

JR KYUSHU IR DAY 2023

Opening Remarks for JR KYUSHU IR DAY 2023

November 28, 2023

KYUSHU RAILWAY COMPANY

Representative Director, President & CEO

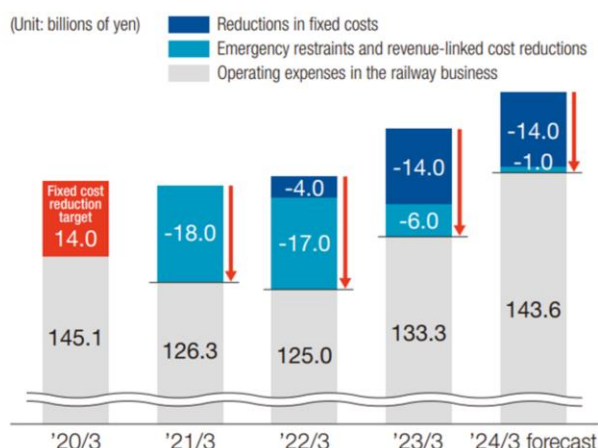
Yoji Furumiya

- Ladies and gentlemen, good afternoon. I am President Yoji Furumiya. Thank you very much for participating in JR KYUSHU IR DAY today despite your busy schedules. I am grateful. Before we proceed to the materials prepared for today, I will briefly explain recent conditions.
- First, regarding the railway, the financial results for the first half announced the other day showed that we are a bit behind where we want to be. However, in October and November, customer demand was quite brisk, particularly from tourists, indicating that we might be back on track to achieving our targets.
- On the other hand, one concern is the slower-than-expected return of business customers. Addressing this issue is a challenge for the railway sector going forward.
- As for station buildings, we are seeing brisk customer activity, especially around Hakata. While there are some differences between areas, Hakata is leading the way.
- Our hotel business is also performing well, particularly with inbound tourists in Tokyo as well as Fukuoka and other regions.
- In line with the recovery in railway operations, our retail, food and restaurant businesses within station buildings have also seen a resurgence in activity.
- This fiscal year, we are sparing no effort to achieve our targets and ensure the successful implementation of the Medium-Term Management Plan through next fiscal year. I ask for your continued support in this regard. Next, I will give my presentation based on the materials we have prepared.

Progress of the Medium-Term Business Plan 2022-2024: Key strategy① Completing business structural reforms

- The ¥14.0 billion reduction in fixed costs in the railway business was completed in FY23.3

Completion of BPR



Principal initiatives

- By utilizing DX and other initiatives, realize employee-free stations, discontinue ticket-sales counters, and reduce operating hours



JR Kyushu app



Internet reservations



Chat-bot

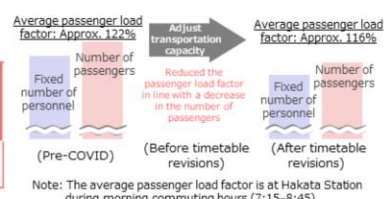


Remote support

- Revise the operating system to match passenger usage

【Fall 2022 timetable revisions】

Train-kilometers	Rolling stock owned
(2.3)%	(7)%



- Renovate rolling stock to increase boarding efficiency



Introducing long seats

- Increase efficiency of inspection, and revise replacement standards by enhancing inspection accuracy.

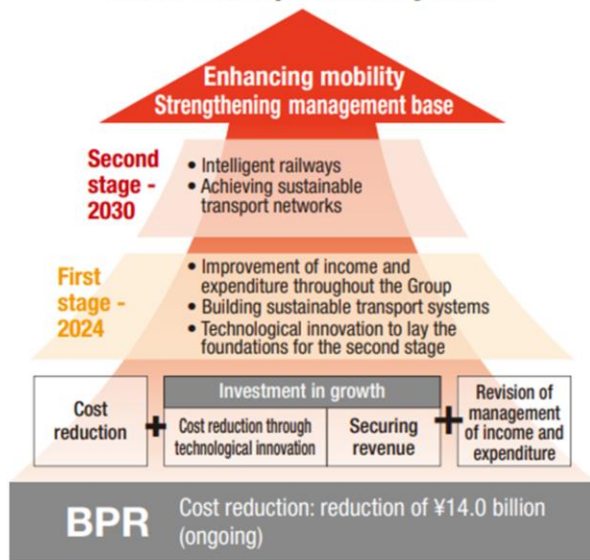
- We have reached the halfway point of our Medium-Term Business Plan 2022-2024. I will discuss the progress on our key strategies up to this point.
- Firstly, through business process re-engineering (BPR), we have reduced costs by ¥14 billion, equivalent to 10% of the fixed costs in the railway business. As shown in the left bar graph, we achieved this target successfully as of the previous fiscal year.
- Our core measures are listed on the right side. We have utilized various DX initiatives to shorten the operating hours of ticket windows and reduce station staff presence. Furthermore, we made cuts to the train service schedule, as outlined in the table, for autumn 2022 as a parts of revisions to timetables based on actual usage. Recently, customer usage has almost returned to pre-pandemic levels, so we have made some adjustments to the timetable, ensuring that the train occupancy rate remains problem-free.
- Additionally, we have modified our rolling stock to increase ridership efficiency. We have switched from cross-aisle seats to long-stretch seats. This increases capacity by approximately 1.3 times, ensuring a problem-free occupancy rate even as customer usage returns to pre-pandemic levels.
- Moreover, we have streamlined equipment inspection processes, achieving the BPR I mentioned earlier.

Progress of the Medium-Term Business Plan 2022-2024: Key strategy① Completing business structural reforms

- Launched the “Future Railway Project” to improve the medium- to long-term income and expenditure of the railway business

Launch of the “Future Railway Project”

Create the “future of railways” to drive urban development in Kyushu.

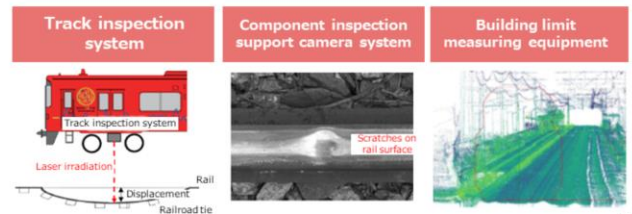


Principal initiatives

- Implementing management accounting using “amoeba management” that is customized for the railway business



- Development of multifunctional inspection vehicle (BIG EYE)



- With regard to “completing business structural reforms,” JR Kyushu has commenced the Future Railway Project as the next step following BPR.
- In addition to the cost reductions we have implemented so far, this project aims to reduce costs and capture revenue through technological innovation as a part of growth investments. By revising revenue and expense management, we aim to create a new, resilient railway system by 2030.
- The main initiatives are listed on the right. JR Kyushu has customized the Amoeba Management system, originally developed by Kyocera, for railway operations and is implementing it for the first time in the railway business.
- We will focus on managing revenues and expenses at the workplace and small group levels, where each unit will be responsible for its own financial management.
- As for introducing new technology, we have developed a multi-functional inspection vehicle named “BIG EYE.”
- This vehicle is capable of automatically inspecting rails, trackside components, and the fittings that connect rails to sleepers.
- Additionally, in the future, it will automatically inspect for obstructions close to rolling stock and check for any abnormalities in platforms and signaling equipment.

Progress of the Medium-Term Business Plan 2022-2024:

Key strategy② Creating a model for building cities that promote well-being

- The Nishi-Kyushu Shinkansen and the JR Nagasaki Station Building, which form the core of city-building in the Western Kyushu area, opened.
- The BRT Hikoboshi Line on the Hitahikosan Line, which can serve as a model for future regional transportation, opened.

Opening of the Nishi-Kyushu Shinkansen and JR Nagasaki Station Building



Number of people using the Nishi-Kyushu Shinkansen in October

Approx.
7,100/day

109% of FY22.3 levels
108% of FY19.3 levels

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.



Number of people visiting JR Nagasaki Station Building for the first three days of operation

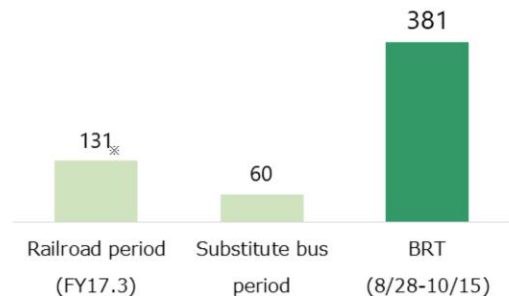
Approx.
420,000

<Reference> Population of Nagasaki city: 393,414 (as of 11/1)

Opening of BRT Hikoboshi Line on the Hitahikosan Line



Comparison of average number of passengers boarding per day



※ Average number of passengers passing through Soeda-Yoake

- Regarding our second key strategy, “creating a model for building cities that promote well-being,” I have two points to talk about.
- First, the Nishi-Kyushu Shinkansen line, which opened on September 23, 2022, initially averaged 6,600 passengers per day. However, as I mentioned earlier, usage in October and November was high, and we currently have about 7,100 passenger per day.
- Secondly, the new annex at the JR Nagasaki Station Building opened on November 10. In total for the new annex, the main building, and the Kamome Market under the elevated tracks at Nagasaki Station, we had 420,000 visitors in the first three days after opening. Considering Nagasaki City’s population is 390,000, this means we had more visitors than the entire city’s population in just three days.
- We aim to sustain this level of interest, working in collaboration with the central district of Nagasaki City to enhance the overall vibrancy of the city.
- Looking at the right side, next I will discuss the BRT Hikoboshi Line, a bus line that opened in August to replace the Hitahikosan Line, a railway line. During its railway days, the average daily passenger count was about 130. This dropped to around 60 during the bus substitution period, but now it serves about 380 customers per day.
- According to our drivers, 60% of users are tourists and 40% are locals. We believe that the frequent stops we set up, which we call stations, and the increased frequency of services, have contributed to this success. We hope to maintain this level of usage in the future.

Progress of the Medium-Term Business Plan 2022-2024:

Key strategy③ Developing businesses in new areas in which we can contribute

- To accelerate growth by promoting stronger business collaboration within the Construction segment, we established an intermediate holding company.

Establishment of an intermediate holding company in the Construction segment

Name	JR Kyushu Construction Group Holdings Inc.
Establishment	July 3, 2023
Objective for establishment	We aim to accelerate the growth of the Construction segment as a whole by establishing an organization to support revenue expansion, that strengthens external sales, conducts M&A, develops a system for coordinating personnel and information between companies, and strengthens back-office functions (common infrastructure) .

Target image for the Construction segment

We will demonstrate our comprehensive capabilities with consistent functions from upstream planning and design to construction and maintenance as indicated below.

- ✓ Contribute to local communities and solve social issues in a wide range of fields and domain
- ✓ Make long-term, deep connections with clients and properties to meet their needs
- ✓ Leverage and work across a wide range of business domains to create new products and domains



[Strengths of the JR Kyushu Group]
Local governments, railways, city-building

[Sources of growth]
Technical capabilities and know-how, a strong human resource base, and total service based on inter-company collaboration

- Moving on to our third key strategy, “developing businesses in new areas in which we can contribute,” to vigorously promote business collaboration among companies in the construction segment, we established JR Kyushu Construction Group Holdings as an intermediate holding company on July 3, 2023.
- Going forward, we plan to increase external sales, strengthen the organization, implement M&A, and secure personnel. By accelerating our sales activities outside the group, we aim to secure revenues from external sources.

ESG Initiatives



- **Because the 2030 interim CO₂ emissions target is generally expected to be achieved, new interim targets and a roadmap to achieve them are being considered**



Company solar energy generation through onsite PPA models



Demonstration experiment for the introduction of biodiesel fuel



Acquisition of green building certification



- **Formulated a new personnel strategy and implemented reforms to the personnel and wage system**
- **Held an “opinion exchange event for all employees” with the management team**



- **Linked directors' compensation to the non-financial KPI**
- **Revised the skillset necessary for the Company's Board of Directors**

- I will now explain our ESG initiatives. For the Environment (E), we expect to achieve our 2030 interim target for CO₂ emissions. Consequently, we are currently considering a new interim target and developing a roadmap to achieve it.
- Next, regarding Society (S), we have developed a new human resource strategy and plan to reform personnel and wage systems next fiscal year. Additionally, I am actively participating in opinion exchange meetings for all employees led by the management team to gather various opinions from our employees, which we intend to incorporate into our future policies.
- Regarding Governance (G), we have set up a remuneration system for directors that is linked to non-financial KPIs. We have also revised the necessary skill set for the Board of Directors. We do not believe our current governance structure is the best it can be and plan to continue making improvements.
- Furthermore, we have been discussing our approach to enhancing corporate value at recent Board of Directors meetings. Our Corporate Governance Report provides details about how we intend to manage with an awareness of capital costs and the share price.
- While we continue to review the business portfolio and strengthen the profitability of existing businesses, we also understand the importance of having stakeholders gain a thorough understanding of our initiatives through constructive dialogue with capital market participants, through events such as this one today.

Today's Contents

- Describe the personnel strategy and DX strategy that support the execution of key strategies in the Medium-Term Business Plan
- Set up meetings to exchange views with outside directors who have expertise in personnel strategy

Medium-Term Business Plan 2022-2024

Completing business structural reforms

Key strategy ①

Railway business	Stabilizing profitability <ul style="list-style-type: none"> ✓ Completing BPR^{*1} measures ✓ Discovering further measures to reduce costs ✓ Flexible use of human resources
Hotel business	Increasing competitiveness of existing hotels <ul style="list-style-type: none"> ✓ Rebuilding brand ✓ Reinforcing comprehensive strengths
Retail and Restaurant business	Increasing the competitiveness of brands and of stores/restaurants <ul style="list-style-type: none"> ✓ Revising store-opening strategy ✓ Strengthening existing brands, taking on the challenge of new business formats
Construction business	Implementing transition in primary focus from inside the Group to outside <ul style="list-style-type: none"> ✓ Advancing BPR strategy ✓ Expanding sales outside the Group

*1. Business Process Re-engineering

Key strategies for the realization of the long-term vision

Key strategy ②

Creating a model for building cities that promote well-being

- ✓ Implementing multi-faceted city-building initiatives in areas around terminal stations, centered on seamless transportation network
- ✓ Implementing city-building through discovery of regional resources, promotion of the appeal of those resources, and cooperation with other organizations

Key strategy ③

Developing businesses in new areas in which we can contribute

- ✓ Searching for new business areas in which we can contribute / building a foothold for new businesses
- ✓ Strengthening business portfolio by rapidly generating results

Developing human resources for the implementation and realization of strategies

Advancing personnel strategy

- ✓ Aiming to achieve growth for the Group by maximizing the individual capabilities of employees, we will advance reforms in the formulation and application of our personnel strategy (hiring and placement, development, evaluation)

Building foundations for advancing strategies on a Groupwide basis

Strengthening management base

- ✓ Enhancing establishment of strategy implementation systems and frameworks for management of customer information / business
- ✓ Building a digital technology promotion system, developing human resources, and establishing digital technology foundations



- At IR DAY today, we will discuss our personnel and DX strategies, which are key for realizing our Long-Term Vision. We view the building of non-financial capital through these strategies as crucial for enhancing corporate value in the future. In our Medium-Term Business Plan, we emphasize both “developing human resources for the implementation and realization of strategies” and “building foundations for advancing strategies on a Groupwide basis.”
- Additionally, we have arranged a venue for exchanging opinions with our outside directors, Ms. Muramatsu and Ms. Yamamoto, who are both deeply knowledgeable in human resource strategy. I kindly request your participation.
- While I have discussed our various strategies, I must note that these plans are not in their final form. I would appreciate your candid opinions on these matters.
- Finally, as I mentioned at the beginning, next fiscal year will be the last year of our Medium-Term Business Plan. By intensifying our initiatives in the second half of this fiscal year with our eyes on the next fiscal year, we aim to achieve the targets in the Medium-Term Business Plan and prepare for the next step in our journey. Thank you for your attention today.

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/