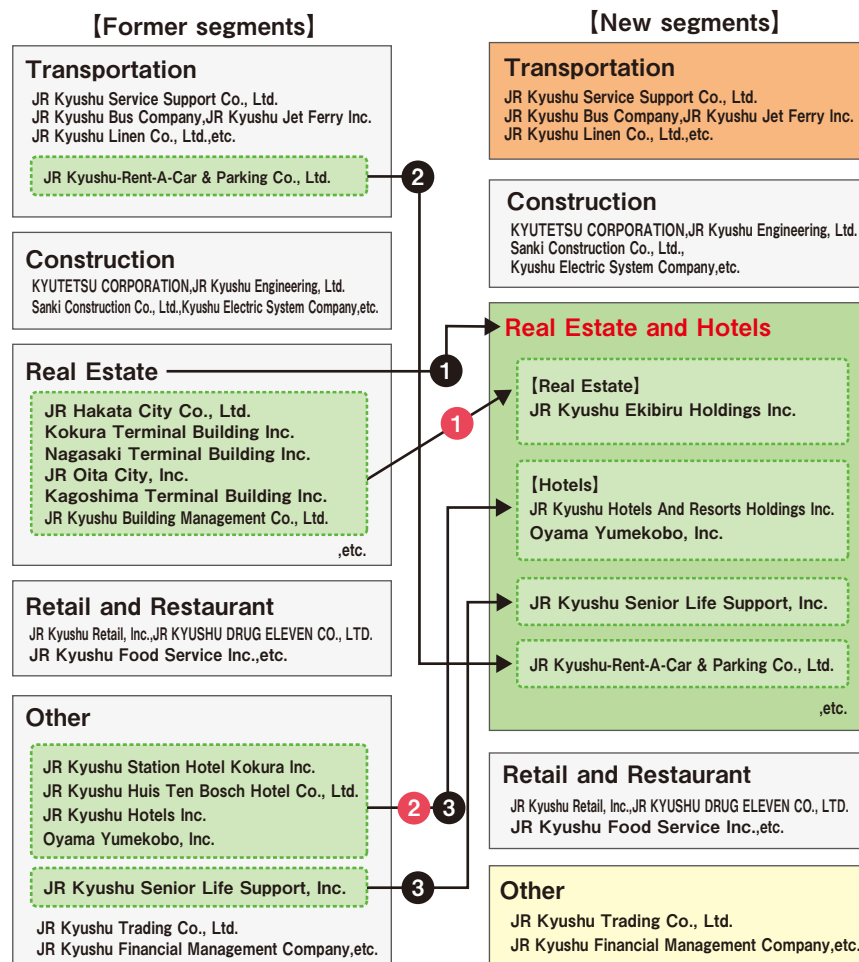
### ●Target Management Indicators (Consolidated)

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We will steadily advance segment management by establishing intermediate holding companies in the station building business and the hotel business, changing segment classifications, etc.

### Overview of segment classification changes, etc. (planned for April 1, 2019)



### Points of change

#### 1 2 Establish intermediate holding companies in the station building and hotel business (planned for April 1, 2019)

Strengthen governance and achieve agile and flexible decision-making and operational execution through business management based on intermediate holding companies (JR Kyushu Hotels And Resorts Holdings Inc., JR Kyushu Ekibiru Holdings Inc.)

#### Change segment classifications and revenue/expense classifications (planned for April 1, 2019)

##### [Segment classification changes, etc.]

- 1 Real Estate segment → Real Estate and Hotels segment**  
Segment name changed in conjunction with the segment classification changes in order to seamlessly strengthen the real estate and hotel businesses
- 2 JR Kyushu-Rent-A-Car & Parking Co., Ltd.**  
Aim for further growth in the core parking lot business by strengthening collaboration with the real estate business
- 3 Hotel business and JR Kyushu Senior Life Support, Inc.**  
Revise the practice under which multiple segments record revenues, etc., from the hotel business and the seniors business, which are aiming for further growth by strengthening collaboration with the real estate business. Shift the hotel business and the seniors business to the Real Estate and Hotels segment.

##### [Change in revenue/expense classification]

We will recognize business profit/loss more practically, through changing allocation criteria for station building rent (revenue) and fixed asset tax (expense) between the Transportation segment and the Real Estate and Hotels segment

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We will pursue further earnings opportunities by capturing/generating transportation demand to increase our earnings power in key fields, implementing city-building initiatives that leverage the appeal of railways, etc.

### Enhance earnings power in key fields

#### Shinkansen

- Increase online sales ratio<sup>\*1</sup> by enhancing convenience of online train reservation system
- Bolster yield management through online-sales customer data management, etc.
- Consider the use of the Shinkansen in the logistics business
- Strengthen cooperation with companies in other transportation-related areas (parking lots, taxi services, car sharing, etc.)

#### Urban area demand

- Maximize synergies with development of areas around our railway lines, etc.
- Cooperate with development initiatives in areas around Miyazaki Station, Kumamoto Station, etc.
- Make the most of the effects of various events

#### Inbound tourism demand

- Expand sales routes for JR Kyushu Rail Pass in cooperation with overseas travel agents and airlines
- Increase convenience of exclusive reservation website
- Actively provide information to inbound overseas tourists

### Implement city-building initiatives that leverage the appeal of railways

- Discover additional tourism resources that utilize new Design & Story trains
- Enhance the value of the Kyushu brand by further improving Seven Stars in Kyushu trains and Design & Story trains
- Implement active tie-ups with local governments and private-sector companies (tourism campaigns, JR Kyushu Walking, use of station buildings, etc.)

### Prepare for the opening of the Nagasaki route of the Kyushu Shinkansen

- Cooperate with communities, etc., to promote tourism in the western Kyushu area
- Consider facilities, schedules, etc., to increase convenience

### Target Management Indicators

	FY19.3*	FY22.3
Revenues from railway transportation	¥151.5 billion	¥154.0 billion
Shinkansen	¥55.0 billion	¥56.7 billion
Conventional lines	¥96.5 billion	¥97.3 billion

\* Figures for FY19.3 are the most recent performance forecasts (Announced February 4, 2019)

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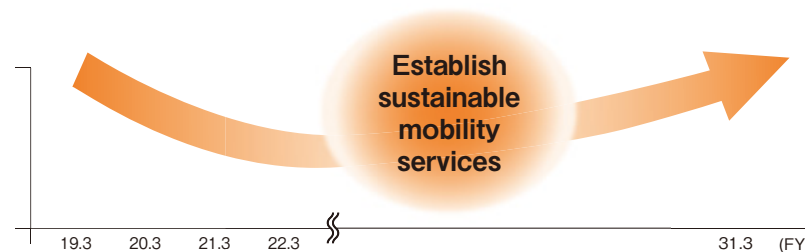
We will work to increase future productivity by promoting efficiency and workforce reductions through the aggressive utilization of new technologies.

Category	Policy	Measures	Completed during FY19.3	To be completed between FY20.3 and FY22.3
Service	Promote efficient business operations by updating station systems	Expansion of the Smart Support Station	✓	✓
		Introduction of Assist Mars		✓
Operations	Promote efficient and automated operations utilizing evolving technologies	Experiment with new train control systems	✓	✓
		Experimentations involving automatic driving systems		✓
Maintenance	Drastically reduce maintenance by migrating toward Condition Based Maintenance (CBM)* and scaling back equipment	Maintenance and inspections utilizing drones and robots	✓	✓
		Scheduled removal of unnecessary assets	✓	✓
		Monitoring of railways for trains in operation		✓
Energy	Promote efficient use of energy	Development and introduction of energy-saving train cars	✓	✓
		Utilization of storage battery technology	✓	✓
Human resource development	Facilitate efficient technical succession of employees responsible for the next generation	Utilization of VR and experience-based training equipment	✓	✓

\* CBM = Condition Based Maintenance

### Operating Income Image in the Transportation Segment

The JR Kyushu Group is working to increase earning power and productivity and to establish sustainable mobility services that support the lifestyles of members of local communities. In this way, JR Kyushu will work to fulfill its social responsibilities as a corporate group that provides mobility services in Kyushu.



## Target Management Indicators in the Transportation Segment

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- Numerical Management Targets in the Transportation Segment
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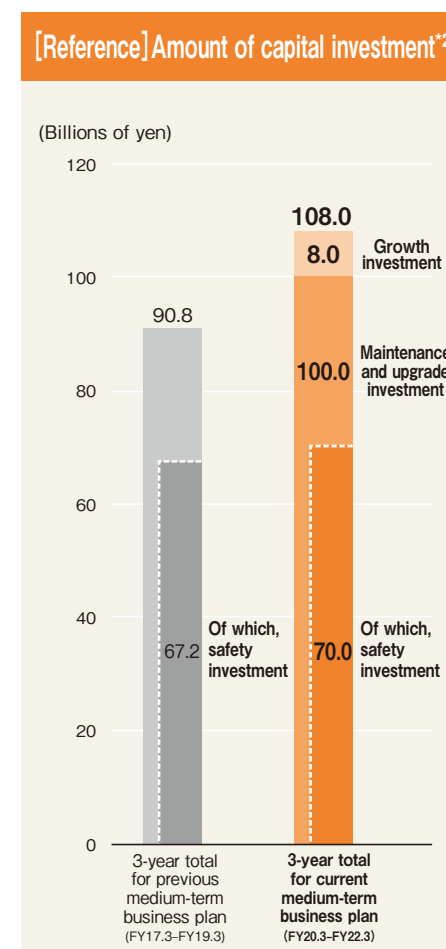
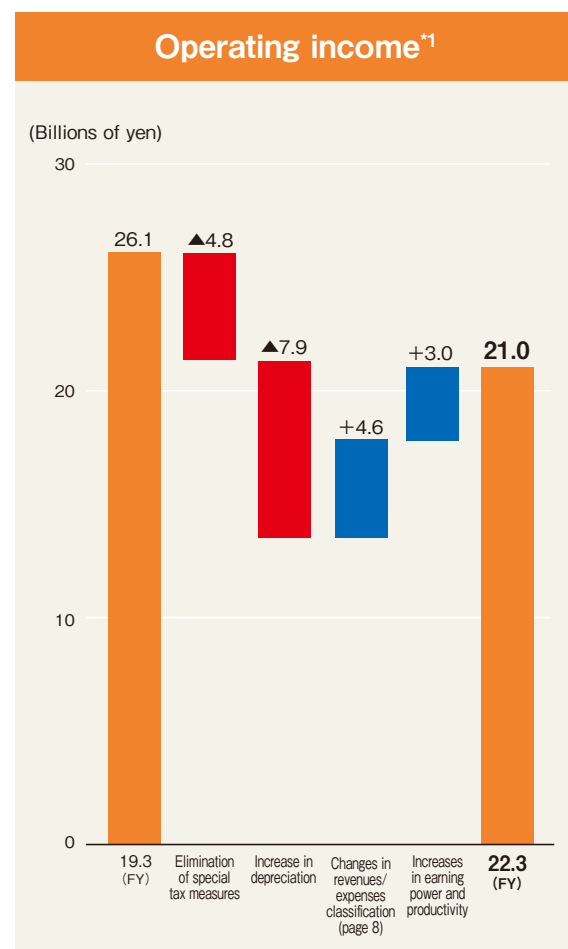
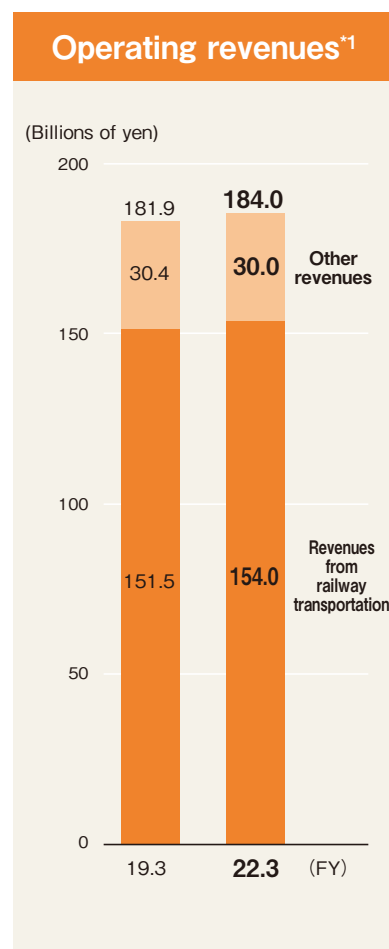
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We will aim for operating revenues of ¥184.0 billion (revenues from railway transportation of ¥154.0 billion) and operating income of ¥21.0 billion in FY22.3

Operating income is expected to decline due to higher expenses resulting from the elimination of special tax measures, higher depreciation, etc. However, we will implement a variety of measures to improve profitability.



\*1 For the FY19.3 figures, the most recent performance forecasts (announced February 4, 2019) have been reclassified in accordance with the new segment categories.

\*2 The amount of capital investment does not include investment related to the Nagasaki route of the Kyushu Shinkansen.

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04. The JR Kyushu Group's Corporate Culture

We will work to help build a Kyushu where “people want to live, work, and visit” by implementing development in areas surrounding stations in line with the characteristics of communities.

A leading city in Asia and Japan's most vibrant community

### Fukuoka Metropolitan Area — pages 13, 14

Work to maximize city value through business development that takes advantage of all opportunities

A station city welcoming the world by leveraging the opportunities of the Shinkansen opening

### Development in the area around Nagasaki Station

■ Overview / Integrated development incorporating commercial facilities, hotels, offices, etc.

A station city that is the new center of Kumamoto

### Development in the area around Kumamoto Station — page 15

■ Overview / Integrated development incorporating commercial facilities, offices, hotels, condominiums, and parking lots

■ Timing of opening / Spring 2021 (station building)

■ Total floor space / 109,000m<sup>2</sup> (station building only)

A station city built through cooperation with local communities

### Development at the west entrance of Kagoshima-Chuo Station

■ Overview / Integrated development incorporating commercial facilities, offices, and condominiums

By FY22.3

FY23.3 and thereafter

Revitalize the core of Mojiko Retro, a symbol of tourism in northern Kyushu  
Mojiko Station restoration

### Mojiko Station restoration

■ Overview / Station building restoration, opening of “Mikado Shokudo by NARISAWA,” etc.

■ Timing of opening / March 2019

Leverage recruitment initiatives as business opportunities and promote further growth of the station city

### Development in the Oita Station Area

■ Overview / Integrated development incorporating commercial facilities, condominiums, etc., with the station building as a base

A station city built jointly with local companies

### Miyazaki Station west entrance development — page 15

■ Overview / Integrated development incorporating commercial facilities, offices, parking lots, and condominiums

■ Timing of opening / Fall 2020 (JR Miyakoh Twin Building)

■ Total floor space / 37,700 m<sup>2</sup> (JR Miyakoh Twin Building only)

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04. The JR Kyushu Group's Corporate Culture

In the Fukuoka, which aims to be one of the leading cities in Asia, we will work to maximize city value by leveraging a wide range of business opportunities and aggressively implementing business development initiatives, centered on Hakata, which is the gateway to Kyushu and Asia.

### Major future business opportunities in the Fukuoka Metropolitan Area

Fukuoka City, which continues to record growth, is planning deregulation initiatives and large-scale development projects in order to enhance urban functions, such as the “Tenjin Big Bang Project” and “Hakata Connected”. In addition, plans call for measures to enhance the transportation infrastructure, such as the extension of Fukuoka City Subway Line 3 to Hakata Station.



### Initiatives to leverage business opportunities

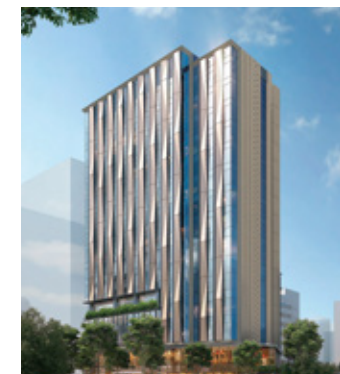
We will leverage all of the opportunities provided by government deregulation initiatives, etc., and work to advance development through a variety of methods.

- Maximize value of assets  
(Plan for utilizing the space above the tracks at Hakata Station, page 14)
- Real estate acquisition and development  
(rental apartments, condominiums, commercial facilities, offices, etc.)
- Recruitment initiative projects

#### 《Hakata Eki-mae 2-chome integrated development》

Address the wide-ranging needs of domestic and overseas tourists as a facility that supports the "City of international Exchange" initiative of Fukuoka City

- Overview / Hotels, commercial facilities, other community facilities
- Timing of opening / Fall 2019
- Total floor space / 15,299 m<sup>2</sup>
- Hotel guest rooms / 238 rooms



# 03.

## Implement strategic city-building initiatives in the regions around our business areas — Plan for Utilizing the Space Above the Tracks at Hakata Station

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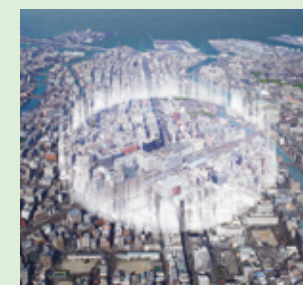
Leveraging “Hakata Connected” and other business opportunities, we will create “a new city” that utilizes the space above the Hakata Station tracks in a three-dimensional manner and serves as a new symbol of Fukuoka, Japan's most vibrant community.

#### Plan for utilizing the space above the tracks at Hakata Station



We will position the plan for utilizing the space above the tracks at Hakata Station as a major growth opportunity for the JR Kyushu Group. Targeting the realization of the plan, we will focus on the comprehensive strengths of the Group and advance this project.

#### 〈Hakata Connected〉



A program of Fukuoka City focused on the area within a 500-meter radius around Hakata Station. Through cooperation between the government sector and the private sector, the replacement of buildings within the area will be promoted and the dynamism and lively atmosphere of Hakata Station will be extended to the surrounding area.



- In support of the "Hakata Connected" initiative, working together with owners of land in the area around Hakata Station to establish the Hakata Station Area Development Council (provisional name)
- Continue to work together with the Hakata City-Building Promotion Council and strive to contribute to city-building initiatives in Fukuoka in both tangible and intangible ways



The JR Kyushu Group will also promote the "Hakata Connected" initiative while cooperating with Fukuoka City, owners of land in the surrounding area, etc.

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Moving forward, the JR Kyushu Group will work to foster lively atmospheres while leveraging its development know-how and implementing new city-building initiatives that draw on the characteristics of stations as bases.



### 《Development in the area around Kumamoto Station》

With stations as bases, we will implement new city-building initiatives to create communities that offer a wide range of functions — such as station buildings, offices, hotels, condominiums — and which are places where people want to live, work, and visit.

For the station building, drawing on the nature of Kumamoto as a theme, we will build a “3D garden of water and greenery and a rooftop terrace,” which will be the symbol of the community.

### 《Miyazaki Station west entrance development》

We will implement joint development of the station building together with the Miyakoh group, implement large-scale renovation underneath the elevated tracks at the station, and enhance the station square in cooperation with government initiatives. In this way, we will strive to help create a new lively atmosphere with Miyazaki Station as a base. In cooperation with people in the local community, we will extend the lively atmosphere around the new station to the greater community.



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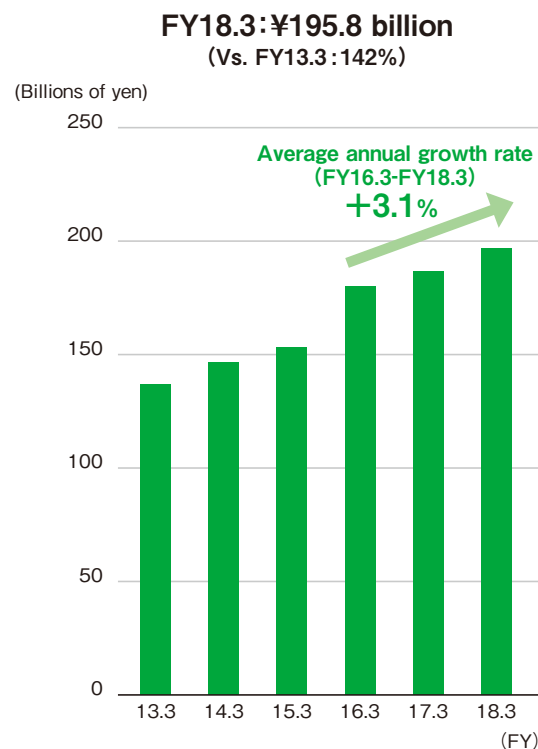
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In the station building business, we will work to bolster our marketing capabilities and increase management efficiency by establishing an intermediate holding company — JR Kyushu Ekibiru Holdings Inc. — and leveraging economies of scale. Moving forward, we will continue working to establish lively atmospheres through the implementation of strategic renewals, the use of station squares, etc. In these ways, we will aim to achieve sustainable growth with station buildings that are deeply rooted in local communities.

### Growth in station building tenant sales<sup>\*1, \*2</sup>



<sup>\*1</sup> Total for Hakata, Kokura, Nagasaki, Oita, Kagoshima

<sup>\*2</sup> JR Oita City opened in FY16.3

### Examples of large-scale station building renovations

- First large-scale renewal of City Dining Kooten (Hakata)
- Revision of overall station building zones and opening “side street 30 steps from the station” (Kokura)
- Large-scale renovation in conjunction with 15 year anniversary (Kagoshima), etc. Development accompanying revision of space for travel service centers, etc., at major stations

### Examples of the creation of lively atmospheres through the utilization of station squares, etc.



Illumination lighting ceremonies



Hakata Summer Festival



Hakata Farmer's Market



Kamome Hiroba (Nagasaki)



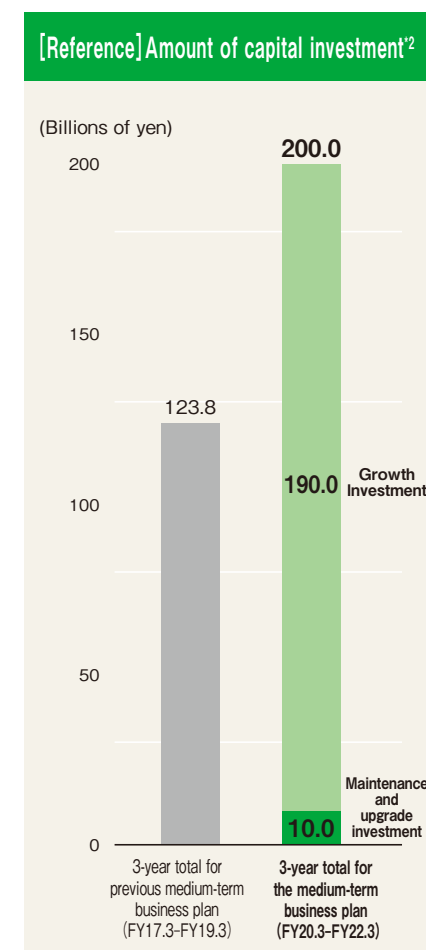
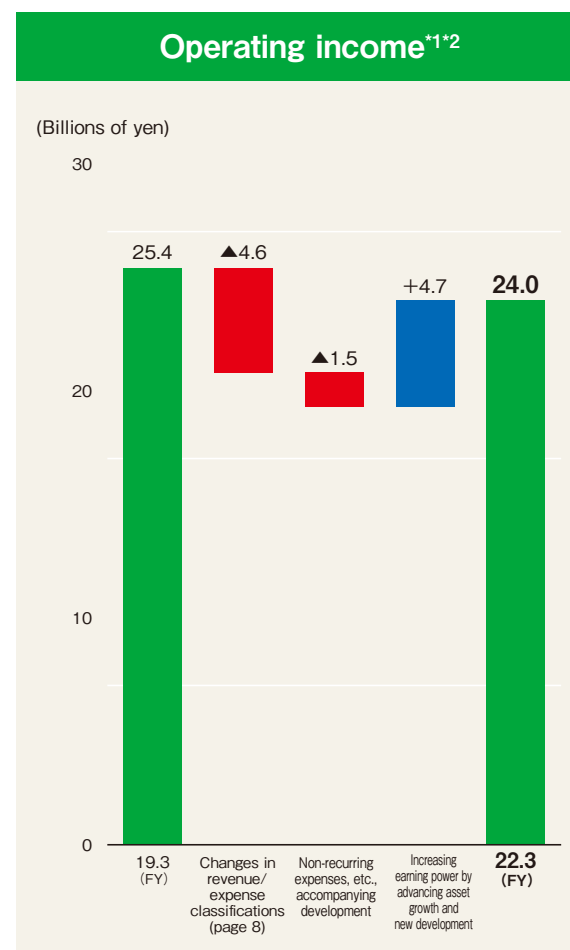
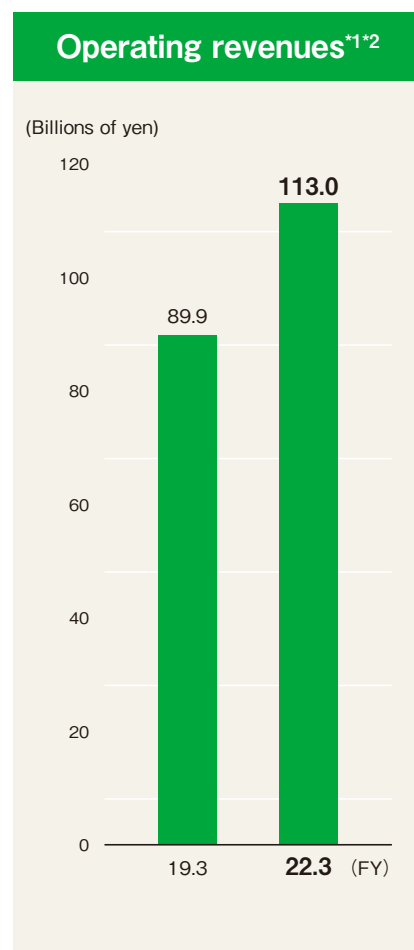
City Rooftop Square (Oita)



Amuran Ferris Wheel (Kagoshima)

## Target Management Indicators in the Real Estate and Hotels Segment

We will aim for operating revenues of ¥113.0 billion and operating income of ¥24.0 billion in FY22.3 by advancing development in the area around Kumamoto Station and at the west entrance of Miyazaki Station.



\*1 For the FY19.3 figures, the most recent performance forecasts (announced February 4, 2019) have been reclassified in accordance with the new segment categories.

\*2. Figures also include the business activities of the relevant segments outside of Kyushu

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●JR Kyushu Group Medium-Term Business Plan 2019-2021: Positioning and Priority Initiatives

- Further Strengthen Our Management Foundation
  - Build Sustainable Railway Services by Improving Earnings
  - Implement Strategic City-Building in our business area
- Numerical Management Targets in the Real Estate and Hotels Segment
- Growth and Evolution in New Business Areas

●Target Management Indicators (Consolidated)

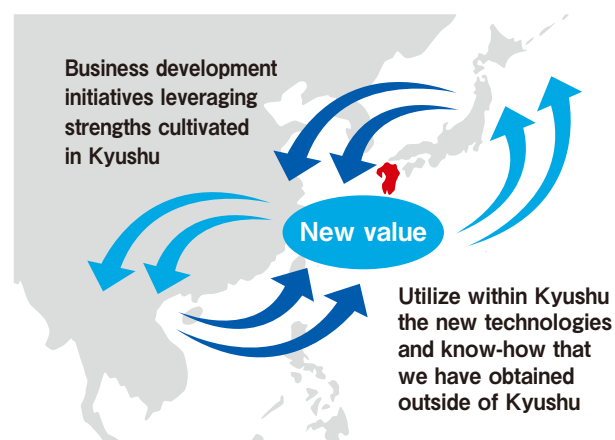
●Sources/Uses of Funds and Shareholder Return Policy

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## Growth and Evolution in New Regions — Leveraging Strengths Developed in Kyushu

In business areas in which we have cultivated strengths in Kyushu and expect to be sufficiently competitive, we will actively work to implement business development initiatives in Japan and overseas.

### Approach to business development initiatives outside the Kyushu area



### Major results to date

#### [Inclusion in the Michelin Guide]

##### Michelin Guide Tokyo 2016

JR Kyushu Hotel Blossom Shinjuku

##### Michelin Guide Kumamoto-Oita 2018 Special Edition

JR Kyushu Hotel Blossom Oita  
Beppu Onsen - Bamboo and Camellia Inn - Hana Beppu  
Okuhida Onsen Umehibiki

#### [J.D. Power]

2017 Japan Hotel Lodging Guest Satisfaction Survey  
<Category: ¥9,000 to less than ¥15,000 per night>  
**Lodging guest satisfaction: No. 1**

#### [Survey by Jutaku Ryutsu Shinposha]

Number of condominiums sold from 2013, 2015, and 2016: No. 1 (Kyushu)

### Major initiatives

#### Japan

Advance development by taking on challenges in rolling out new hotel brands and in luxury hotels, etc., and by leveraging our results in condominium sales and our planning capabilities, which are in the top rank in the Kyushu market

#### Overseas

Generate revenues by focusing on areas with high growth potential, cooperate with strong partners, and implement rigorous risk management.

#### Hotel business



THE BLOSSOM  
HIBIYA  
(opening planned  
for August 2019)



Aloft Bangkok  
Sukhumvit 11  
(Marriott International  
Group hotel brand,  
operations started  
in November 2018)

#### Condominium business



MJR Sakaisuji Hommachi Tower (delivery planned for March 2021)



Impression Ekkamai (Condominium in Thailand)

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With a focus on the long-term trend in technical innovation, we will target sustainable business growth and further dramatic advancement for the next stage.

### Take on the challenge of new mobility services (MaaS)

#### Urban-style MaaS

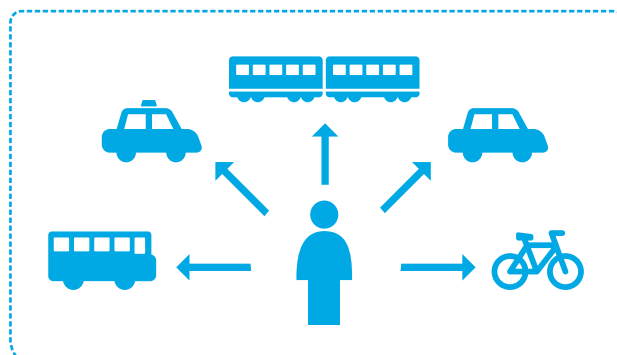
- Start verification testing of new services in cooperation with taxi companies
- Apply MaaS concepts to city-building initiatives by utilizing such assets as parking lots connected to stations and rolling stock and by implementing
- new initiatives that leverage the knowledge of venture companies, etc. (with additional venture investment as needed)

#### Regional-style MaaS

- Start to consider the applicability of MaaS as a sustainable mobility service, with the future state of regional transportation as the basic theme

#### Tourism-style MaaS

- Build models for the revitalization of areas around our railway lines through collaboration with tourism facilities, commercial facilities, etc.



### Leverage new technologies

#### Take on the challenges of a future-focused railway business

- Promote labor-saving and safety through the utilization of IoT technologies
- Realize self-driving trains
- Introduce new train control systems
- Use AI in train operation control
- Establish next-generation rolling stock inspection bases

#### Investment in laborsaving and workforce reductions

- Introduce reduced-workforce facilities in the retail and restaurant businesses and accepting mobile payments
- Advance laborsaving and workforce reductions in the construction business through the use of 5G
- Expand the use of robotic process automation (RPA) in all businesses

### Initiatives in digital areas

- Initiatives involving the JR KYUPO consolidated membership base, which has surpassed 250,000 members, as an asset
  - Cultivate premium customers by introducing apps, using machine learning, etc.
- Implement Groupwide digital transformation

#### Target Management Indicators

**Total number of members : 500,000**  
**Sales revenues from members : ¥35.0 billion**

## Target Management Indicators (Consolidated)\*1

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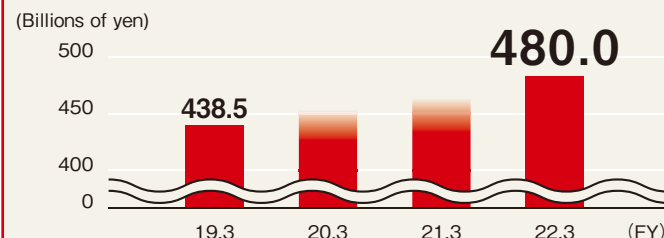
- JR Kyushu Group Medium-Term Business Plan 2019–2021: Positioning and Priority Initiatives

- Target Management Indicators (Consolidated)

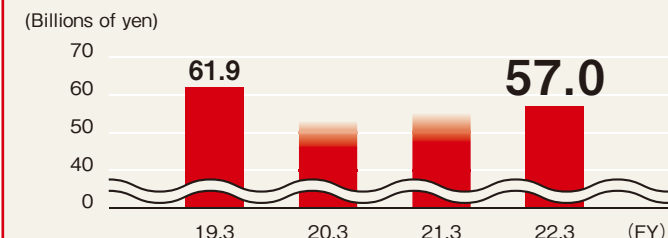
- Sources/Uses of Funds and Shareholder Return Policy

04. The JR Kyushu Group's Corporate Culture

## Operating revenues



## Operating income



## [Reference] Consolidated operating cash flow

**¥160.0 billion** → **¥220.0 billion**  
 (Total Amounts for FY17.3-FY19.3) (Total Amounts for FY20.3-FY22.3)

## [Reference] ROE

**12.2%** → **More than 8%**  
 (FY19.3) (FY22.3)

Unit: Billion; figures in parentheses show change vs. FY19.3

Segment name	Operating revenues*2		Operating income*2		Major factors
	FY19.3	FY22.3	FY19.3	FY22.3	
Transportation	181.9	184.0 (+2.1)	26.1	21.0 (▲5.1)	Higher revenues due to increase in revenues from railway transportation Lower profit due to higher expenses accompanying elimination of special tax measures, increase in depreciation, etc.
Construction	93.1	98.0 (+4.9)	5.9	6.0 (+0.1)	Higher revenue and profit due to Shinkansen-related construction work, etc.
Real Estate and Hotels	89.9	113.0 (+23.1)	25.4	24.0 (▲1.4)	Higher revenues due to operating of Kumamoto Station Building, Miyazaki Station Building Lower profits due to increase in expenses accompanying revision of revenue/expense classification
Retail and Restaurant	104.0	115.0 (+11.0)	3.2	4.0 (+0.8)	Higher revenues and profits due to new store openings
Other	70.9	76.0 (+5.1)	2.2	2.5 (+0.3)	Higher revenues and profit due to higher sales outside the Group, etc.
<b>Total</b>	<b>438.5</b>	<b>480.0 (+41.5)</b>	<b>61.9</b>	<b>57.0 (▲4.9)</b>	

\*1 Figures for FY19.3 are the most recent performance forecasts (Announced February 4, 2019). In regard to segments, the figures have been reclassified in accordance with the new segment categories.

\*2. Segment operating revenues and operating income are prior to elimination of inter-segment transactions.

## Sources/Uses of Funds and Shareholder Return Policy

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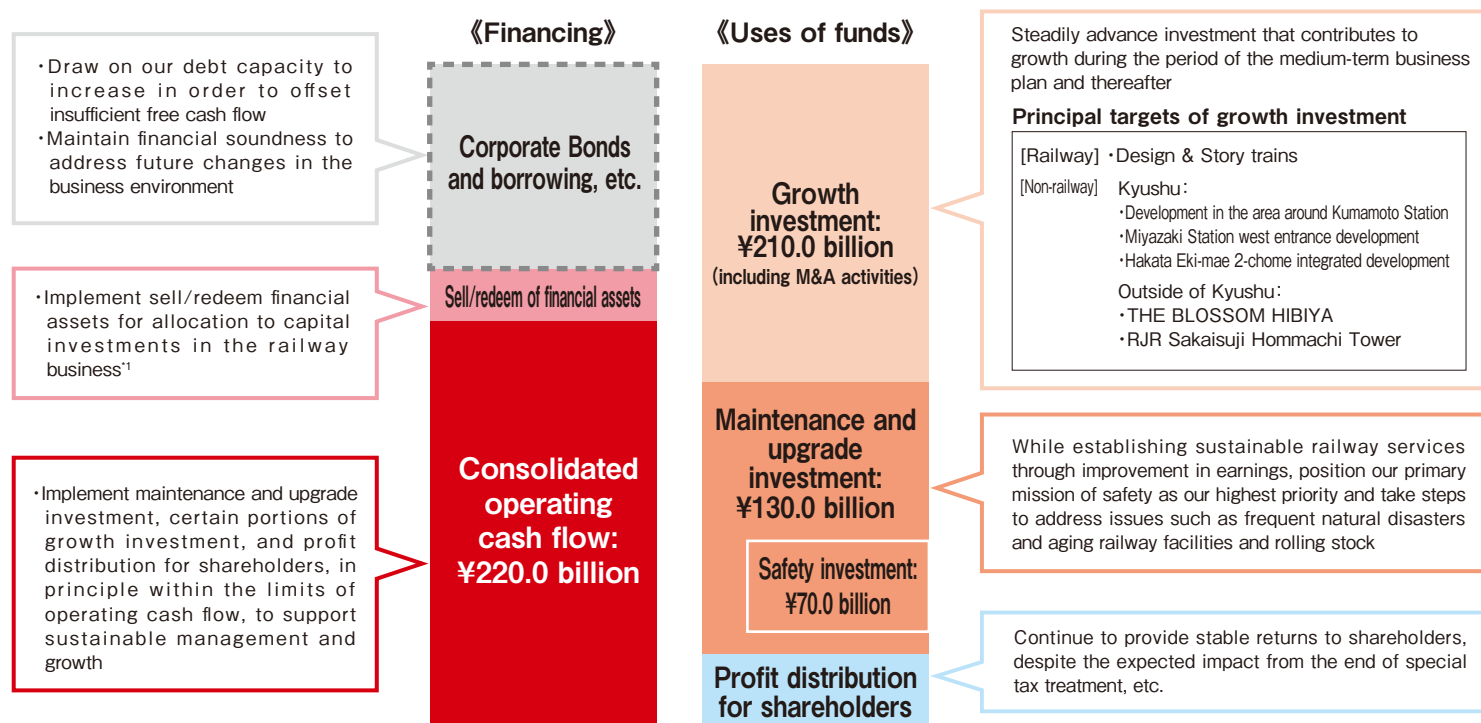
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Over the period of the medium-term business plan, we will aim for capital investment of ¥340.0 billion, which will exceed our cumulative consolidated operating cash flow. We will take a flexible approach to investment opportunities and work to realize growth by issuing corporate bonds and borrowings.



<sup>\*1</sup> ¥87.2 billion of funds directed to the Management Stabilization Fund will be allocated to capital investment in assets for use in the railway business that contribute to the maintenance and enhancement of the railway network. Funds will be allocated within the five years from FY17.3.

### Shareholder return policy<sup>\*2</sup>

JR Kyushu places importance on the stable provision of return to shareholders over the long term. For each fiscal year through FY2022/3, the Company will aim for a dividend payout ratio of 35%, with minimum dividend per share of ¥93.0. Additionally, the Company will implement a share repurchase to increase capital efficiency opportunistically.

<sup>\*2</sup> Revision on November 5, 2019

## The JR Kyushu Group's Corporate Culture

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04. The JR Kyushu Group's Corporate Culture

● ESG

● Safety and Service

● Development of Human Resources

The three pillars forming the JR Kyushu Group code of conduct are Integrity, Growth and Evolution, and Local Community Invigoration. Moving forward, the JR Kyushu Group will continue to strengthen and advance initiatives in the environment, social, and governance fields in order to make an ongoing contribution to local communities through its business activities.

### Environment

Work to support conservation of the natural environment as a responsible company addressing environmental issues that have an influence on business continuity

#### Major themes

- Climate change: Contribute to a low-carbon society through environmentally friendly station facilities and rolling stock
- Resource conservation: Proactively move activities forward
- Pollution prevention: Strive to ensure safety in business areas and peripheral environments

#### New initiatives

- Strengthen the system of the Ecology Committee
- Formulate the JR Kyushu Environmental Vision

### Social

Work to secure and develop human sources needed to address changes in the social structure and ongoing innovation, and strive to contribute to the establishment of a sustainable society

#### Major themes

- Safety (page 23)
- Service (page 24)
- Utilization of human resources, job satisfaction (page 25)
- Contribution to local communities
- Enhancement of initiatives to address human rights issues
- Strengthen supply chain management

#### New initiatives

- Formulate various policies (human rights, purchasing, human resource development)
- Disclose related data

### Governance

Target the realization of what the JR Kyushu Group aims to be, build a stable long-term and trust relationships of with stakeholders

#### Major themes

- Implement rigorous compliance to prevent corruption and other wrongdoing
- Strengthen risk management
- Establish management transparency and fairness
- Enhance communication with stakeholders

#### New initiatives

- Formulate various policies (corruption prevention, governance)
- Disclose related data

## Safety and Service — Safety is Our Most Important Mission

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● ESG

● Safety and Service

● Development of Human Resources

We are guided by the belief that “safety is something you have to make,” and we believe that safety represents our most important mission and is the source of our corporate value. Accordingly, we emphasize “safety” in all of our businesses.

[Reference]  
Total safety investment over 3 years

¥70.0 billion

Safety objectives

**Eliminate dangerous accidents/ events leading to serious accidents**

(Incidents, four major types of labor accidents, Handling error (guidance type I))

Implement investment in safety, which is the foundation for all of our businesses

- Measures to prevent breakdowns and transport disruptions through the use of new technologies
  - Increase Shinkansen reliability through bogie monitoring equipment
- Address aging through the introduction of next-generation rolling stock, etc.
- Advance barrier-free initiatives (installation of platform screen doors, etc.)
- Address disasters of increasing severity, such as earthquakes and heavy rains
  - Reinforce structures to increase earthquake resistance
  - Implement Shinkansen derailment countermeasures



Platform screen doors (Chikuhi Line)



Next-generation rolling stock (YC1 series)

Establishing frameworks and developing human resources in order to foster safety

- Enhance safety management systems
- Further advance safety promotion activities
- Develop human resources who will pass down safety to the next generation
  - Groupwide initiatives in design, construction, and maintenance
  - Address changes in the workforce composition
- Step up initiatives for the safety of food and facilities

Initiatives to increase security

- Implement anti-terrorism and anti-crime measures in stations and on trains
  - Increase anti-crime capabilities in cooperation with related institutions
- Enhance IT security
  - Implement cyber-terrorism countermeasures
  - Implement rigorous personal information management

# 04.

## Safety and Service — Toward a Corporate Culture Founded on Service

### The JR Kyushu Group's Corporate Culture

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● ESG

● **Safety and Service**

● Development of Human Resources

We will aim to be a corporate group that continues to be chosen by customers. To that end, in line with changes in the times and the business environment, we will provide services that address diversifying needs and expectations.

Provide a wide range of customer-focused services

#### Awareness and greetings

- Emphasize rapid awareness and taking action for customers
- Implement energetic “greeting and support” activities
- Cultivate appropriate support techniques

#### For customers from overseas

- Use tablets and other tools
- Introduce station numbering
- Install free Wi-Fi
- Take steps to facilitate cashless settlement

#### Implement appropriate information provision

- Enhance information on train operating conditions in abnormal situations (Web / SNS)
- Conduct timely information provision

Strengthen the service improvement cycle to welcome customers with smiles and greetings

#### Feedback from customers and employees

- Energetically reflect feedback in products and policies
- Create a corporate culture that places importance on the awareness of customers and employees

#### Reception skills and awareness capabilities

- Implement practical education and training
- Take steps to acquire appropriate skills

#### Together with Group companies

- Share information and expand service skills and know-how among Group companies



## Development of Human Resources — Development of employees who will learn and challenge

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● ESG

● Safety and Service

● Development of Human Resources

We will endeavor to create an environment in which employees can work in a happy, dynamic, and active manner and to advance the development of the employees who will form the foundation for the sustainable growth of the JR Kyushu Group.

#### Corporate culture that emphasizes learning

Work energetically in human resource development through the creation of a wide range of opportunities for learning

Internal and external education

Training at the Safety Creation Center

Manager training

Training facility renovation

#### Workplace environment that fosters action

Link employee awareness and learning to action and cultivate a corporate culture that emphasizes taking on challenges

New business proposal system (HIRAMEKI)

JR Kyushu Kaizen activities

Proposal of improvement idea

#### Pursue environments that are easy to work in

Implement working-style reforms and create workplace environments that enable employees to work with peace of mind in order to improve work-life balance, etc.

Control long work hours

Encourage employees to take annual paid leave

Improve treatment of employees

Build systems to support diverse working styles

Foster health management

Implement operational reforms, (RPA, etc.)

Conduct employee attitude surveys

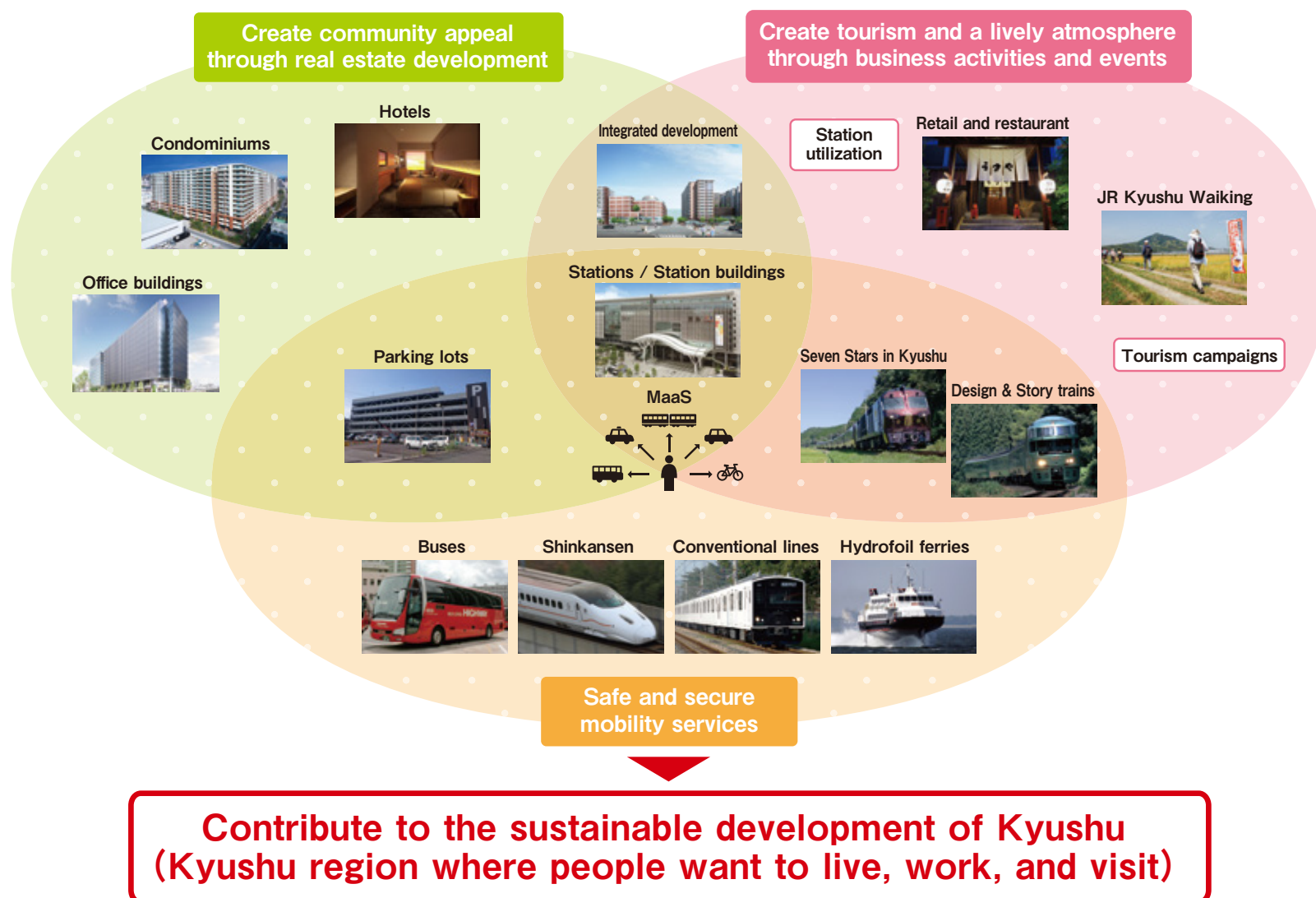
Promote diversity (employment of people with disabilities, etc.)

#### Foster job satisfaction

Enhance systems, etc., so that all employees can leverage their individuality and capabilities and work with pride

## **[Supplementary Information] The city-building initiatives of the JR Kyushu Group**

The JR Kyushu Group will advance city-building in Kyushu through a variety of business activities. Moving forward, we will continue to contribute to the sustainable development of Kyushu through city-building initiatives.





This document contains forward-looking statements, including future outlooks and objectives 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 document's creation.

Accordingly, please be advised that actual operating results could greatly differ from the contents of this document due to the effects of the economic situation inside and outside Japan, and of the Kyushu area, real estate market conditions, the progress of respective projects, changes in laws and regulations, and a wide range of other risk factors.

In addition, the purpose of this document is only to provide information. Its purpose is not to solicit transactions.