JR Kyushu Group
Medium-Term Business Plan
2022-2024
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   2. Approach to the Formulation of the Plan, Including Future Scenarios

2. 2030 Long-Term Vision and Policies for the Realization of the Vision
   1. Policies for the realization of the 2030 Long-Term Vision
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1. BACKGROUND TO THE FORMULATION OF THE PLAN
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

<table>
<thead>
<tr>
<th>Social issues on which we are focusing</th>
<th>Assumptions about economic activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing severity of natural disasters accompanying climate change</td>
<td>Increasing acceleration in digital consumption and in the consumption of intangible products and services</td>
</tr>
<tr>
<td>Shift toward de-carbonized society</td>
<td>Changes in working styles, such as the adoption of remote work</td>
</tr>
<tr>
<td>Declining population and growing difference in population between major cities and under-populated areas</td>
<td>A certain level of recovery in non-resident and mobile population</td>
</tr>
<tr>
<td>Resolution of the COVID-19 pandemic</td>
<td></td>
</tr>
</tbody>
</table>

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

- **Mind**
  - In addition to financial reserves (a certain level of ease in household finances), people are also pursuing “ease in terms of time and space.”
  - There is a trend toward the establishment of lifestyles in which the accelerating consumption of intangible products and services facilitates the experience of happiness (fun, amusement).

- **Body**
  - In addition to physical protection from natural disasters, people are increasingly aware of self-protection in the area of hygiene in order to avoid suffering from a calamity and increasingly aware of health maintenance.

- **Society, Environment**
  - People are pursuing work and study environments that are aligned with lifestyles.
  - People are reaffirming the importance of connections with others and of social communities, and they value social connections.
  - There is a trend toward the development of altruistic values and norms, such as environmental conservation.
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

<table>
<thead>
<tr>
<th>Assumptions regarding changes in the environment</th>
<th>Changes in the external environment by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future scenarios that anticipate extreme changes</td>
<td>Changes in “values regarding the concept of well-being”</td>
</tr>
</tbody>
</table>

Management Plan Framework

- A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation
- Integrity / Growth and Evolution / Local Community Invigoration
- 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.
- With consideration for assumptions about changes in the environment, we newly formulated the “policies for the realization of the 2030 Long-Term Vision” and the “Medium-Term Business Plan.”
2. 2030 LONG-TERM VISION AND POLICIES FOR THE REALIZATION OF THE VISION
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.

**Policies for the realization of the 2030 Long-Term Vision**

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

2. Expanding areas we work in that contribute to the sustainable development of Kyushu
For the realization of well-being, we will aim for the enhancement of “products and services,” “mobility,” and “areas.”

**Enhancing products and services**

- Creating products and services based on changes in values regarding the concept of well-being
  - Addressing the diverse lifestyle needs of customers, such as safety/security, hygiene, health in mind and body, and environmental conservation
  - Pursuing multi-faceted values combining digital and real elements
  - Providing advanced infrastructure functions that enhance lifestyle convenience

**Enhancing mobility**

- Advancing community formation by fostering connections among cities and among people
  - We will strengthen connections between cities, centered on mobility that reflects progress in digital technologies.
  - We will expand customer contact points and venues for exchange through enhanced connections
  - By strengthening collaboration with local governments and other organizations, we will expand communities in which it is possible to have a convenient daily life without owning a car

**Enhancing areas**

- Wide-ranging urban growth
  - Promoting the building of cities with diverse appeal and suitability for excursions by strengthening multifaceted development in areas around terminal stations
  - Strengthening city-building initiatives in communities around railway lines and in suburbs in response to the diversification of lifestyles
  - Promoting balanced city-building that connects cities and nature
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. 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.

Contributing to the regional economy
- Revitalizing business in Kyushu
- Re-improving strong social infrastructure
- Implementing initiatives for the realization of a de-carbonized society
- Government / local government support

Contributing to the environment
- Details on the next slide

Contributing to local communities
- Planning and implementation capabilities for building attractive cities
- Technical capabilities / customization capabilities cultivated through the railway business
- Management capabilities in diverse businesses
- Operations capabilities cultivated in multiple front-line settings

We will expand areas we work in that contribute to the sustainable development of Kyushu

[Implementing city-building initiatives for the realization of well-being]
- City-building initiatives in areas around terminal stations / areas around our railway lines
- City-building initiatives in local regions

The Group’s strengths

<table>
<thead>
<tr>
<th>Brand strength, creditworthiness</th>
<th>Customer base</th>
<th>Railway network/network</th>
<th>Human resources (technical capabilities, administrative capabilities)</th>
<th>Assets</th>
<th>Financial base</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Ongoing commitment to regional development</td>
<td>✓ Base of customers from mobility services</td>
<td>✓ Network of railway lines and bases that extends throughout Kyushu</td>
<td>✓ Planning and implementation capabilities for building attractive cities</td>
<td>✓ Idle assets, such as space under elevated railway tracks</td>
<td>✓ Sound financial base that makes it possible to implement aggressive growth investment</td>
</tr>
<tr>
<td>✓ Providing safety and security, our mission as an infrastructure company</td>
<td>✓ Points of contact with customers through station building tenants with sales in excess of ¥200.0 billion</td>
<td></td>
<td>✓ Technical capabilities / customization capabilities cultivated through the railway business</td>
<td>✓ Real estate, buildings, such as station buildings, etc.</td>
<td></td>
</tr>
<tr>
<td>✓ Providing highly original designs/services, such as the cruise train Seven Stars in Kyushu and Design &amp; Story trains</td>
<td></td>
<td>✓ Connections with government / local communities</td>
<td>✓ Management capabilities in diverse businesses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Details on the next slide*
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 CO₂ 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 CO₂ emissions, but also from a proactive perspective, to create new value.

Fundamental approach to the realization of a de-carbonized society

<table>
<thead>
<tr>
<th>Defensive</th>
<th>Proactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions reductions</td>
<td>New value creation</td>
</tr>
<tr>
<td>✓ Implementing initiatives to reduce energy usage in anticipation of future energy cost increases</td>
<td>✓ Recognizing the transition to a de-carbonized society as an opportunity for business growth</td>
</tr>
<tr>
<td>✓ Purchasing CO₂-free electricity and non-fossil fuel certificates, etc.</td>
<td>✓ Creating environmental value through cooperation with other companies, and utilizing that value in-house or to record a gain on sale</td>
</tr>
</tbody>
</table>

Mutually complementary

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

Thorough energy usage reductions

Scope 1

Advancing the introduction of energy conversion technology
Advancing the introduction of environmentally friendly, efficient mobility services
Considering countermeasures while focusing on technology trends

Scope 2

Introducing/utilizing sources of renewable energy
Purchasing non-fossil fuel certificates, etc.

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.)
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.

<table>
<thead>
<tr>
<th>City-building initiatives</th>
<th>Medium-Term Business Plan 2022-2024</th>
<th>2025-2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas around terminal stations /areas around our railway lines</td>
<td>Creating a model for building cities that promote well-being/ developing businesses in new areas in which we can contribute</td>
<td>Expanding/strengthening the community by leveraging synergies among city-building initiatives and new fields in which we can contribute</td>
</tr>
<tr>
<td>Local regions</td>
<td>Implementing multi-faceted city-building initiatives in areas around terminal stations, centered on seamless transportation network</td>
<td>Strengthening communities by implementing a full-scale advance into areas around our railway lines and continued service expansion and enhancement</td>
</tr>
<tr>
<td>New areas in which we can contribute</td>
<td>Implementing city-building through discovery of regional resources, promotion of the appeal of those resources, and cooperation with other organizations</td>
<td>Working to increase the non-resident population through the enhancement of regional resources</td>
</tr>
<tr>
<td></td>
<td>Building footholds in new areas in which we can contribute and rapidly generating results</td>
<td>Implementing city-building through cooperation with other organizations</td>
</tr>
</tbody>
</table>

- Making full-scale entry into new areas in which we can contribute Generating synergies with city-building

[Categories of operating revenues]

- Railway transportation revenues
  - Operating revenue: ¥2.7 billion (FY2022/3 (projected))
  - Operating income: ¥2.7 billion
  - FY2025/3 (target) Operating revenue: ¥440.0 billion
  - FY2025/3 (target) Operating income: ¥57.0 billion

- Other revenues
  - FY2022/3 (projected) Operating revenue: ¥91.0 billion
  - FY2022/3 (projected) Operating income: ¥70.0 billion
  - FY2031/3 (target) Operating revenue: ¥150.0 billion
  - FY2031/3 (target) Operating income: ¥70.0 billion

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
### 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.

#### Completing business structural reforms

<table>
<thead>
<tr>
<th>Railway business</th>
<th>Stabilizing profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Completing BPR*1 measures</td>
</tr>
<tr>
<td></td>
<td>✓ Discovering further measures to reduce costs</td>
</tr>
<tr>
<td></td>
<td>✓ Flexible use of human resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel business</th>
<th>Increasing competitiveness of existing hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Rebuilding brand</td>
</tr>
<tr>
<td></td>
<td>✓ Reinforcing comprehensive strengths</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retail and Restaurant business</th>
<th>Increasing the competitiveness of brands and of stores/restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Revising store-opening strategy</td>
</tr>
<tr>
<td></td>
<td>✓ Strengthening existing brands, taking on the challenge of new business formats</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction business</th>
<th>Implementing transition in primary focus from inside the Group to outside</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Advancing BPR strategy</td>
</tr>
<tr>
<td></td>
<td>✓ Expanding sales outside the Group</td>
</tr>
</tbody>
</table>

*1. Business Process Re-engineering

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

**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

**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

**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)

**Developing human resources for the implementation and realization of strategies**

**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.

### Railway business

<table>
<thead>
<tr>
<th>Railway business</th>
<th>Stabilizing profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>165.2</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>145.1</td>
</tr>
<tr>
<td>Operating income</td>
<td>104.5</td>
</tr>
<tr>
<td>Operating income</td>
<td>▲ 20.0*</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>▲ 21.9</td>
</tr>
</tbody>
</table>

(Units: ¥ billion)

- 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
  - 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

**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
  - 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

**Other areas**
- Developing businesses in new areas in which we can contribute
  - Advancing personnel strategy
  - Strengthening management base
  - Completing business structural reforms

**Leveraging transportation network to roll out initiatives for areas around railway lines / other terminal stations**

*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.

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

- **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:
      1. Takeo Onsen → Nagasaki (via Nagasaki Main Line)
      2. Nagasaki → Takeo Onsen (via Ōmura Line)
    - Selling light meals, beverages, sweets, etc., from the areas around the railway lines

- **Ekimachi 1-chome Saga renewal** (spring 2023)

- **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.

- **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.

- **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

#### 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)

#### Kagoshima area

**Growth opportunities**
- Enhancing 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**
- 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
- 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

#### Kumamoto area

**Growth opportunities**

- Enhanced 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**
- 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
- Completing business structural reforms

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**Legend**

- : Offices
- : Commercial facilities
- : Residences
- : Hotels
- : Other
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)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Scope of our contribution (customers who contribute to the development of Kyushu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Segment</td>
<td>General consumers (B-to-C)</td>
</tr>
<tr>
<td>Other Segment</td>
<td>Companies (B-to-B)</td>
</tr>
<tr>
<td>Real Estate and Hotels Segment</td>
<td>Government / local governments (B-to-G)</td>
</tr>
<tr>
<td>Transportation Segment</td>
<td></td>
</tr>
<tr>
<td>Retail and Restaurant Segment</td>
<td></td>
</tr>
</tbody>
</table>

**Policy 1**

- Strengthening B-to-B businesses

**Policy 2**

- Strengthening B-to-G businesses

---

**Related initiatives implemented to date**

**B-to-B businesses**

- Expanding business activities through M&A
  - Construction machinery sales, maintenance, and training
  - 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.

- Comprehensive rental services for civil engineering and construction

**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.

### What we will aim for over the period of the plan

<table>
<thead>
<tr>
<th>Changes in management strategies / business models</th>
<th>Changes in labor markets that need to be taken into consideration</th>
</tr>
</thead>
</table>
| • Expansion and specialization of operations  
• Lack of balance in personnel allocation accompanying business revisions. Etc. | • Increase in labor mobility  
• Increase in need for working styles that are not limited by time or place. Etc. |

### Formulating personnel strategy

#### Planning and advancing personnel strategy from an overall perspective

- Utilizing the individual capabilities of employees across the organization
- Establishing (currently under consideration) /evaluating the degree of achievement of the personnel strategy as a KPI for officers, reforming the Group's development of human resources from the management level

#### Companywide personnel management based on the personnel strategy

#### Personnel strategy achievement, feedback

### Personnel system reform

#### Hiring / Placement

Realizing a personnel portfolio aligned with strategies

- Taking an inventory of current personnel portfolio (creating employee skill matrix, etc.)
- Strengthening flexible mid-career hiring of specialist personnel to address shortages
- Promoting women’s participation and advancement in the workplace

#### Development

Realizing diverse careers, making full use of human resources

- Enhancing/expanding the educational environment for the human resources who will support safety and service (Rebuilding Employee Training Center)
- Advancing the acquisition of multiple skills
- Increasing visibility and flexibility of career paths (applications for transfers, etc.)
- Supporting enhancement of employee expertise and re-skilling (strengthening strategic seconding, DX education, introducing video study, etc.)

#### Evaluation

Increasing employee engagement

- Revising wage system to place value on results and taking on challenges
- Continuously implementing exchanges of opinions among employees and officers, etc.
- Advancing health management

### Changes in management strategies / business models

- Expansion and specialization of operations

### Changes in labor markets that need to be taken into consideration

- Increase in labor mobility
- Increase in need for working styles that are not limited by time or place. Etc.

### 3. Medium-Term Business Plan

(Reference): Rebuilding the Employee Training Center with the objective of enhancing/expanding the educational environment (Completed March 2022)
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**

**Summary of changes**

- **Former segments**
  - Transportation
  - Construction
  - Real Estate and Hotels
  - Retail and Restaurant
  - Other

- **New segments**
  - Transportation
  - Real Estate and Hotels
  - Retail and Restaurant
  - Construction
  - Business Services

**Key points of changes**

- **Positioning the “Construction Segment” and the “Business Services Segment” as B-to-B business areas, promoting the establishment and growth of functional subsidiaries**
  1. Changing the name of the “Other Segment” to the “Business Services Segment”
  2. Transferring businesses to the “Business Services Segment”
     - JR Kyushu Service Support (cleaning, station service, etc.)
     - JR Kyushu Linen (linen supply business)
   *Note that we will transition to investment percentages of 100% in all of the companies that make up the Construction Segment by the end of FY2022/3.

- **Promoting growth by strengthening collaboration with real estate businesses**
  3. Transferring JR Kyushu Housing (residential construction and sales) from the Construction Segment to the Real Estate and Hotels Segment
  4. Transferring JR Kyushu Resort Development (golf course management) from the Other Segment to the Real Estate and Hotels Segment
   *1. The change in segment classifications is planned for April 1, 2022

**Newly establishing the Regional Strategy Department**

- Strengthening B-to-G businesses and building sustainable mobility services on a Groupwide basis
  - Establishing a new organizational unit (Regional Strategy Department) within the Corporate Planning Headquarters, with an Executive Officer In Charge
  *2. The establishment of the new organizational unit is planned for April 1, 2022.

**Enhancing customer management foundations**

- Accelerating data-driven marketing on a Groupwide basis
  - Positioning as an opportunity the increase in customer data accompanying the expansion of customer areas, and establishing customer information management foundations on a Groupwide basis

**Enhancing frameworks**

- Creating a model for building cities that promote well-being
  - Developing businesses in new areas in which we can contribute

**Strengthening flexibility of business portfolio**

- Enhancing responsiveness through flexible reorganization of business portfolio
  - Flexibly implementing M&As by Group companies; collaborative strategies with other companies, including capital tie-ups; withdrawals based on strengthened monitoring of each business; etc.
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

<table>
<thead>
<tr>
<th>Expanding business areas</th>
<th>Future courses of action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M&amp;A</strong></td>
<td><strong>Areas in which we can contribute through city-building</strong></td>
</tr>
</tbody>
</table>
| - Restaurant business: Manbou Corp. (processed marine products)  
- Nurubon Inc. (suburban barbecue restaurant)  
- Construction business: Electrical work (2 companies)  
- Construction machinery business: Construction machinery rental (2 companies)  
- System business: Companies with strengths in the B-to-G area | - 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) |
| **Expanding business areas and geographic regions** | |
| - Convenience store business / cafe business / restaurant business  
Expanding into areas outside Kyushu, such as Tokyo | |
| **New initiatives** | |
| - Accommodation facility using traditional Japanese houses, shared office business (Project from the HIRAMEKI new business proposal system)  
- Asset management business | |
| **Business revision / withdrawal** | |
| **Competitiveness perspective** | |
| - Sale of leasing business, hospital business  
- Transfer of majority of shares in drugstore business | |
| **Cost perspective** | |
| - Hydrofoil ferry business: Specializing on the QUEEN BEETLE  
- Detached house business: Specializing in Fukuoka area  
- Car rental business: Outsourcing to other companies  
- Restaurant business: Withdrawal from overseas development | |

Illustration of areas of initiatives

Areas in which we can contribute through city-building

City-building areas

New business areas in which we can contribute

- 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)

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

<table>
<thead>
<tr>
<th>Building digital technology promotion systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enhancing digital CoE</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td><em>1. Center of Excellence</em></td>
</tr>
<tr>
<td>- 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</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

#### 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)

#### 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<sup>2</sup> 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

#### 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

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<sup>1</sup> Center of Excellence

<sup>2</sup> Condition Based Maintenance
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.**

**Major investment projects during the period of the plan**

### Growth investment

- Real estate / hotel related (Including properties that are expected to be incorporated into the private REIT)
  ① Within Kyushu
    - New Nagasaki Station building
    - Kagoshima-Chuo Station west entrance development
    - Ureshino Japanese-style inn development
    - Project for utilizing the space above the tracks at Hakata Station
  ② Outside Kyushu
    - THE BLOSSOM KYOTO
    - Toranomon 2-chome office development

- M&A initiatives targeting the development of businesses in new business areas in which we can contribute

### Maintenance and upgrade investment

- Railway business related
  ① Projects related to the Nishi-Kyushu Shinkansen
    - New production of Shinkansen rolling stock
    - Inspection equipment on a commercial train
    - Electric work vehicle
    - Track inspection car
  ② Operations / maintenance reform
    - Station operations related
    - Facility maintenance related
  ③ Safety investment
    - Updating 811 series main circuit
    - New production of the DD200 locomotives
    - New production of YC1 series rolling stock
    - Self-driving related

**[Financial soundness indicators for the final fiscal year of each plan]**

<table>
<thead>
<tr>
<th></th>
<th>FY2020/3~FY2022/3 (estimate)</th>
<th>FY2023/3~FY2025/3 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D^2/EBITDA</td>
<td>Approximately 10 times</td>
<td>Approximately 5 times</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>Approximately 40%</td>
<td>Approximately 40%</td>
</tr>
<tr>
<td>Bonds, borrowings, etc.</td>
<td>¥340.0 billion</td>
<td>¥225.0 billion^1</td>
</tr>
<tr>
<td>Consolidated operating cash flow</td>
<td>¥115.0 billion</td>
<td>¥58.0 billion</td>
</tr>
<tr>
<td>FY2020/3~FY2022/3 (estimate)</td>
<td>¥165.0 billion</td>
<td>¥105.0 billion</td>
</tr>
<tr>
<td>FY2023/3~FY2025/3 (plan)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Reference] Fund-raising (plan)

- Shareholder return policy: Next slide

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

**Investments that contribute to increases in environmental value**

- *3. Based on projects that are eligible for the Green Bond framework, etc.
### 3. Medium-Term Business Plan

#### 8. Numerical management targets*1 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.

- **Operating revenue**
  - FY2022/3: ¥332.8 billion
  - FY2025/3: ¥440.0 billion

- **Operating income**
  - FY2022/3: ¥2.7 billion
  - FY2025/3: ¥57.0 billion

- **EBITDA**
  - FY2022/3: ¥29.9 billion
  - FY2025/3: ¥94.0 billion

### [Operating revenues and operating income by new segment*2]

<table>
<thead>
<tr>
<th>Segment name</th>
<th>Operating revenue*3</th>
<th>Operating income*3</th>
<th>Major factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2022/3</td>
<td>FY2025/3</td>
<td>FY2022/3</td>
</tr>
<tr>
<td>Transportation</td>
<td>105.8</td>
<td>163.0</td>
<td>(+57.2)</td>
</tr>
<tr>
<td>Real Estate and Hotels</td>
<td>113.8</td>
<td>133.0</td>
<td>(+19.2)</td>
</tr>
<tr>
<td>Retail and Restaurant</td>
<td>44.4</td>
<td>65.0</td>
<td>(+20.6)</td>
</tr>
<tr>
<td>Construction</td>
<td>92.7</td>
<td>95.0</td>
<td>(+2.3)</td>
</tr>
<tr>
<td>Business Services</td>
<td>68.9</td>
<td>80.0</td>
<td>(+11.1)</td>
</tr>
<tr>
<td>Total*4</td>
<td>332.8</td>
<td>440.0</td>
<td>(+107.2)</td>
</tr>
</tbody>
</table>

#### 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.

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Major initiatives in the medium-term business plan</th>
<th>Major objectives/indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realization of a de-carbonized society</td>
<td>Initiatives for the realization of a de-carbonized society (slide 12)</td>
<td>- JR Kyushu non-consolidated emissions in FY2031/3</td>
</tr>
<tr>
<td></td>
<td>Ensuring the utmost safety at all times</td>
<td>- Groupwide Scope 1 and 2 emissions</td>
</tr>
<tr>
<td></td>
<td>Implementing initiatives to enhance our corporate culture founded on service</td>
<td>- Groupwide Scope 3 emissions</td>
</tr>
<tr>
<td></td>
<td>Creating a model for building cities that promote well-being</td>
<td>- Acquisition of green building certification</td>
</tr>
<tr>
<td>Sustainable city-building</td>
<td>Developing businesses in new areas in which we can contribute (slide 17,18,19,20,25)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creating employment through new development projects</td>
<td></td>
</tr>
<tr>
<td>Development of human resources, the source of value creation*3</td>
<td>Advancing personnel strategy (slide 21,24)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee engagement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diversity (promoting women’s participation and advancement in the workplace)</td>
<td>Tracking emissions</td>
</tr>
<tr>
<td></td>
<td>Comfortable environments that are easy and satisfying to work in</td>
<td>Starting to calculate 1 or more cases</td>
</tr>
<tr>
<td></td>
<td>Health management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Re-skilling support</td>
<td></td>
</tr>
<tr>
<td>Sound corporate management</td>
<td>Enhancing communication with stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institutional investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local communities</td>
<td></td>
</tr>
</tbody>
</table>

*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
This document contains forward-looking statements, including future outlooks and objectives of the JR Kyushu Group. These statements are judgments made by the Company based on information, projections, and assumptions available at the time of the document’s creation. Accordingly, please be advised that actual operating results could greatly differ from the contents of this document due to the 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.

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