

JR KYUSHU IR DAY 2023

Personnel Strategy

November 28, 2023

KYUSHU RAILWAY COMPANY

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- I am Hisashi Yamane, general manager of the Administration Department.
- Today, I would like to talk about our personnel strategy.

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➤ These are the things I would like to discuss today.

I Looking toward What We Aim to Be

Development of Human Resources, the Source of Value Creation

- Human resources are the source of the Group's corporate value
- We recognize the importance of the development of human resources in realizing the long-term vision, which is responsible for the execution and realization of the strategy

What We Aim to Be

A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation

Value Creation Process

JR Kyushu Group
Medium-Term
Business Plan
2022-2024

The Three Pillars

forming the JR Kyushu Group's
code of conduct

Integrity / Growth and Evolution /
Local Community Invigoration

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.

Policies for the realization of the 2030 Long-Term Vision

- 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

Material Issues

Points that the JR Kyushu Group focuses on at all times

- E** Realization of a De-carbonized Society
- S** Safety and Service, the Foundation for All of Our Businesses
- S** Sustainable City-Building

S Development of Human Resources,
the Source of Value Creation

G Sound Corporate
Management

- As explained earlier by Mr. Furumiya, we have formulated a new personnel strategy and are reforming our operations in order to implement the key strategies in the Medium-Term Business plan.
- What the JR Kyushu Group aims to be is "A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation." To realize this aim, we have established the "2030 Long-Term Vision," which states that "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."
- To realize "What We Aim to Be" and the "2030 Long-Term Vision," we have formulated a personnel strategy that aims to promote the "development of human resources," in line with one of our material issues, the "development of human resources, the source of value creation."

II Personnel Strategy Linked to Our Management Strategies

Policies for the realization of the 2030 Long-Term Vision¹

Policy ①: Implementing city-building initiatives for the realization of well-being, with consideration for changes in values

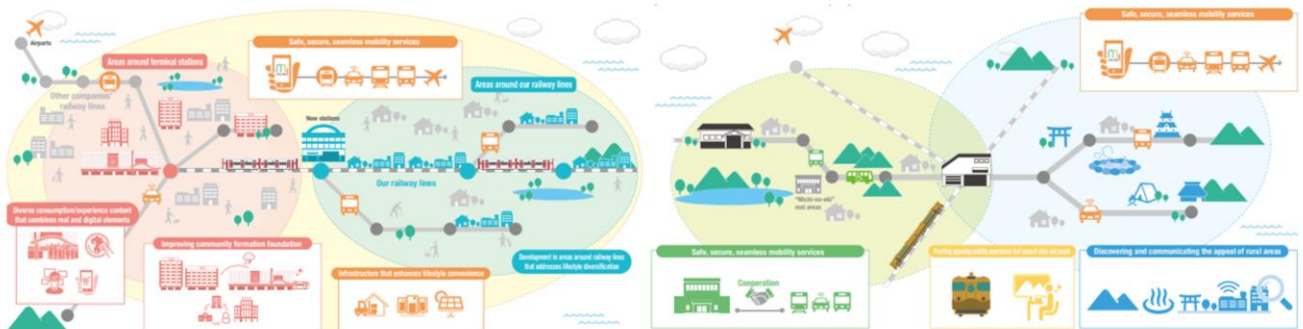
We will progress beyond conventional city-building and to move forward by “implementing city-building initiatives for the realization of well-being, with consideration for changes in values.” We will divide Kyushu into two major areas for the advancement of enhanced city-building.

City-building initiatives in areas around our terminal stations and railway lines

We will provide comprehensive value with a focus on well-being, centered on terminal stations and areas around railway lines, and build cities where people want to live, work, and visit.

City-building initiatives in local regions

We will work in cooperation with local governments and other modes of transportation to build and introduce sustainable transportation infrastructure. In addition, we will rediscover and make effective use of regional resources. In these ways, we will aim to expand the non-resident population.



- For the “2030 Long-Term Vision,” first we formulated two policies for the realization of our Long-Term Vision.
- The first policy is “Implementing city-building initiatives for the realization of well-being, with consideration for changes in values.”

Policies for the realization of the 2030 Long-Term Vision②

Policy ②: Expanding areas we work in that contribute to the sustainable development of Kyushu

With consideration for the strengths that the Group has cultivated through its existing businesses, we will expand areas we work in that contribute to the sustainable development of Kyushu, which is our principal business region.



- Our second policy is “Expanding areas we work in that contribute to the sustainable development of Kyushu.”

Issues Based on the Policies for the Realization of the 2030 Long-Term Vision

- We have defined human resource requirements and initiatives based on the policies for the realization of the 2030 Long-Term Vision
- We have identified issues in retaining, developing, and acquiring necessary human resources

Long-Term Vision Policy①

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

Long-Term Vision Policy②

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

Human resource requirements and initiatives

- Development of personnel responsible for safety and service
- Development of personnel with a management mindset (awareness of income and expenses, etc.)
- Development and hiring of highly specialist personnel who can compete in the market
- Building of a flexible remuneration system tailored to the characteristics of our businesses
- Development of managers who can oversee the business of each Group company
- Development of Corporate Division personnel who can oversee all of our businesses
- Strategic human resources operations linked with each Headquarters

Changes in the environment around employees

- Shrinking of job market due to declining birthrate
- Increase and change in career awareness
- Increase in job-hopping as employees no longer expect to spend their career at the same company
- Changes in business accompanied by increase in expertise and speed required
- Desire for flexible work formats

- Based on these two policies for realizing our 2030 Long-Term Vision, we have defined our human resource requirements and initiatives. We then have identified human resource issues that must be addressed in order to retain, develop, and attract the necessary personnel.
- For example, looking at our first policy for realizing our Long-Term Vision, of “Implementing city-building initiatives for the realization of well-being, with consideration for changes in values,” it is essential to maintain mobility services and promote further real estate development. To do so, we need to “develop personnel responsible for safety and service” and “develop and hire specialist personnel who can compete in the market.”
- Developing such human resources takes time and hiring them is difficult. Meanwhile, the environment surrounding human resources is also changing, and we face various issues of the human resources, such as a decrease in the number of students who wish to enter the Company, an increased number of young retirees, wages and benefits that lack competitiveness, and an evaluation system lacking in variety.

Working to Realize “What We Aim to Be” and the “2030 Long-Term Vision”

- To address the challenges we face and to realize “What We Aim to Be” and the “2030 Long-Term Vision,” after repeated discussion about personnel strategy from April 2022, we have established two Basic Policies and four Pillars of our personnel strategy
- We have redefined the knowledge and skills of employees require to implement management strategies as “Soft skills” and “Hard skills”
- We are promoting various reforms and measures aimed at the Group’s growth by maximizing the individual capabilities of employees

The Process of Formulating Our Personnel Strategy

STEP 1

- Monthly meetings of the Human Resources Strategy Committee, chaired by the President and CEO, were held for a year from April 2022
- Our Corporate Officers took a trip together to discuss the personnel strategy, emulating the training camps that are common for Japanese athletes

STEP 2

- Exchanges of opinions about human resources were held between employees and management
- External stakeholders were interviewed about our personnel strategy to confirm the direction of the strategy and its connection to our management strategies

STEP 3

- The personnel strategy was discussed by the Board of Directors (total of 2 meetings) and opinions from various perspectives were reflected before final approval was given

Two Basic Policies and Four Pillars

2 Basic Policies

- Building a company where employees feel fulfilled and actively engage in their work
- Developing employees with both soft and hard skills

4 Pillars

- Providing opportunities and support for motivated and capable employees to take on new challenges and grow
- Creating new value through the advancement of employees with diverse values and skills
- Flexible evaluations and remuneration based on effort and results
- Advancing health management and creating environments that provide flexible work options based on employees' stage in life

Soft skills

- Feeling motivated to improve yourself and the company and working to make it happen
- Accepting diverse values, working together and training less experienced colleagues and the employees you manage
- Taking the 5S and greetings seriously and carrying out your work with no cutting corners, lies, falsifications or obfuscations
- Earning the trust of customers, community members and trading partners

Hard skills

- Completing your work and proactively and boldly taking on challenges for the growth and evolution of your work and the business
- Taking a broad, big-picture view and getting involved in management
- Evolving and studying autonomously in an active effort to improve yourself
- Maximizing results through cooperations with external parties such as community members and local governments

- To address these challenges and realize “What We Aim to Be” and the “2030 Long-Term Vision,” the Human Resources Strategy Committee, which is headed by the president, has met each month since April 2022. We have engaged in opinion exchanges with employees and conducted interviews with external stakeholders. After these repeated discussions from diverse perspectives, we have established two basic policies and four pillars of our personnel strategy.
- We have redefined the knowledge and skills of employees require to implement management strategies as “Soft skills” and “Hard skills.”
- Based on the two basic policies and four pillars, we are promoting various reforms and measures aimed at the Group’s growth by maximizing employees’ individual strengths.
- Next, I will talk about specific initiatives based on these four pillars.

III Status of Efforts on Key Measures

Four Pillars of our personnel strategy①

Providing opportunities and support for motivated and capable employees to take on new challenges and grow

— Set goals and take on all kinds of challenges in order to grow! —

- 1** New training encouraging employees to set goals and think about their careers
- 2** Expansion of training by position and external study programs to improve soft and hard skills
- 3** New opportunities for challenges, including idea-seeking, voluntary transfers and various presentations
- 4** A system to promote employees with excellent soft and hard skills to roles such as senior management
- 5** Visualizing information such as employees' experience, career, education history, qualification and hopes to provide opportunities for advancement and growth

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- I will first explain the first of these four pillars, "Providing opportunities and support for motivated and capable employees to take on new challenges and grow."
- To make work fulfilling for our employees and develop their soft and hard skills, it is important to provide opportunities and support for motivated and capable employees to take on new challenges and grow. For this reason, we are committed to enhancing employee career support and opportunities to learn and take on challenges that we offer to our employees.

Future Creation Program: HIRAMEKI

4 Pillars

• Providing opportunities and support for motivated and capable employees to take on new challenges and grow

- Solicit new business proposals and, if selected, assign the person making the proposal to a project for that business or initiative
- Increased the frequency of solicitation in FY2023 from once to twice; employees share ideas with each other in a dedicated app
- Brush up proposals through meetings with related departments and supporting companies during the selection process
- In 1H FY2023, 45 applications, with five advancing to executive presentations after document and video screening



Idea That Became a Project in FY2019
Shared Office and Coworking Space "Q"



Presentation to executives in 1H FY2023



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- To cultivate people, we are promoting a future creation program, called HIRAMEKI.
- We solicit new business proposals and, if selected, we assign the person making the proposal to a project for that business or initiative.
- We revamped the system in fiscal 2023, increasing the frequency of solicitation from once a year to twice, and we set up a dedicated app for employees to share ideas with each other.
- Proposal content is brushed up through meetings with related departments and supporting companies during the selection process.
- In the first half of fiscal 2023, we received 45 applications. Five of these advanced to executive presentations after document and video screening.

Offering Career Design Training Courses

4 Pillars④

● Providing opportunities and support for motivated and capable employees to take on new challenges and grow

- Newly held from September 2023 (subjects: approximately 5,000 general employees)
- The objective is to improve job satisfaction by rethinking and understanding the social significance of business, clarifying the significance and value of one's own work, and creating a vision for one's future career
- Instructors are two in-house trainers selected through open recruitment for transfers

Main Content

- Understand "What We Aim to Be" and the "Pillars" of the JR Kyushu Group, and confirm the connection between the Company's direction and the employee's own goals
- Reflect on employee's experience from the time of joining the Company to the present, and reaffirming employee's strengths and motivation (passion)
- Design employee's career by envisioning employee's own future in 5 to 10 years

In-house trainers responsible for training



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- Also, since September 2023, we have been holding career design training courses, targeting approximately 5,000 general employees.
- The objective is to improve job satisfaction by clarifying the significance and value of one's own work, and creating a vision for one's future career.
- Instructors are two in-house trainers selected through open recruitment.

Four Pillars of our personnel strategy②

Creating new value through the advancement of employees with diverse values and skills

— Cooperation with various people to achieve growth and evolution of ourselves and the company! —

1

Promotion of hiring and advancement of diverse employees (women, elderly employees, overseas nationals, people with disabilities, etc.)

2

Introduction of a system for advancement of expert employees with advanced technical skills

3

Promotion of advancement of employees who have developed strengths and values in many different fields through initiatives such as hiring experienced candidates and previous employees

- Next, I will explain the second pillar, “Creating new value through the advancement of employees with diverse values and skills.”
- We believe that in order for companies to flexibly respond to changes in the labor market and stakeholder needs and to continue to grow and evolve, it is necessary to create new value by facilitating the advancement of employees with diverse values and skills.

Full-Scale Recruitment of Working Professionals

4 Pillars④
● Creating new value through the advancement of employees with diverse values and skills

- In 2023, we began full-scale hiring of working professionals in the railway business and business development areas
- In October, we launched “Happy Turn Hiring,” an expanded employment system for previous employees
- We have introduced a follow-up system that includes training at the time of hiring, a mentoring system, and periodic interviews

Trends in the number of working professionals hired



Initiation ceremony for the 42 working professionals who joined the Company in October 2023



Press Release on Happy Turn Hiring

News Release



2023.9.28

Concerning the Start of Happy Turn Hiring

JR Kyushu is now accepting applications from former JR Kyushu employees who wish to work for JR Kyushu again (Happy Turn Hiring). We believe returning to JR Kyushu and utilizing the skills you have acquired at JR Kyushu and the career you have built up since you left will make both, as employees, and the Company “happy.”

1. Objective
We will establish a recruitment window for those who have left JR Kyushu but wish to return to apply their skills. We will actively recruit employees who cultivated strengths and values in diverse fields after leaving the Company, and promote their success, leading to the growth of employees and JR Kyushu.

2. Targets
People who were employed by JR Kyushu in the past (including regional employees)
Note: Targeting people who are less than 60 years old

3. Start for accepting applications
Entries can be made throughout the year, starting on Monday, October 2, 2023, through the following website (Japanese only).
[Website address] <https://www.jrkyushu.co.jp/recruit/>

- Regarding our recruitment, in 2023, we began full-scale hiring of working professionals. This fiscal year, we have hired 79, as of November 1.
- In October, we revamped our program for hiring previous employees. We expanded the scope of applicability and began “Happy Turn Hiring.” This program sets up a recruitment window for those who have left JR Kyushu but wish to return to apply their skills.
- For these incoming working professionals, we have introduced a follow-up system that includes training at the time of hiring and a mentoring system to help them gain traction and play an active role.

Four Pillars of our personnel strategy③

Flexible evaluations and remuneration based on effort and results

— Appreciate opportunities for communication about your past results and use them to achieve future growth! —

1

Development of personnel through goal setting, self-evaluations and supervisor feedback under new employee evaluation system

2

Implementation of human resources and wage system that rewards effort and results

3

Improvement of managers' communication and evaluation skills through training, etc.

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- Next, I will explain the third pillar, "Flexible evaluations and remuneration based on effort and results."
- We have noticed issues such as our evaluations are too one-size-fits-all for this company's wide range of businesses, there is too little feedback from evaluations and the feedback is not transparent enough, and conditions such as our wages are not as attractive as those at other local companies and organizations. That is why we have undertaken amendments of our personnel and wage system.
- In addition to revising wage levels and providing support for childcare and diverse work styles, we will ensure greater transparency about evaluations. Furthermore, through the early promoting of excellent employees and by providing flexibility in raises and bonuses, so that motivated and skilled employees can advance.

Retention and hiring of human resources through revision of wage levels, etc.

Increase of base wages

- Increase of ¥20,000 to ¥30,000 depending on age (Approx. +12%)

Early promotion of excellent employees and flexibility in raises and bonuses, so that motivated and skilled employees can advance

Human resources operations that are not dependent on employment category

- Abolition of employment categories (General Roles and Specialist Roles)
- Opportunities for promotions based on skill and motivation, regardless of educational history or employment category

Flexible raises and bonuses

- Increase in raises and bonus percentage according to employee evaluations: +10% → +50%

Providing support for employees raising children and offering a variety of work formats to make work more fulfilling for employees

Organization and revision of benefits, etc.

- | | |
|--------------------|---|
| ● Family allowance | Children under 24: ¥4,500 → ¥10,000,
Spouse: ¥15,000 → ¥10,000 |
| ● Childbirth bonus | ¥10,000 flat rate → ¥300,000 for first child,
¥400,000 for second child,
¥500,000 for subsequent children |

- The main amendments to the personnel and wage system are as follows: First, the base wages will be increased by ¥20,000 to ¥30,000 depending on age, for the purpose of "retention and hiring of human resources through revision of wage levels, etc." This is an increase of approximately 12%.
- With the aim of "early promotion of excellent employees and flexibility in raises and bonuses, so that motivated and skilled can advance," we have eliminated the employment categories of general and specialist roles. We have also revised the conditions for promotion exam qualifications, such as the number of years of service, and implemented a system that allows for promotion based on ability and aspiration, regardless of educational background or employment category.
- In addition, we will increase in raised and bonus percentage according to employee evaluations to provide variety in compensation.
- With the aim of "providing support for employees raising children and offering a variety of work formats to make work more fulfilling for employees," we will review allowances and other benefits, increasing family allowance with an emphasis on children, and boosting childbirth bonus to support childcare.

Four Pillars of our personnel strategy④

Advancing health management and creating environments that provide flexible work options based on employees' stage in life

— Enrich your life through a work format suited to your career plan and lifestyle, along with health management! —

1

Introduction of a new system in which employees can choose the area where they work

2

Systems such as flex time, reduced hours and telecommuting

3

Implementation of health management initiatives

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- Finally, I will explain the fourth pillar, “Advancing health management and creating environments that provide flexible work options based on employees' stage in life.”
- We will continue to work on building environment that are easy to work, so that each employee can choose a flexible work format suited to their lifestyle, given the changing in society and the diversification of values regarding work formats.
- In addition, we promote the strategic implementation of health management initiatives, as health management for each of our employees is the foundation for employees to continue to actively engage in their work and give their job their best.

Introduction of a Limited Working Area System

- In April 2024, we will establish a new system that allows employees to limit the areas in which they work in accordance with their life stages, such as childcare and nursing care

	Details
Eligibility	Employees with at least five years of service (excluding contracted rehired employees and regional employees) (Note) People hired as working professionals (including employees hired from among regional employees) must have at least three years of service.
Area scope	Fukuoka/Saga area, Nagasaki area, Oita area, Kumamoto area, Kagoshima area, Miyazaki area
Period	In principle, one year. However, if the Company approves, the period may be extended in one-year increments.
Handling of wages	Base salary is 90% of the level without area limitation. (Note) This also affects allowances calculated based on base salary (e.g., overtime allowance). (Note) Retirement allowances are not affected.

(Note) Please note that applications may not be approved, depending on the reasons for the application and supply and demand conditions.

	October	November	December	January	February	March	April
Main flow up to the application of the system	●Application by the employee ●Interview with the head of the office	●Consolidation (Human Resources Department)	Adjustment		●Notification of availability Note: Through the head of the office		●Issuance (application of system) Note: Transfer if necessary
Base salary	100%						90%

- As one system to facilitate diverse working styles, in April 2024 we will establish a new system that allows employees to limit the areas in which they work in accordance with their life stages, such as childcare and nursing care.
- The areas will mainly be around our headquarters and regional office locations. In principle, the period for limitation will be one year. Employees for which this limitation is applied will receive 90% of the base salary they would have received without area limitation.
- With a view to implementation in April 2024, we began soliciting applications in October, which we are currently gathering. Employees who apply will be notified in February 2024 about whether their applications have been approved, and the system will go into effect in April.

IV Governance and Risk Management

- Finally, I would like to discuss governance and risk management as it pertains to personnel strategy.

Governance

- In April 2023, we established the Human Resources Strategy Committee, chaired by the president and CEO, as a body to discuss personnel strategy on an ongoing basis
- The Board of Directors will receive reports on important matters as necessary, and the Board of Directors will issue instructions on such matters



- With a view to reinforcing governance, in April 2023 we established the Human Resources Strategy Committee, chaired by the president and CEO, as a body to discuss personnel strategy on an ongoing basis.
- Important matters discussed by the Human Resources Strategy Committee will be reported to the Board of Directors as necessary, and the Board of Directors will issue instructions on such matters.

Establishment of New KPIs

- We added new indicators to the non-financial KPIs set in the Medium-Term Business Plan based on the two basic policies of the personnel strategy
- We will check on progress and improve specific measures according to circumstances

Numerical KPIs *Items in red were newly added to the Medium-Term Business Plan 2022-2024

	Metric	Period	Targets, etc.
Safety and service	● Attendance of safety education and training (training at the Safety Creation Center, etc.)	Up to fiscal year ending March 2031	100% every year * 100% attendance of training at the Safety Creation Center throughout designated training period
	● Acquisition of Service Care-Fitters qualifications	FY2026/3 (2023 - 2025)	All managers in the railway business
Employee engagement	● Results of employee attitude survey	Up to fiscal year ending March 2025	Continued YoY improvement
	● Exchanges of opinions between executives and employees	Up to fiscal year ending March 2025	A score of 3.5 or more each year for the metric of employees' sense of fulfillment in their current work
New challenges	● Registration in various proposal systems (ideas, cost reduction, operational improvements, etc.)	Up to fiscal year ending March 2031	2.5 or more registrations per employee each year
Diversity	● Ratio of female employees among new employees	FY2025/3	30% or more
	● Ratio of female managers (end of FY2031/3)	FY2031/3	10% or more
	● Ratio of female employees selected for training	Up to fiscal year ending March 2031	More than 30% every year
	● Ratio of experienced candidates among new hires	Up to fiscal year ending March 2031	More than 15% every year
Comfortable environments that are easy and satisfying to work in	● Ratio of male employees who take childcare leave	FY2025/3	50% or more
	● Employee retention	Up to fiscal year ending March 2031	Monitoring of annual figures (must not fall below 97%)
Health management	● Ratio of special health guidance given to relevant employees	FY2025/3	80% or more
Re-skilling support	● Development of employees skilled in digital technologies	FY2025/3	500 people or more
	● Participation in external distance learning	Up to fiscal year ending March 2025	500 people or more per year
Investment in human resources		Up to fiscal year ending March 2031	Monitoring of annual figures

- We added new indicators to the non-financial KPIs set in the Medium-Term Business Plan based on the two basic policies of the personnel strategy.
- The Human Resources Strategy Committee will check on KPI progress and initiatives and improve specific measures according to circumstances.

FY2023 Human Resources Strategy Committee

- The committee is meeting once a month from April 2023 to review the progress of specific human resource strategy initiatives and KPIs
- The committee will discuss measures to be taken, formulate various human resource-related plans, review measures, etc.

Main Themes in FY2023

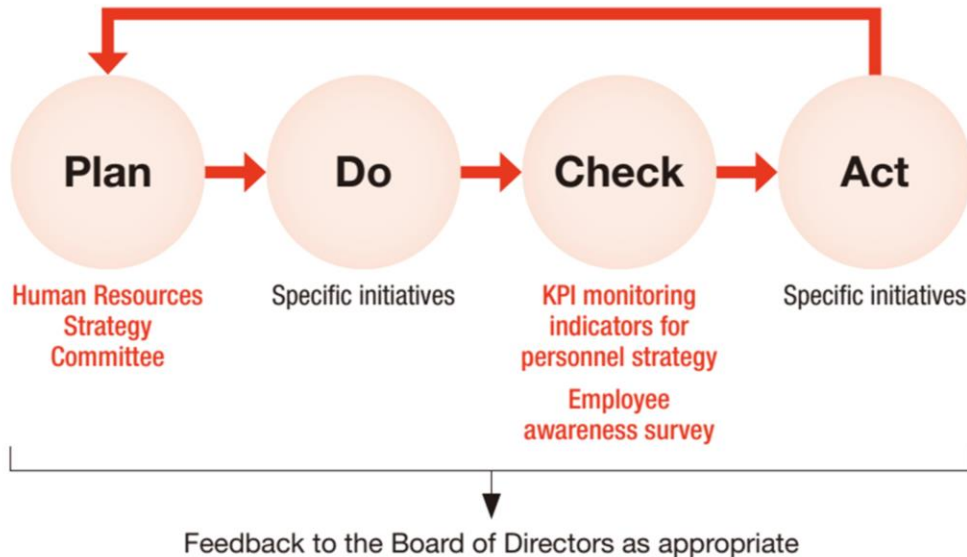
- ◇ **Employee Awareness Survey Issues and Future Initiatives**
- ◇ **Talent Management System Overview**
- ◇ **How to select and train management personnel**
- ◇ **Aim and process of hiring working professionals and previous employees**
- ◇ **DE&I Direction for JR Kyushu**

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- In fiscal 2023, the Human Resources Strategy Committee is meeting monthly since April to confirm the state of progress on personnel strategy and the KPIs.
- The Human Resources Strategy Committee discusses the steps to be taken in response to the progress, and formulates various plans and reviews measures related to human resources.

Risk management

- We will utilize the Human Resources Strategy Committee to flexibly review specific measures in response to changes in the environment, the degree of penetration and progress of various measures, etc., and implement the PDCA cycle



- We will continue to utilize the Human Resources Strategy Committee to confirm and discuss the progress of specific initiatives and KPIs, and flexibly review specific measures and implement the PDCA cycle according to changes in the environment, the degree of penetration of various measures, and the state of progress.
- In this way, we will steadily promote our personnel strategy and realize our 2030 Long-Term Vision and “What We Aim to Be.”
- This concludes my explanation.

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/