

(Translation)



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**Notice Regarding JR Kyushu Group Medium-Term Business Plan 2022-2024**

Kyushu Railway Company (hereinafter, JR Kyushu) announces that, at a Board of Directors meeting held today, it has resolved to implement the JR Kyushu Group Medium-Term Business Plan 2022-2024, as described in the accompanying materials.



# **JR Kyushu Group Medium-Term Business Plan 2022-2024**



KYUSHU RAILWAY COMPANY





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# **1. BACKGROUND TO THE FORMULATION OF THE PLAN**



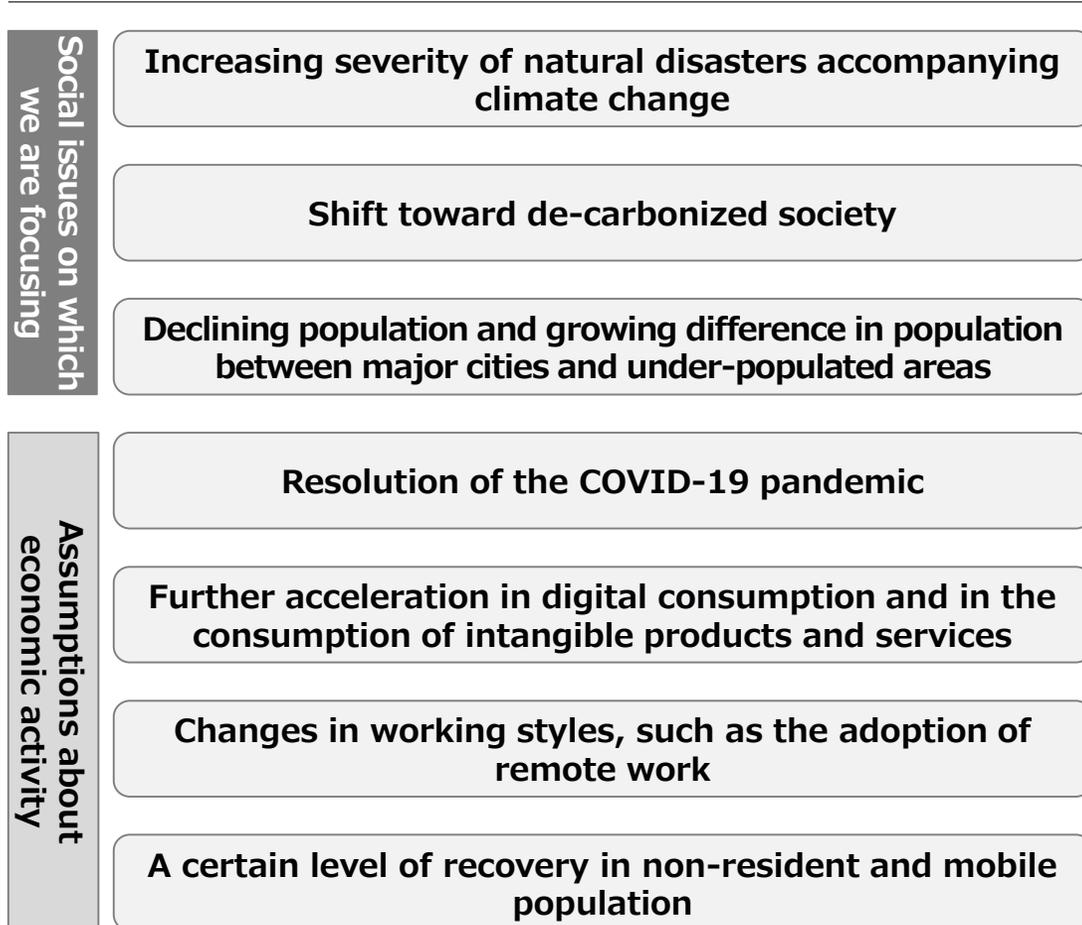
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# 1. External Environment

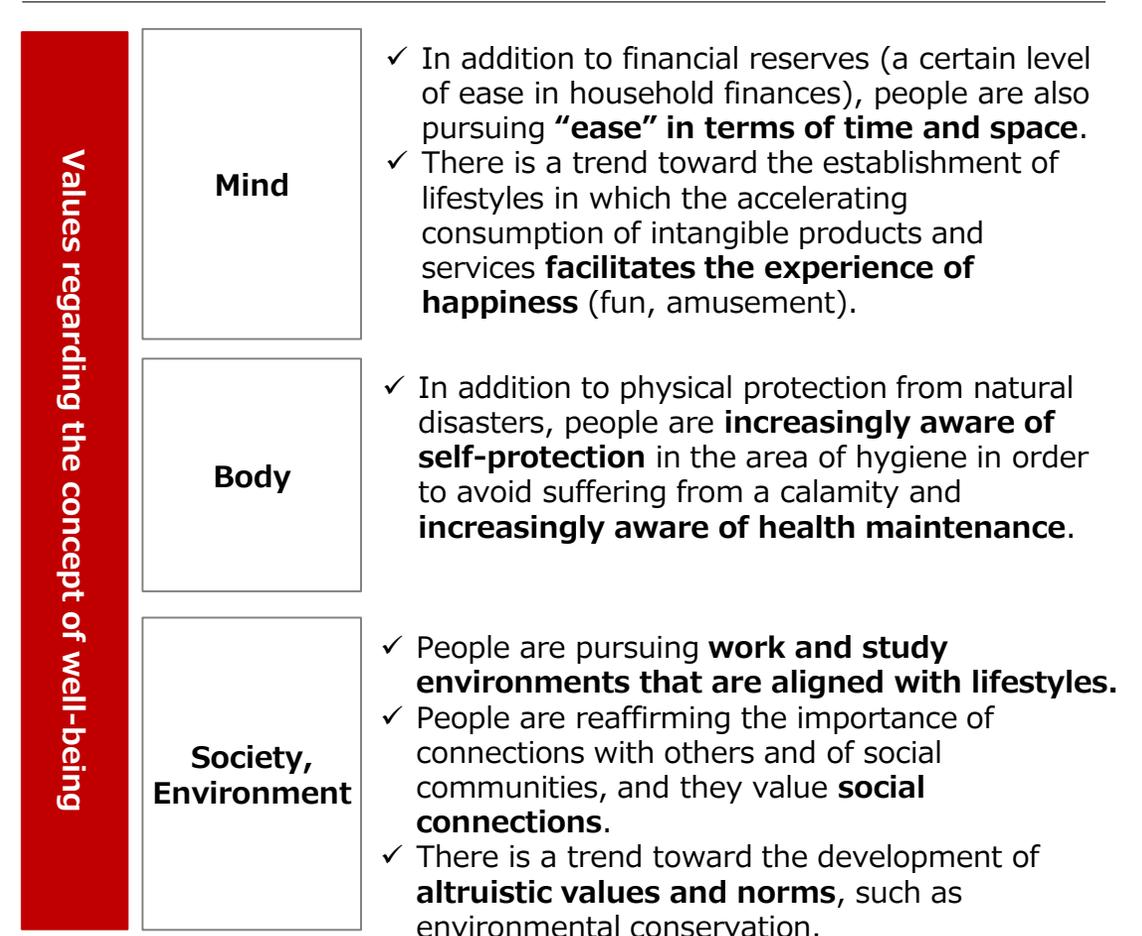


- The plan was formulated with a focus on major changes in the external environment that are anticipated in the period up to 2030, as well as changes in people’s values regarding the concept of well-being which have been influenced by changes in the external environment.

Major changes in the external environment that are anticipated in the period up to 2030



Changes in people’s values regarding the concept of well-being



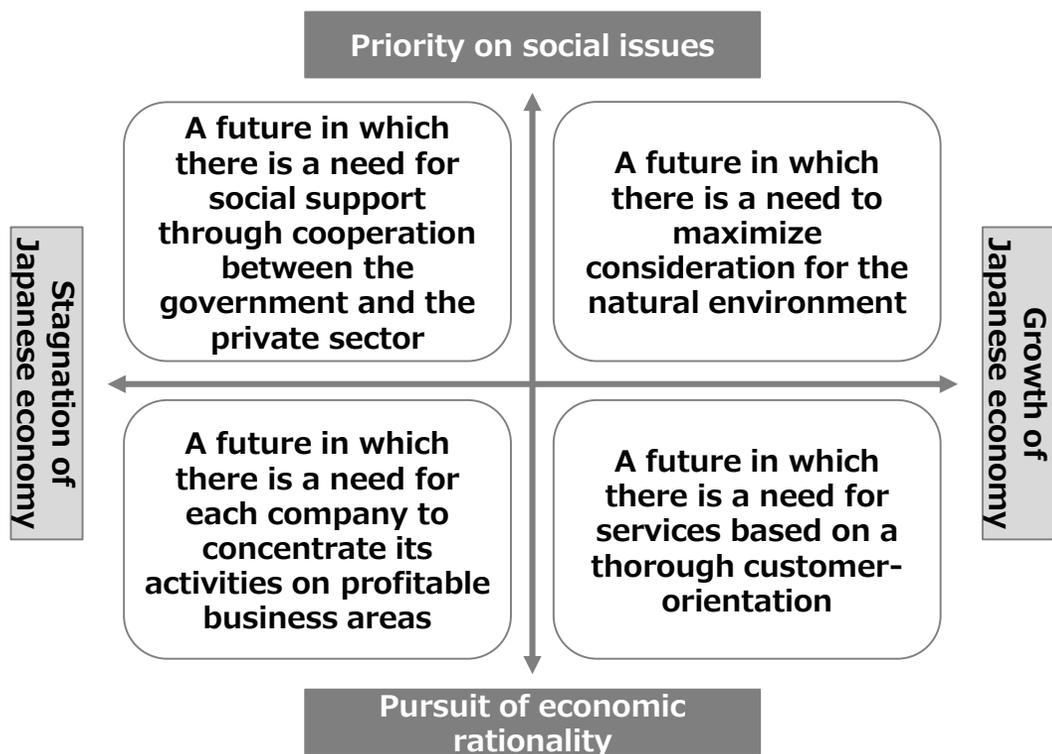
## 2. Approach to the Formulation of the Plan, Including Future Scenarios



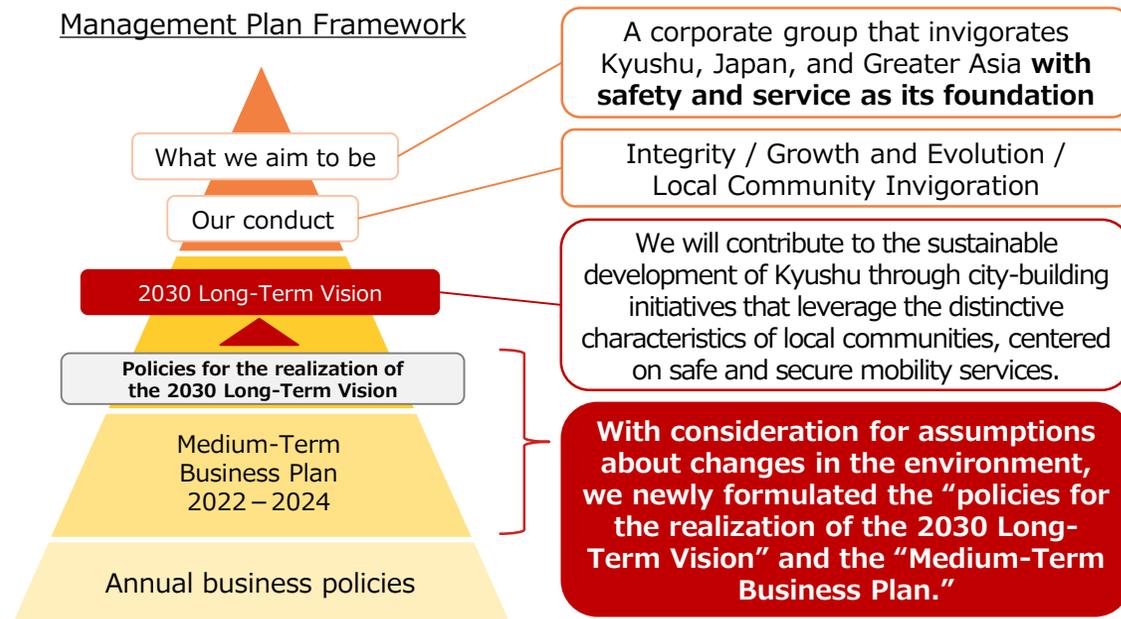
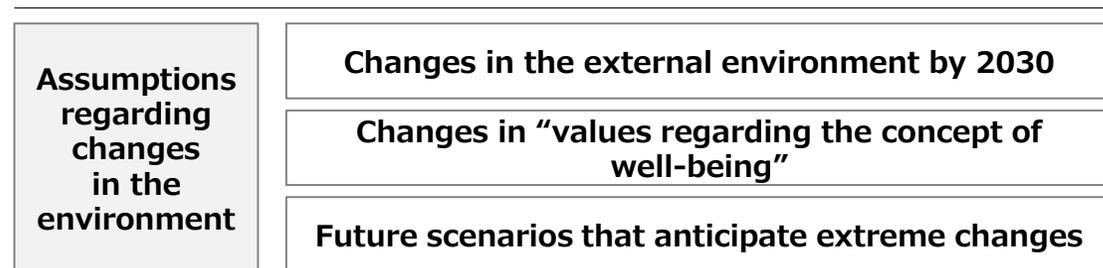
- There are no changes to what the JR Kyushu Group aims to be, our conduct, and the 2030 Long-Term Vision.
- Our objective was to make this a plan that can accommodate unexpected changes such as the spread of the COVID-19 pandemic. To that end, after considering future scenarios that anticipate extreme changes, we formulated the “policies for the realization of the 2030 Long-Term Vision” and the “three-year Medium-Term Business Plan.”

Future scenarios that anticipate extreme changes in people’s “values regarding the concept of well-being”

- In order to also accommodate unexpected changes, we considered future scenarios focusing on changes in “values regarding the concept of well-being” with an assumption that by 2030 the external environment will have an influence that exceeds expectations.



Approach to the formulation of the plan





## **2. 2030 LONG-TERM VISION AND POLICIES FOR THE REALIZATION OF THE VISION**



KYUSHU RAILWAY COMPANY

# 1. Policies for the realization of the 2030 Long-Term Vision



- We determined that the following two policies would be necessary in order to realize the 2030 Long-Term Vision, which was formulated under the previous medium-term business plan. These policies are **“implementing city-building initiatives for the realization of well-being”** and **“expanding areas we work in that contribute to the sustainable development of Kyushu.”**

2030 Long-Term Vision (continuation of a part of the previous medium-term business plan)

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.

Changes in the external environment by 2030

Changes in “values regarding the concept of well-being”

Future scenarios that anticipate extreme changes

## ◆ Policies for the realization of the 2030 Long-Term Vision

Policy①

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

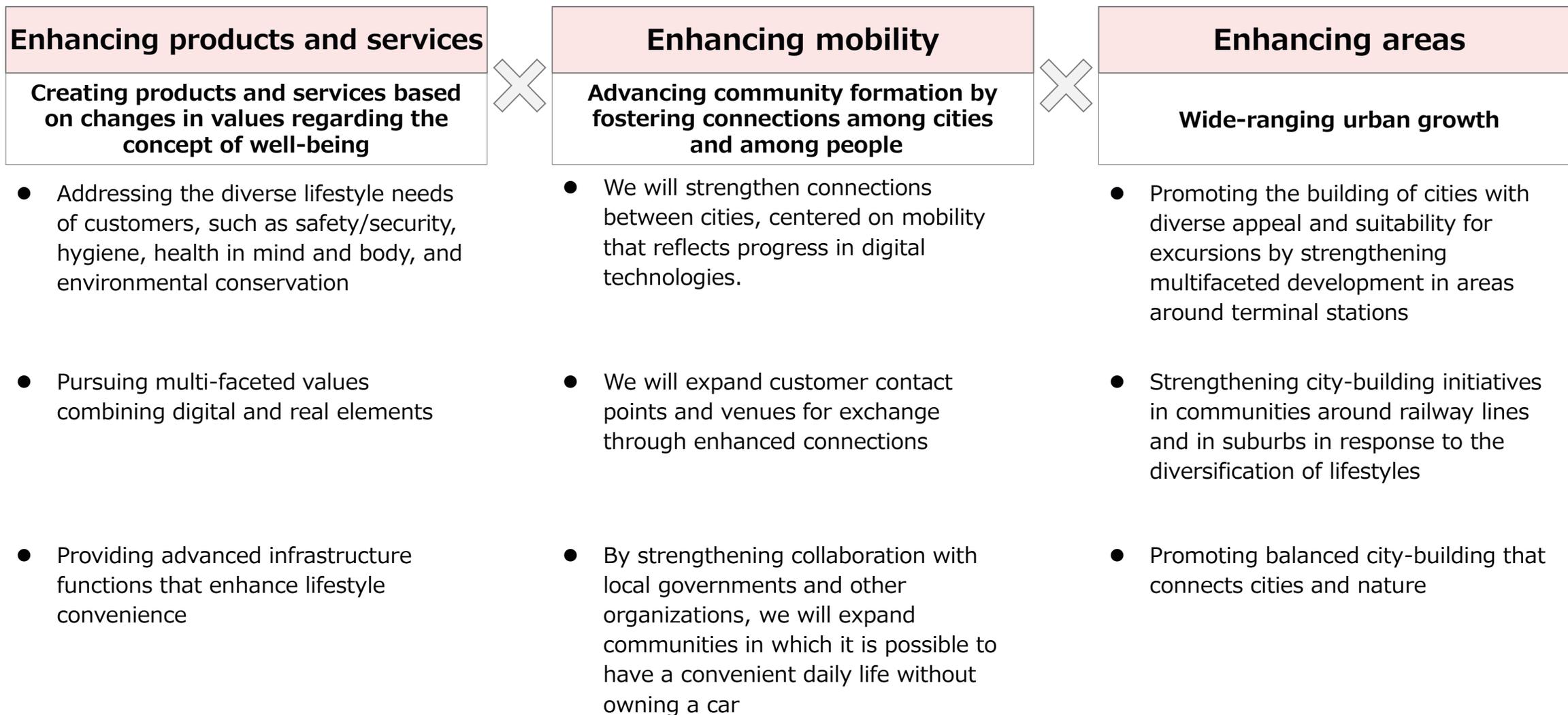
Policy②

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

## 2-1. Policy① Three areas of enhancement for the realization of well-being

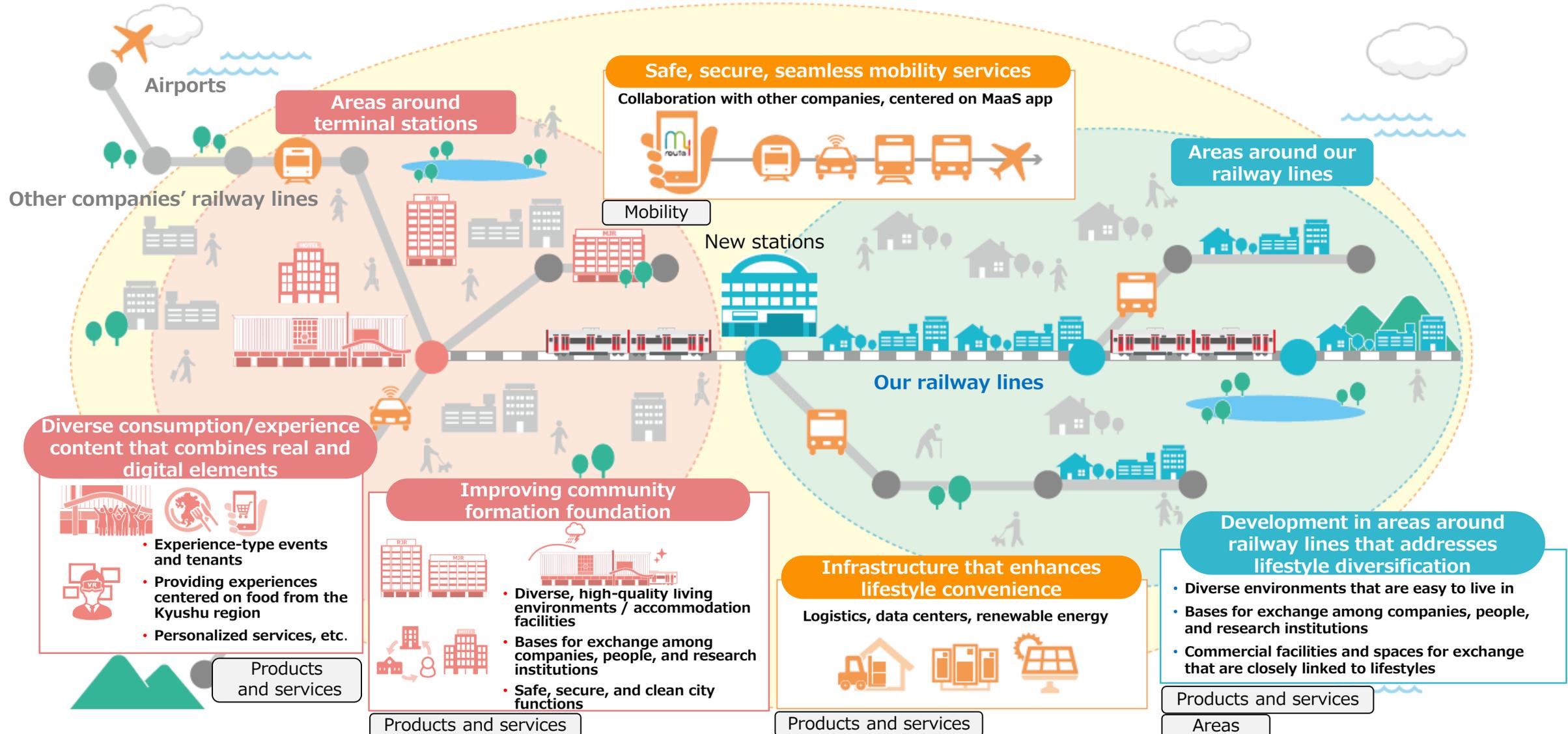


- For the realization of well-being, we will aim for the enhancement of “products and services,” “mobility,” and “areas.”



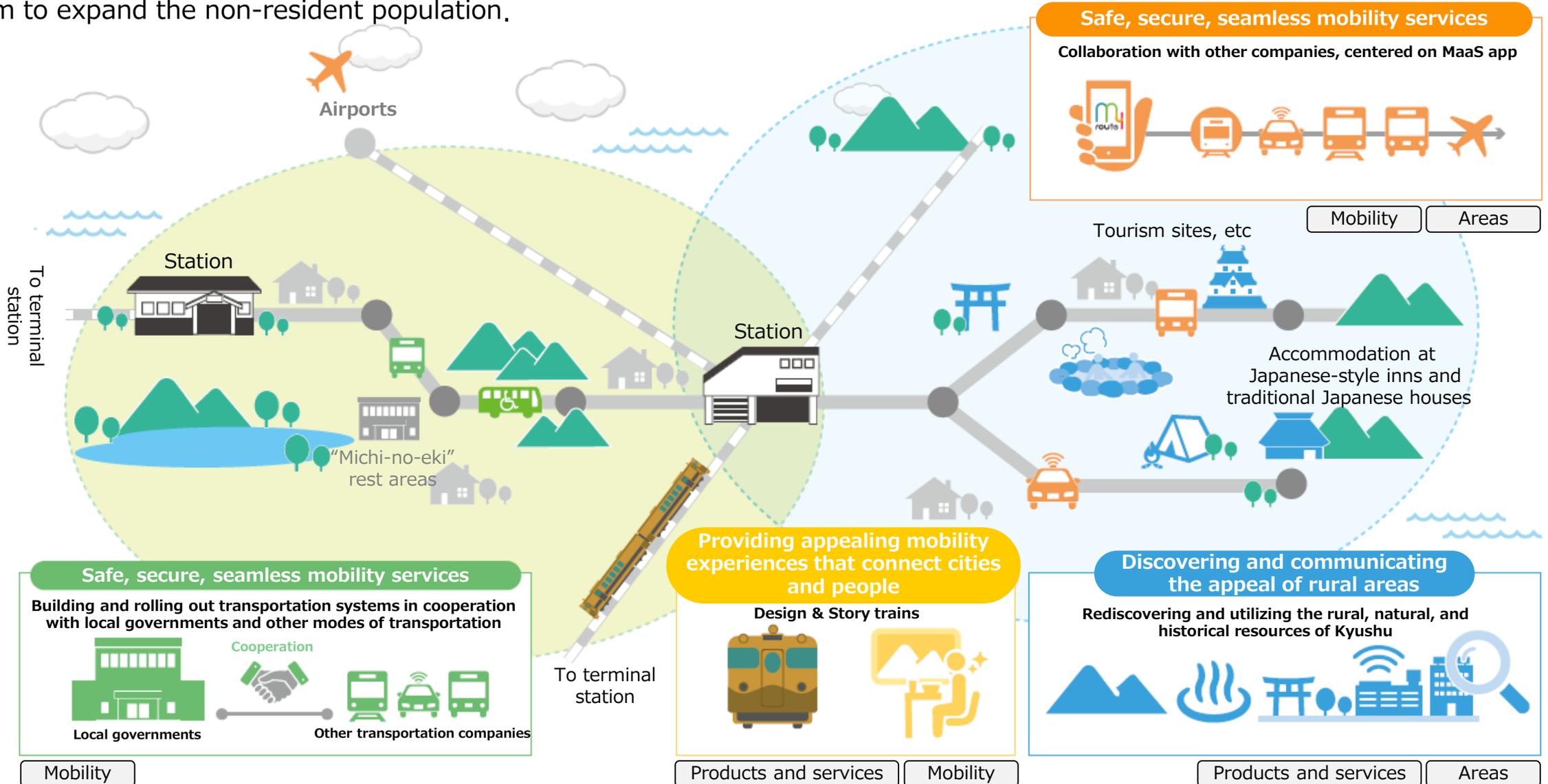
## 2-2. Policy① City-building initiatives in areas around our terminal stations and railway lines

- 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.



## 2-3. Policy① 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.



### 3. Policy② 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.



#### The Group's strengths

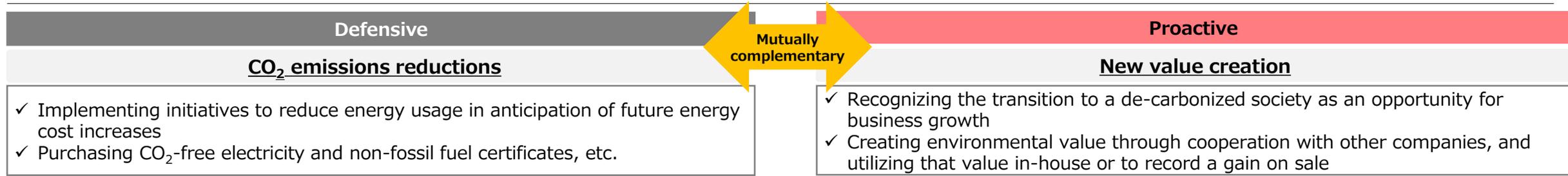
<p><b>Brand strength, creditworthiness</b></p>	<ul style="list-style-type: none"> <li>✓ Ongoing commitment to regional development</li> <li>✓ Providing safety and security, our mission as an infrastructure company</li> <li>✓ Providing highly original designs/services, such as the cruise train Seven Stars in Kyushu and Design &amp; Story trains</li> </ul>	<p><b>Human resources (technical capabilities, administrative capabilities)</b></p>	<ul style="list-style-type: none"> <li>✓ Planning and implementation capabilities for building attractive cities</li> <li>✓ Technical capabilities / customization capabilities cultivated through the railway business</li> <li>✓ Management capabilities in diverse businesses</li> <li>✓ Operations capabilities cultivated in multiple front-line settings</li> </ul>
<p><b>Customer base</b></p>	<ul style="list-style-type: none"> <li>✓ Base of customers from mobility services</li> <li>✓ Points of contact with customers through station building tenants with sales in excess of ¥200.0 billion</li> </ul>	<p><b>Assets</b></p>	<ul style="list-style-type: none"> <li>✓ Idle assets, such as space under elevated railway tracks</li> <li>✓ Real estate, buildings, such as station buildings, etc.</li> </ul>
<p><b>Railway network/network</b></p>	<ul style="list-style-type: none"> <li>✓ Network of railway lines and bases that extends throughout Kyushu</li> <li>✓ Connections with government / local communities</li> </ul>	<p><b>Financial base</b></p>	<ul style="list-style-type: none"> <li>✓ Sound financial base that makes it possible to implement aggressive growth investment</li> </ul>

# 4. Matters to be considered: Toward the realization of a de-carbonized society

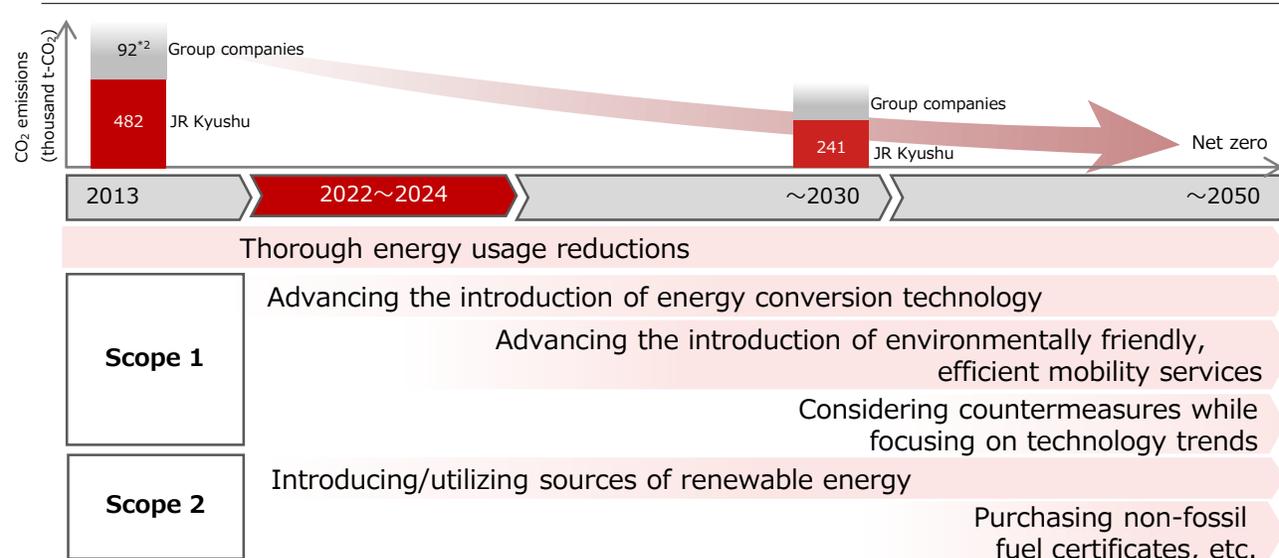


- To support the realization of a de-carbonized society, we are aiming for net zero CO<sub>2</sub> emissions by 2050.
- We will contribute to the de-carbonization of society as a whole by providing and promoting the usage of seamless mobility, centered on the railway business.
- To achieve both implementation of business activities and enhancement of environmental value, we will advance work not only from a defensive perspective, to reduce CO<sub>2</sub> emissions, but also from a proactive perspective, to create new value.

Fundamental approach to the realization of a de-carbonized society



Road-map toward the realization of a de-carbonized society\*1



Major initiatives during the period of the medium-term business plan

- ✓ Introducing/utilizing sources of renewable energy
- ✓ Acquiring green building certification for real estate assets
- ✓ Considering the introduction of energy conversion technologies through cooperation with other companies (storage batteries, biofuel etc.)
- ✓ Implementing energy saving for electricity used in train operations (updating main circuits in rolling stock, etc.)
- ✓ More-efficient, streamlined facilities

Over the period of the medium-term business plan, we are planning approximately ¥60.0 billion in investments that contribute to increasing environmental value. (Based on projects that are eligible for the Green Bond framework, etc.)

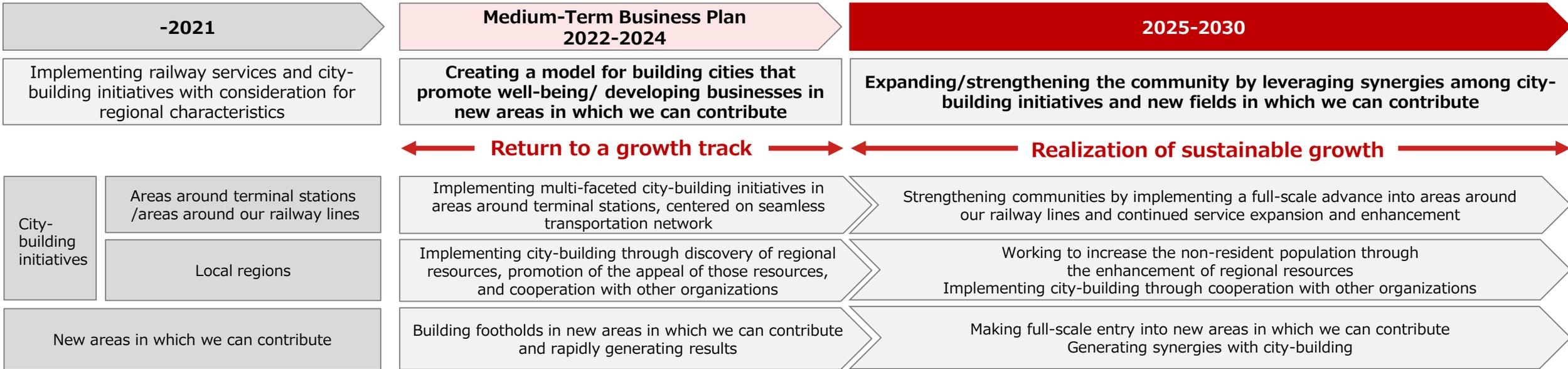


\*1. Appropriately setting milestones, implementing appropriate revisions while considering future technology trends and economic rationality  
 \*2. Aggregate value from periodic reporting stipulated in the Act on Rationalizing Energy Use

# 5. Steps toward the realization of the long-term vision



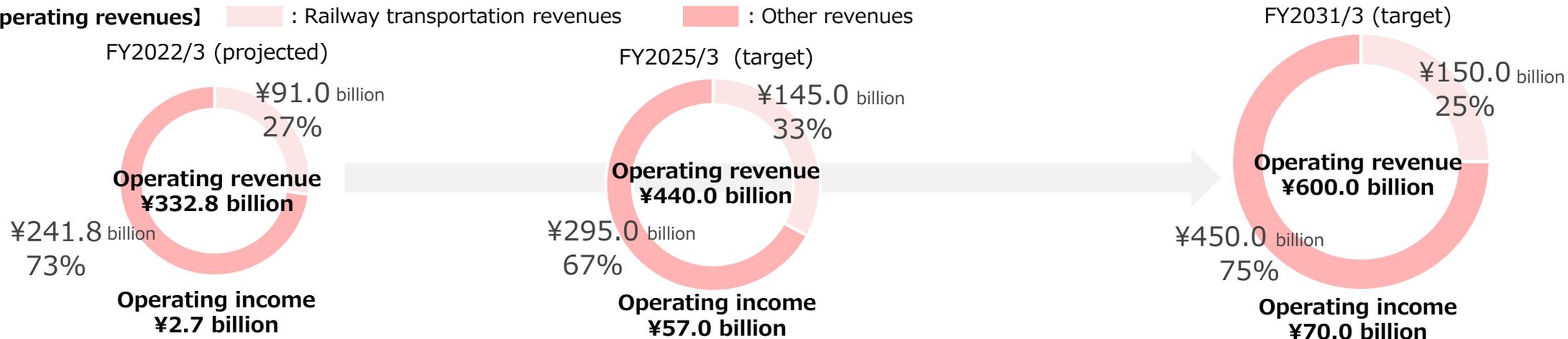
- Targeting the realization of the long-term vision, over the period of the plan, we will work to return to a growth track and subsequently strive to realize sustainable growth.



**【Categories of operating revenues】**

Light Pink : Railway transportation revenues

Dark Pink : Other revenues



**Aiming for recovery in revenues from railway transportation, which were adversely affected by COVID-19, and for growth in other businesses**



# **3. MEDIUM-TERM BUSINESS PLAN 2022-2024**



KYUSHU RAILWAY COMPANY

# 1. Key strategies of the medium-term business plan



- As key strategies in the Medium-Term Business Plan 2022-2024, we will complete the business structural reforms that are currently underway, and in addition, as the first steps toward the realization of the long-term vision, we will work to create a model for building cities that promote well-being and to develop businesses in new areas in which we can contribute.

Medium-Term Business Plan 2022-2024

## Completing business structural reforms

### Key strategy①

#### Railway business

##### Stabilizing profitability

- ✓ Completing BPR\*1 measures
- ✓ Discovering further measures to reduce costs
- ✓ Flexible use of human resources

#### Hotel business

##### Increasing competitiveness of existing hotels

- ✓ Rebuilding brand
- ✓ Reinforcing comprehensive strengths

#### Retail and Restaurant business

##### Increasing the competitiveness of brands and of stores/restaurants

- ✓ 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

- ✓ Advancing BPR strategy
- ✓ Expanding sales outside the Group

\*1. Business Process Re-engineering

## Key strategies for the realization of the long-term vision

### Key strategy②

#### 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 strategy③

#### 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)

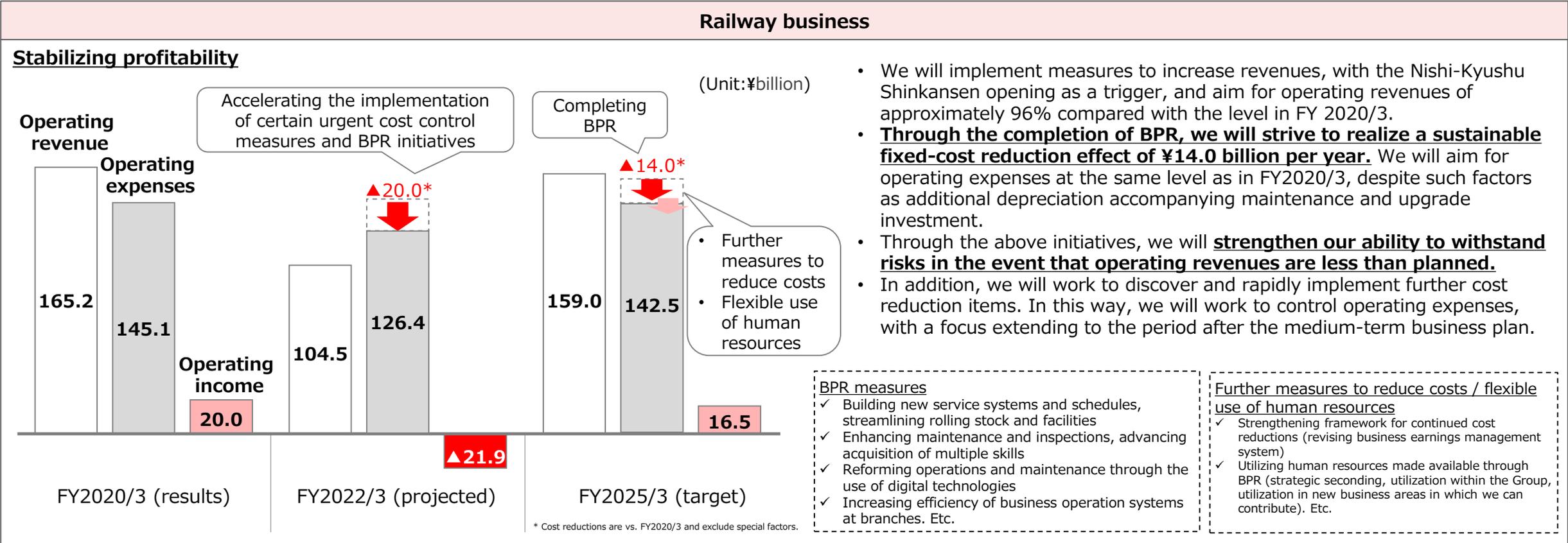
### Building foundations for advancing strategies on a Groupwide basis

#### Strengthening management base

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

## 2. Key strategy 1: Completing business structural reforms

- In the railway business, we will aim to realize a sustainable, stably profitable structure through the completion of BPR and the implementation of further cost reductions.
- In other businesses, we will advance initiatives targeting a rapid recovery from the influence of COVID-19.



- We will implement measures to increase revenues, with the Nishi-Kyushu Shinkansen opening as a trigger, and aim for operating revenues of approximately 96% compared with the level in FY 2020/3.
- **Through the completion of BPR, we will strive to realize a sustainable fixed-cost reduction effect of ¥14.0 billion per year.** We will aim for operating expenses at the same level as in FY2020/3, despite such factors as additional depreciation accompanying maintenance and upgrade investment.
- Through the above initiatives, we will **strengthen our ability to withstand risks in the event that operating revenues are less than planned.**
- In addition, we will work to discover and rapidly implement further cost reduction items. In this way, we will work to control operating expenses, with a focus extending to the period after the medium-term business plan.

**Hotel business**

**Increasing competitiveness of existing hotels**

- Rebuilding brand strategy (re-branding, renewal, etc.)
- Reinforcing comprehensive strengths (advancing human resources development, joint procurement, etc.)

**Retail and Restaurant business**

**Increasing the competitiveness of brands and of stores/restaurants**

- Revising store-opening strategy
- Strengthening existing brands, taking on the challenge of new business formats. Etc.

**Construction business**

**Implementing transition in primary focus from inside the Group to outside**

- Advancing BPR strategies together with railway business
- Expanding sales outside the Group. Etc.



# 3. Key strategy 2: Creating a model for building cities that promote well-being

- Over the period of the plan, we will make it a priority to create a model for building cities that promote well-being in the western Kyushu area, with the opening of the Nishi-Kyushu Shinkansen as a trigger, and in the Fukuoka area, where we will position the extension of the Fukuoka City Subway's Nanakuma Line as an opportunity.

### Western Kyushu area

Advancing city-building, with the opening of the Nishi-Kyushu Shinkansen as a trigger

**Enhancing mobility**

**Providing seamless mobility (transportation convenience)**

- Opening of the Nishi-Kyushu Shinkansen (September 2022)
- New D&S Train, TWO STARS 4047 (fall 2022)
- Expanding MaaS services (my route\*1) to the western Kyushu area  
Saga Prefecture: January 2022  
Nagasaki Prefecture: summer 2022

**Enhancing products/services**

**Providing community formation foundation**

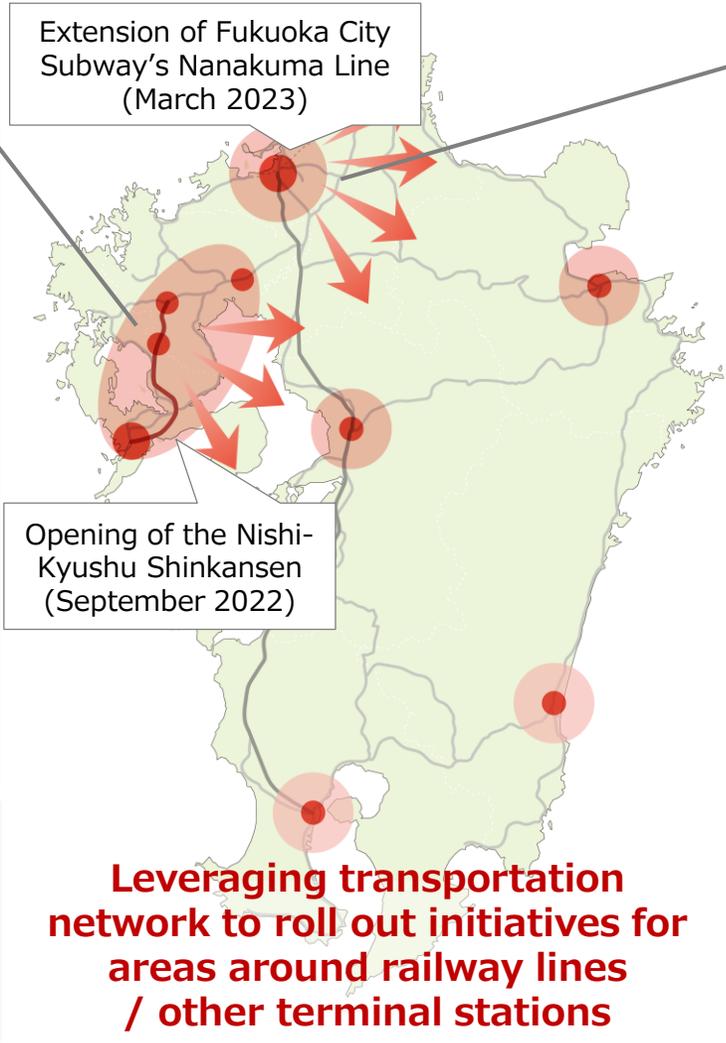
- New Nagasaki Station building development (new station building full opening: fall 2023)
- Nagasaki Marriott Hotel opening (fall 2023)
- Ekimachi 1-chome Saga renewal (spring 2023)
- Ureshino Japanese-style inn development (fall 2023)

### Other areas

**Enhancing mobility**

**Providing seamless mobility (transportation convenience)**

- Rolling out MaaS services (my route\*1) throughout Kyushu
- Building a model for sustainable mobility services (Transitioning to BRT for the Hitahikosan Line)



### Fukuoka area

Advancing city-building, positioning as an opportunity the enhancement of the Hakata Station terminal functions resulting from the extension of the Nanakuma Line

**Enhancing products/services**

**Providing community formation foundation**

- Implementing SJR development in the project to utilize of the former site of Sunoko elementary school (January 2024)
- Implementing next-generation office development in the project for effective use of the site of the Fukuoka east government building (March 2024)
- Accelerating preparations for the project for utilizing the space above the tracks at Hakata Station (2028)
- Providing functions that support cities (developing logistics real estate and data centers, providing renewable electricity)

**Providing diverse consumption/experience content**

- Advancing transition to omni-channel, attracting retailing showroom-type tenants and D-to-C businesses
- Rolling out personalized services through the use of customer data
- Implementing collaboration with popular local restaurants, etc., centered on Kyushu food
- Taking on the challenge of multi-faceted, experience-type outdoor businesses

**Enhancing mobility**

**Providing seamless mobility (transportation convenience)**

- Establishing new station between Chihaya Station and Hakozaki Station on the Kagoshima Main Line
- Promoting the use of MaaS-related services (my route\*1)

**Enhancing areas**

**Development in areas around railway lines that addresses lifestyle diversification**

- Implementing integrated development in Onojo City, Fukuoka Prefecture (MJR / SJR / supermarket) (May 2022 full opening)
- Developing commercial facilities under elevated railway tracks at Orio Station (commercial facilities/supermarket) (spring 2023)

\*1. Multi-modal mobility service developed and provided by Toyota Motor Corporation and Toyota Financial Services Corporation

# 3-1. Maximizing the Opening Effect of the Nishi-Kyushu Shinkansen

- We will aim to maximize the Shinkansen opening effect by advancing development in the western Kyushu area, with the opening of the Nishi-Kyushu Shinkansen as a trigger.



Enhancing mobility

- Opening of the Nishi-Kyushu Shinkansen** (September 2022)  
**Operations segment:** Takeo Onsen — Nagasaki segment (approximately 66 km)  
**New stations:** Ureshino Onsen / Shin-Omura



Adopting the cross-platform transfer method\*1 at Takeo Onsen Station

- New D&S train — TWO STARS 4047** (fall 2022)  
**Concept:** Western Kyushu sea tour train
- With two routes, the train makes a circuit around western Kyushu.
  - Takeo Onsen → Nagasaki (via Nagasaki Main Line)
  - Nagasaki → Takeo Onsen (via Ōmura Line)
- Selling light meals, beverages, sweets, etc., from the areas around the railway lines



Enhancing products/services

- A Ekimachi 1-chome Saga renewal** (spring 2023)
- B New Nagasaki Station building area development** (fall 2023)



- Implementing an integrated development project as the land gateway to Nagasaki, an international tourism city. Including hotels (Nagasaki Marriott Hotel), commercial facilities, offices, parking lots, etc.



- Implementing such initiatives as environmental burden reduction, infection countermeasures, introduction of next-generation AI/ICT, etc.

- C Ureshino Japanese-style inn development** (fall 2023)



- Implementing development at Ureshino Onsen, one of Japan's top three hot springs for beautiful skin
- Demonstrating consideration for the environment, such as binary power generation, use of heat from the hot springs, etc.

- D Akane-sasu Hizenhamashuku**



- (opened in January 2022)
- Accommodation facility created by renovating a private house owned by a sake brewer

Growth opportunities in this area

- ✓ Enhancing urban functions in areas around our railway lines: Dejima Messe Nagasaki (opened in November 2021) / SAGA Arena(2023) / Nagasaki Stadium City (2024).
- ✓ Increase in the attraction of companies to the area: With the aim of reforming the industrial structure in Nagasaki Prefecture, in 2019 related local governments signed location agreements with 8 companies, including IT companies.
- ✓ Population concentration trend: Prior to the opening of the Nishi-Kyushu Shinkansen, there has been a trend toward increasing land prices in the area around Shin-Omura Station as a result of population concentration.
- ✓ Creating lively atmospheres in areas around stations: Enhancement of areas around stations by local governments in areas along the Nishi-Kyushu Shinkansen line (Takeo Onsen, Ureshino Onsen, Shin-Omura, Isahaya, Nagasaki)

\*1. Realizing smooth transfers through the implementation of transfers on the same platform as conventional-line limited-express trains operated on the Hakata — Takeo Onsen segment



# 3-2. Growth Opportunities and Major Development Projects in Each Area

## A Fukuoka area

### 【Growth opportunities】

- ✓ Deregulation for enhancement of urban functions: Hakata Connected (up to the end of 2028) / Tenjin Big Bang Project (up to the end of 2026)
- ✓ Enhancement of urban functions in areas around railway lines: Fukuoka City Subway's Nanakuma Line extension (March 2023) / LaLaport FUKUOKA (April 2022) / THE OUTLETS KITAKYUSHU (April 2022)
- ✓ Population concentration in the Fukuoka Metropolitan Area: The amount and rate of population growth in Fukuoka City are the largest among ordinance-designated cities in Japan (21st Population Census, as of October 1, 2020)

### 【Major development projects】

#### Project to utilize the former site of Sunoko elementary school

SJR Otemon: January 2024  
 Joint project with Sakurajyuji Co., Ltd., and other companies



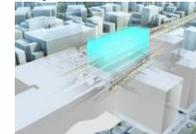
#### Project for effective use of site of Fukuoka east government building

Next-generation office development: March 2024  
 \* Joint project with FUKUOKA JISHO CO., LTD., and ASO CORPORATION



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

Integrated development of leading-edge offices, etc.: 2028 (period of this plan and thereafter)



## C Kagoshima area

### 【Major development projects】

#### Kagoshima Station area development

Commercial facilities: Fall 2022  
 MJR Kagoshima Park Front : Spring 2024



#### Kagoshima-Chuo Station west entrance development

Phase 1 (offices, commercial facilities): Spring 2023  
 Phase 2 (condominiums): FY2026/3 and thereafter



### Western Kyushu area (Saga / Nagasaki)

\* Refer to previous slide



## B Kumamoto area

### 【Growth opportunities】

- ✓ Enhancement of urban functions in areas around railway lines: Opening of the Kumamoto Airport new passenger terminal building (spring 2023)
- ✓ Attracting additional companies: Attracting semiconductor plants (construction of TSMC and Sony plants in Kumamoto Prefecture, etc.) / Accumulation of approximately 200 semiconductor-related companies

### 【Major development projects】

#### Kumamoto Station area development

Kasuga North Building development: spring 2023



MJR Kumamoto The Tower: Spring 2023  
 MJR Kumamoto Station Garden Court: Spring 2023  
 MJR Kumamoto Station South: Spring 2024



【Legend】 ● : Offices ● : Commercial facilities ● : Residences ● : Hotels ● : Other

# 4. Key strategy 3: Developing businesses in new areas in which we can contribute

Completing business structural reforms → Creating a model for building cities that promote well-being → **Developing businesses in new areas in which we can contribute**

Advancing personnel strategy → Strengthening management base

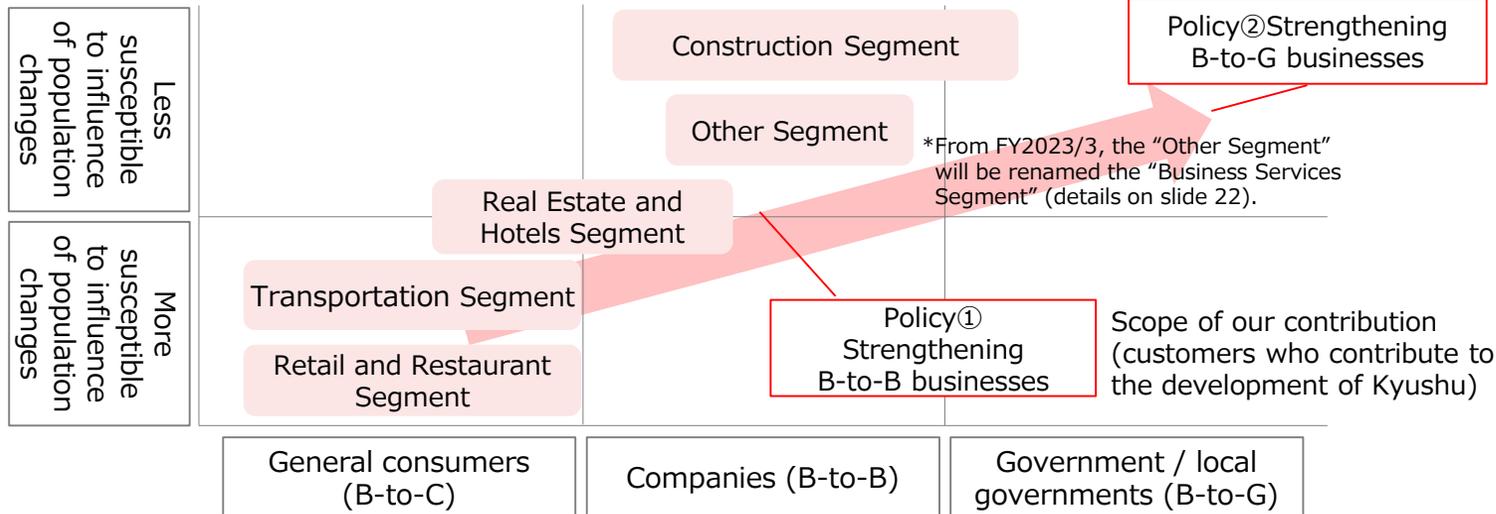


- For the sustainable development of Kyushu, after reorganizing our structure by revising our business segments, we will work to strengthen B-to-B businesses and B-to-G businesses. In this way, we will aim to expand the scope of our contribution and to enhance sustainability.

## Course of action in business development

**The Group will work together to advance business development, with a focus on expanding the scope of our contribution and strengthening the sustainability of our businesses.**

Business sustainability risks related to changes in the environment (extent to which Kyushu's resident and non-resident population will have an effect on businesses)



① Strengthening B-to-B businesses

- ✓ We will strengthen B-to-B businesses, centered on the Construction Segment and Other (Business Services) Segment.
- ✓ We will aim to grow these businesses into a pillar of the Group's operations, along with B-to-C businesses, by actively strengthening M&A, expanding areas, etc.

② Strengthening B-to-G businesses

- ✓ Leveraging the strengths of the entire Group, which have been cultivated through multi-faceted strategies, we will search for business areas in which we can develop a competitive edge and expand our businesses.

## Related initiatives implemented to date

### ■ B-to-B businesses

- ✓ Expanding business activities through M&A

- Construction machinery sales, maintenance, and training



2019 acquisition



- Comprehensive rental services for civil engineering and construction

- ✓ Expanding businesses through business alliances

- Strengthening customer development and software development through capital and business alliance with NSD CO., LTD.



- Rolling out SaaS businesses in cooperation with cloud-based HR technology companies.

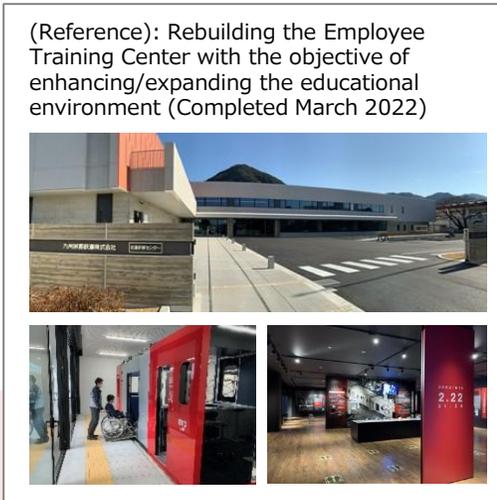
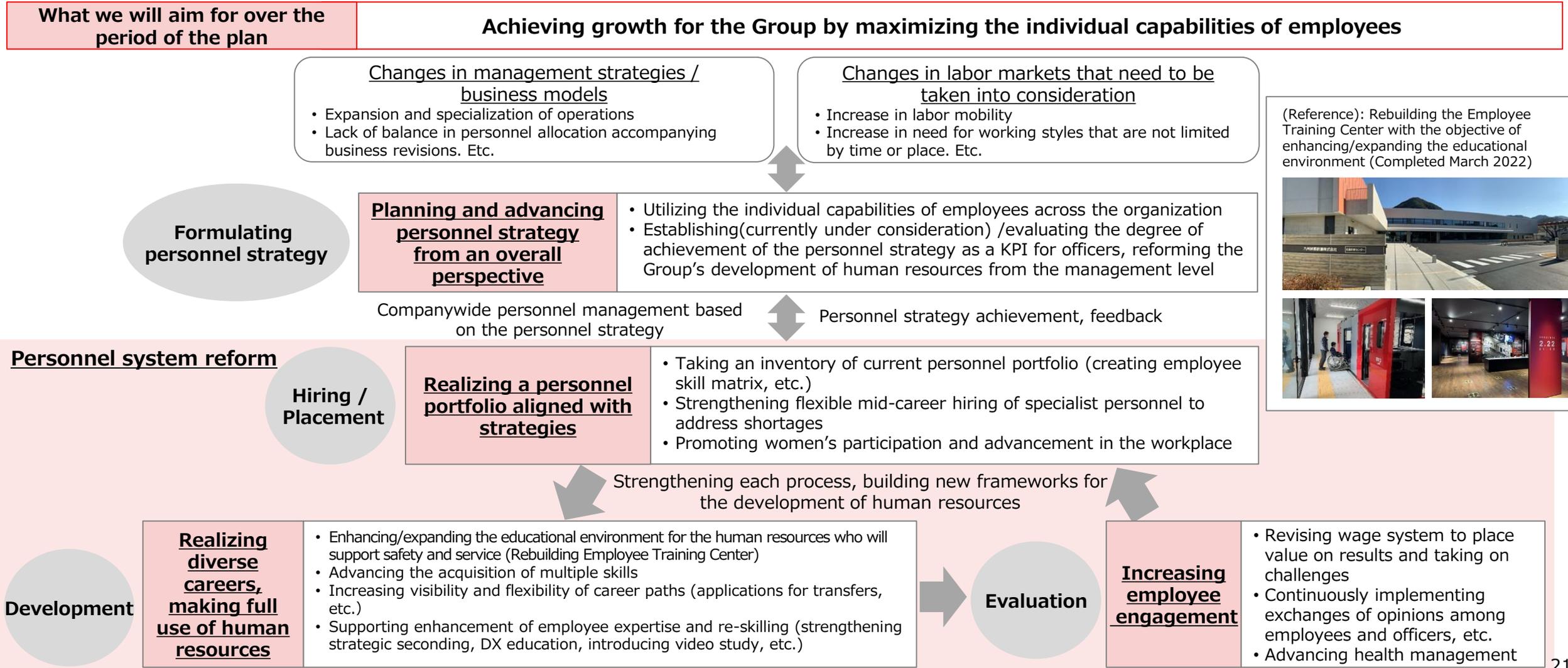
### ■ B-to-G businesses

- ✓ Actively accepting orders for public construction work that supports city infrastructure, including fields other than railways



# 5. Advancing personnel strategy

- To link the individual capabilities of employees to the growth of the Group, we will advance reforms of the personnel system to realize the formulation/operation of personnel strategies aligned with changes in management strategies, business models, and labor markets.



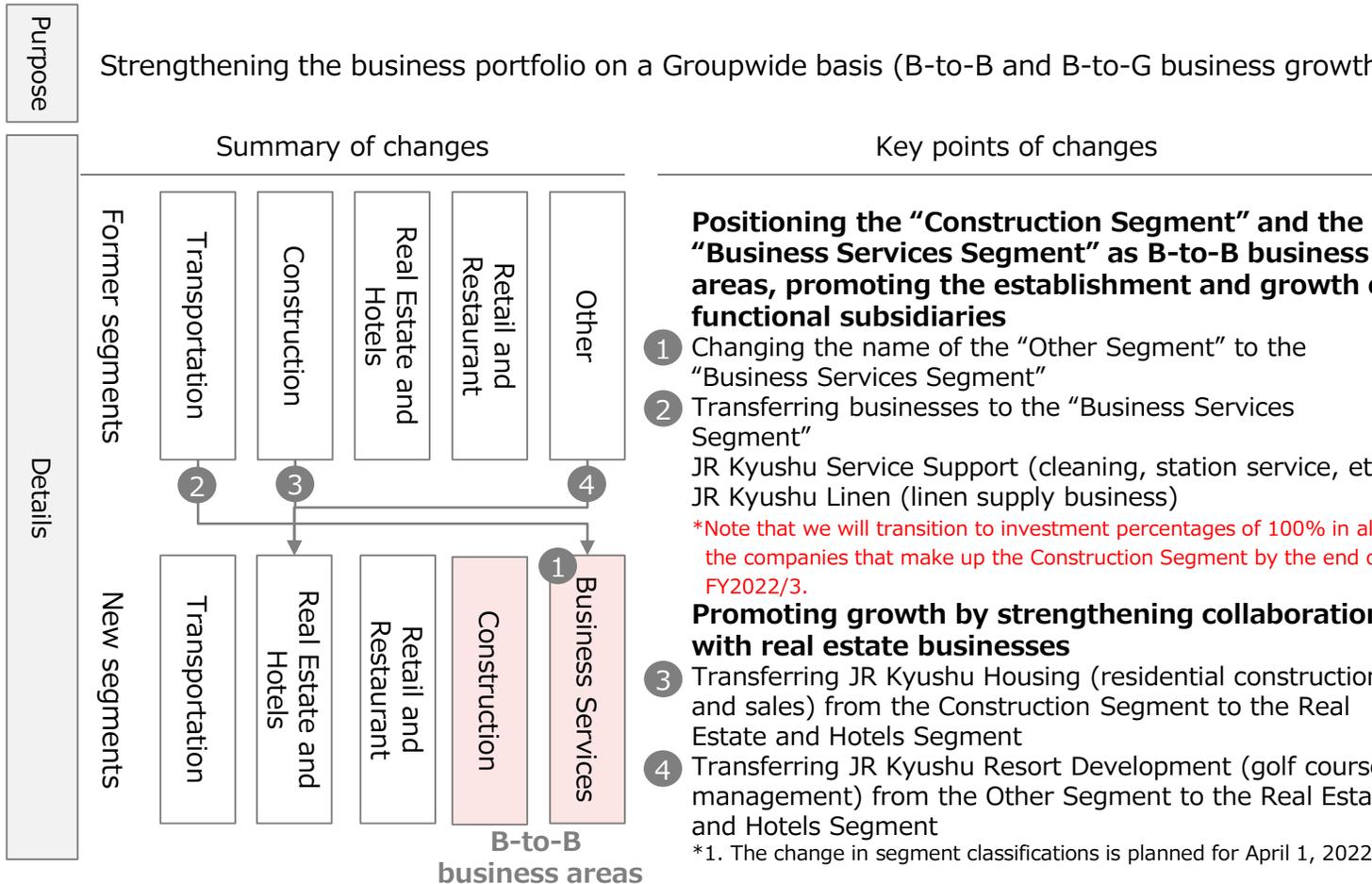


# 6-1. Strengthening management base | Foundations for advancing strategies

- We will strengthen the strategy promotion platform on a Groupwide basis by establishing a strategy implementation system and enhancing the frameworks for Groupwide customer information and business portfolio management.

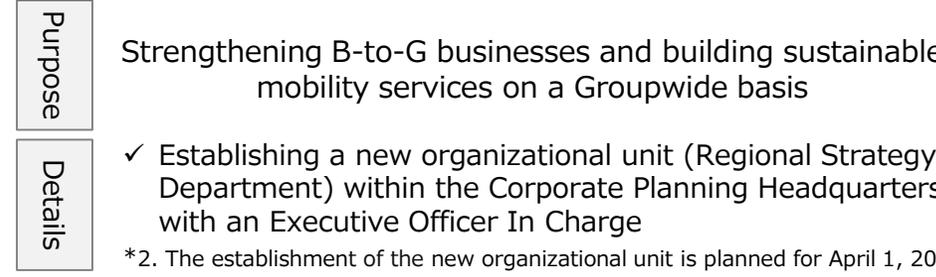
## Change in segment classifications\*1

Improving systems

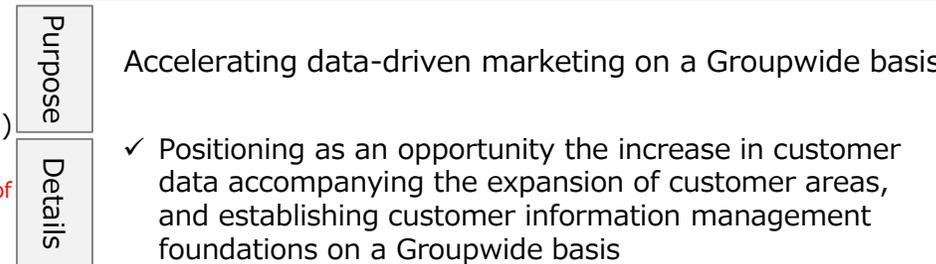


## Newly establishing the Regional Strategy Department\*2

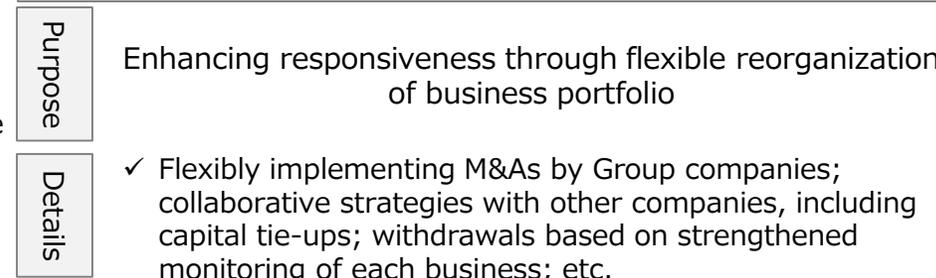
Improving systems



## Enhancing customer management foundations



## Strengthening flexibility of business portfolio



# (Reference) Business Portfolio



- For our business portfolio, in addition to the initiatives that we have implemented to date, we will also implement more-flexible reorganization initiatives extending across business areas. In this way, we will enhance our responsiveness.

## Major initiatives from FY2020/3 to FY2022/3

Expanding business areas	
M&A	<ul style="list-style-type: none"> <li>✓ Restaurant business: Manbou Corp. (processed marine products) Nurubon Inc. (suburban barbecue restaurant)</li> <li>✓ Construction business: Electrical work (2 companies)</li> <li>✓ Construction machinery business: Construction machinery rental (2 companies)</li> <li>✓ System business: Companies with strengths in the B-to-G area</li> </ul>
Expanding business areas and geographic regions	<ul style="list-style-type: none"> <li>✓ Convenience store business / cafe business / restaurant business</li> <li>Expanding into areas outside Kyushu, such as Tokyo</li> </ul>
New initiatives	<ul style="list-style-type: none"> <li>✓ Accommodation facility using traditional Japanese houses, shared office business (Project from the HIRAMEKI new business proposal system)</li> <li>✓ Asset management business</li> </ul>

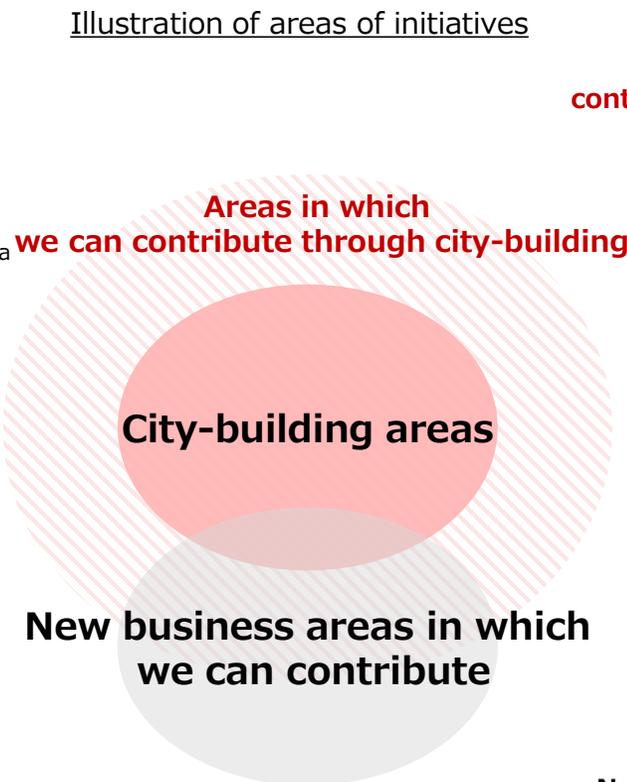
  

Business revision / withdrawal	
Competitiveness perspective	<ul style="list-style-type: none"> <li>✓ Sale of leasing business, hospital business</li> <li>✓ Transfer of majority of shares in drugstore business</li> </ul>
Cost perspective	<ul style="list-style-type: none"> <li>✓ Hydrofoil ferry business: Specializing on the QUEEN BEETLE</li> <li>✓ Detached house business: Specializing in Fukuoka area</li> <li>✓ Car rental business: Outsourcing to other companies</li> <li>✓ Restaurant business: Withdrawal from overseas development</li> </ul>

Improving resources for business portfolio revision	
<ul style="list-style-type: none"> <li>✓ Establishing specialized regional funds (rapidly expanding pipeline)</li> <li>✓ Developing management personnel through strategic seconding, such as seconding to a company at which an investment fund has made a hands-on investment</li> </ul>	

## Future courses of action

### Illustration of areas of initiatives



### Course of action in each area

#### Areas in which we can contribute through city-building



- Actively advancing M&A and collaboration with other companies, including Group companies, in city-building related areas
  - In particular, in the Construction Segment (including the manufacturing field), the Retail and Restaurant Segment, and the Business Services Segment
  - In regard to collaboration with other companies, in some cases we will also consider capital tie-ups, such as investments in Group companies.
  - Effective utilization of specialized regional funds (acquisition of companies that have been successfully put on a growth track by the funds)

#### City-building areas



- City-building is a core business, and in city-building areas, we will continue monitoring, focus resources on growth fields, collaborate with other companies, and consider downsizing, withdrawals, etc., as necessary. In these ways, we will work to achieve business growth.

#### New business areas in which we can contribute

- In new business areas in which we can contribute, we will flexibly consider initiatives, including proactive initiatives related to energy strategies.
- In addition to specialized regional funds, we will also utilize HIRAMEKI, an employee new business proposal system.

\* However, we will pay close attention to the business hurdle rate.



## 6-2. Strengthening management base | DX promotion

- Building/improving digital technology promotion systems and digital foundations, advancing digitalization on a Groupwide basis.

**DX promotion foundation**

### Building digital technology promotion systems

**Enhancing digital CoE\*1** \*1. Center of Excellence

- The Digital CoE will work as the control tower for the promotion of Groupwide digital technologies, formulate and implement advanced development of Groupwide DX strategies, provide digital education support, and improving foundation

**Developing human resources skilled in digital technologies**

- Developing human resources skilled in the use of data (employees who can resolve issues and formulate measures through the collection and analysis of data), human resources who can create apps (employees who can advance the revision of work processes through the internal creation of apps)

Advanced development, education support, foundation improvement

### Improving digital foundations

**Improving digital foundations necessary for DX promotion**

- ✓ Expanding digital workplaces
- ✓ Improving Group data customer management foundation
- ✓ Strengthening cloud network security

Application-based system for recognition of organizations conducting excellent DX-related initiatives, with consideration for guidelines formulated by the government. We received recognition on March 1, 2022.

**Major measures in the plan**

### Increasing customer experience value

- We will provide experience value in line with customer needs by implementing collaborative initiatives and making effective use of data, including the entire Group as well as a variety of external organizations, centered on JR KYUPO

- ✓ Introducing/expanding KYUPO app
- ✓ Introducing/expanding "my route"
- ✓ Implementing data utilization through Group customer base



### Operations / maintenance reform

- Pursuing safety and efficiency in railway operations and maintenance through the use of digital technologies

**Operations**

- ✓ Self-driving rolling stock
- ✓ Rebuilding station administration systems, such as remote support
- ✓ Using smart devices, apps created in-house
- ✓ Implementing verification testing targeting the realization of operation control through AI

**Maintenance**

- ✓ Advancing transition to CBM\*2 in railway maintenance
- ✓ Utilizing trains that carry passengers to implement inspections of ground equipment (areas along railway lines / tracks)
- ✓ Inspection of railway facilities using drones
- ✓ Maintenance support through IoT/image recognition technologies

\*2. Condition Based Maintenance



### Working style reforms / productivity improvement

- Through the automation/mechanization of operations and the improvement of digital workplaces, we will support employee working-style reforms and productivity improvement

# 7. Investment plan

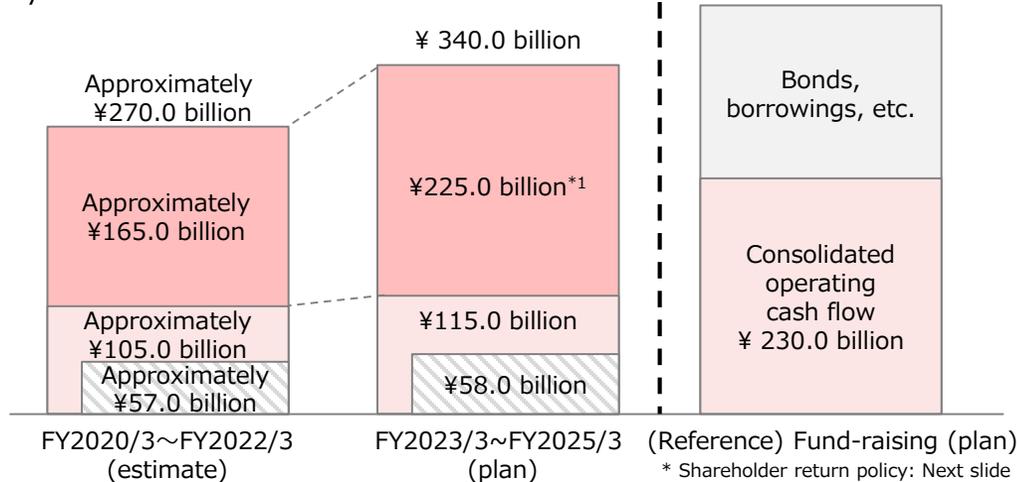


- Over the period of this plan, we will accelerate growth investment, principally utilizing our debt capacity, while maintaining financial soundness. In addition, we will work to secure safety and to advance efficient maintenance and upgrade investment.
- We will continue to implement growth investment in FY2026/3 and thereafter. Nonetheless, we will aim to improve consolidated free cash flow by taking steps to expand operating cash flow, including the utilization of private REIT initiatives.

## Comparison with the previous investment plan (estimate)

- The period of this plan is different from the period of the previous plan, when we significantly reduced investment from the initial planned level. Over the period of this plan, targeting the realization of our key strategies, **we will accelerate growth investment while maintaining financial soundness.**
- We will work to secure safety and to **advance efficient maintenance and upgrade investment.**

- : Growth investment (Including M&A)
- : Maintenance and upgrade investment
- : Safety Investment



## Major investment projects during the period of the plan

Growth investment	Maintenance and upgrade investment
<ul style="list-style-type: none"> <li>Real estate / hotel related (Including properties that are expected to be incorporated into the private REIT)                             <ul style="list-style-type: none"> <li>① Within Kyushu                                     <ul style="list-style-type: none"> <li>- New Nagasaki Station building</li> <li>- Kagoshima-Chuo Station west entrance development</li> <li>- Ureshino Japanese-style inn development</li> <li>- Project for utilizing the space above the tracks at Hakata Station</li> </ul> </li> <li>② Outside Kyushu                                     <ul style="list-style-type: none"> <li>- THE BLOSSOM KYOTO</li> <li>- Toranomom 2-chome office development</li> </ul> </li> </ul> </li> <li>M&amp;A initiatives targeting the development of businesses in new business areas in which we can contribute</li> </ul>	<ul style="list-style-type: none"> <li>Railway business related                             <ul style="list-style-type: none"> <li>① Projects related to the Nishi-Kyushu Shinkansen                                     <ul style="list-style-type: none"> <li>- New production of Shinkansen rolling stock</li> <li>- Inspection equipment on a commercial train</li> <li>- Electric work vehicle</li> <li>- Track inspection car</li> </ul> </li> <li>② Operations / maintenance reform                                     <ul style="list-style-type: none"> <li>- Station operations related</li> <li>- Facility maintenance related</li> </ul> </li> <li>③ Safety investment                                     <ul style="list-style-type: none"> <li>- Updating 811 series main circuit</li> <li>- New production of the DD200 locomotives</li> <li>- New production of YC1 series rolling stock</li> <li>- Self-driving related</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Investments that contribute to increases in environmental value*3 (included in the above-mentioned growth investment and maintenance and upgrade investment): approximately ¥60.0 billion</li> </ul> <p>*3. Based on projects that are eligible for the Green Bond framework, etc.</p>	

## 【Financial soundness indicators for the final fiscal year of each plan】

D*2/EBITDA	Approximately 10 times	Approximately 5 times
Capital adequacy ratio	Approximately 40%	Approximately 40%

\*1. Includes items that have not been confirmed \*2. Interest-bearing debt

## 8. Numerical management targets\*<sup>1</sup> and shareholder return policy for the period of the plan

- In the final fiscal year of the period of the plan, we are aiming for operating revenues of ¥440.0 billion. For operating income, we are aiming for ¥57.0 billion, the same level as in the final fiscal year of the previous plan.
- We will continue to emphasize stable shareholder returns, with a minimum dividend per share of ¥93.0 and a consolidated dividend payout ratio of 35%. We will implement share repurchases in line with circumstances.

<b>Operating revenue</b>	¥332.8 billion (FY2022/3)	➔	<b>¥440.0 billion</b> (FY2025/3)
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<b>Operating income</b>	¥2.7 billion (FY2022/3)	➔	<b>¥57.0 billion</b> (FY2025/3)
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<b>EBITDA</b>	¥29.9 billion (FY2022/3)	➔	<b>¥94.0 billion</b> (FY2025/3)
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<b>[Reference] ROE</b>	2.5% (FY2022/3)	➔	<b>More than 8%</b> (FY2025/3)
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### [Operating revenues and operating income by new segment\*<sup>2</sup>]

Unit: ¥billion, Figures in parentheses show amount of change vs.FY2022/3

Segment name	Operating revenue* <sup>3</sup>			Operating income* <sup>3</sup>			Major factors
	FY2022/3	FY2025/3	(Change)	FY2022/3	FY2025/3	(Change)	
Transportation	105.8	163.0	(+57.2)	▲22.6	17.0	(+39.6)	Recovery in railway transportation revenues and completion of business structural reforms
Real Estate and Hotels	113.8	133.0	(+19.2)	18.2	27.0	(+8.8)	Enhancing the profitability of existing facilities and opening new facilities, such as the new Nagasaki Station building
Retail and Restaurant	44.4	65.0	(+20.6)	▲0.9	3.0	(+3.9)	Opening new stores/restaurants and enhancing the competitiveness of existing brands and stores/restaurants
Construction	92.7	95.0	(+2.3)	6.3	7.0	(+0.7)	Expanding orders from outside the Group
Business Services	68.9	80.0	(+11.1)	2.7	4.0	(+1.3)	Expanding sales outside the Group
Total* <sup>4</sup>	332.8	440.0	(+107.2)	2.7	57.0	(+54.3)	

### Shareholder return policy

JR Kyushu places importance on the stable provision of return to shareholders over the long term. Over the period to FY2025/3, **we will aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0. We will flexibly implement share repurchases as necessary.**

\*1. The numbers for FY2022/3 are the most recent performance forecasts (announced February 8, 2022) rearranged into the new segments \*2. See slide 22

\*3. Segment operating revenues and operating income are prior to elimination of inter-segment transactions \*4. Totals are after adjustment for inter-segment transactions

# 9. Revising material issues and establishing non-financial KPIs



- Targeting the realization of the 2030 Long-Term Vision, we have re-established material issues and set non-financial KPIs in the Medium-Term Business Plan.
- For certain items, a link with officer compensation will also be considered.

	Material issues ~Points that the JR Kyushu Group focuses on at all times~	Major initiatives in the medium-term business plan	Major objectives/indicators
E	Realization of a de-carbonized society	Initiatives for the realization of a de-carbonized society (slide 12)	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions</li> <li>• Disclosure of environment-related information</li> <li>• Green building</li> </ul>
			<ul style="list-style-type: none"> <li>• JR Kyushu non-consolidated emissions in FY2031/3</li> <li>• Groupwide Scope 1 and 2 emissions</li> <li>• Groupwide Scope 3 emissions</li> <li>• Acquisition of green building certification</li> </ul>
S	Safety and service, the foundation for all of our businesses	Ensuring the utmost safety at all times	<ul style="list-style-type: none"> <li>• Safety</li> </ul>
		Implementing initiatives to enhance our corporate culture founded on service	<ul style="list-style-type: none"> <li>• Service</li> </ul>
	Sustainable city-building	Creating a model for building cities that promote well-being	<ul style="list-style-type: none"> <li>• Resident population in regions around development areas</li> </ul>
		Developing businesses in new areas in which we can contribute (slide 17,18,19,20,25)	<ul style="list-style-type: none"> <li>• Creating employment through new development projects</li> </ul>
Development of human resources, the source of value creation*3	Advancing personnel strategy (slide 21,24)	<ul style="list-style-type: none"> <li>• Employee engagement</li> <li>• Diversity (promoting women's participation and advancement in the workplace)</li> <li>• Comfortable environments that are easy and satisfying to work in</li> <li>• Health management</li> <li>• Re-skilling support</li> </ul>	<ul style="list-style-type: none"> <li>• Results of employee attitude survey</li> <li>• Exchanges of opinions between executives and employees</li> <li>• Ratio of female employees among new employees</li> <li>• Ratio of female managers (End of FY2031/3)</li> <li>• Ratio of male employees who take childcare leave</li> <li>• Ratio of special health guidance given to relevant employees</li> <li>• Development of employees skilled in digital technologies</li> <li>• Participation in external distance learning</li> </ul>
			<ul style="list-style-type: none"> <li>• Continued YoY improvement</li> <li>• 40 times per year or more</li> <li>• 30% or more</li> <li>• 10% or more</li> <li>• 50% or more</li> <li>• 80% or more</li> <li>• 500 people or more</li> <li>• 500 people or more per year</li> </ul>
G	Sound corporate management	Enhancing communication with stakeholders	<ul style="list-style-type: none"> <li>• Institutional investors</li> <li>• Individual investors</li> <li>• Customers</li> <li>• Local communities</li> </ul>
			<ul style="list-style-type: none"> <li>• Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors</li> <li>• Large meetings (IR Day events) offering opportunity to talk with outside directors</li> <li>• Offering opportunities for exchange, such as presentations, tours, etc.</li> <li>• Discussions with customers</li> <li>• Building sustainable relationships with local communities</li> </ul>

\*1. Accidents for which the Group is responsible \*2. Survey of actual conditions for station/conductor service, conducted by an outside party (A perfect score is 100 points) \*3. Objectives/indicators related to the development of human resources are for JR Kyushu



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