



JR Kyushu Group
Integrated Report

2023



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Editorial Policy

This report was developed for the purpose of imparting a deeper understanding of the JR Kyushu Group's operations (Kyushu Railway Company (JR Kyushu) and related companies) to our stakeholders. The report was prepared with reference to disclosure frameworks such as the Guidance for the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation from the Ministry of Economy, Trade and Industry. The editors' aim is to communicate financial and non-financial information, such as management policies, business strategies, and ESG information, to readers in a concise manner. More detailed information is available on the corporate website for those who are interested.



Forward-looking Statements

This report 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 report's creation. Accordingly, please be advised that actual operating results could greatly differ from the contents of this report 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 report is only to provide information. Its purpose is not to solicit transactions.

Action to Become What We Aim to Be

Value Creation Story

The JR Kyushu Group aims to be a corporate group that will invigorate Kyushu and transmit Kyushu vitality to the rest of Japan and Asia.

We have established three pillars that form our code of conduct, concepts that each and every employee of the JR Kyushu Group can keep in mind and use as a touchstone in everything that they do. These are Integrity, Growth and Evolution, and Local Community Invigoration.

The JR Kyushu Group conducts its business activities according to a vision of what we aim to be and conduct that we have established in order to achieve it, striving to improve our value as a company and build a sustainable society.

What We Aim to Be

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

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Value Creation Process

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JR Kyushu Group Medium-Term Business Plan

2022-2024

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The Three Pillars

forming the JR Kyushu Group's code of conduct

Integrity / Growth and Evolution / Local Community Invigoration

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2030 Long-Term Vision

We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services

Policies for the realization of the 2030 Long-Term Vision

- Policy ① Implementing city-building initiatives for the realization of well-being, with consideration for changes in values
- Policy ② Expanding areas we work in that contribute to the sustainable development of Kyushu

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Material Issues

Points that the JR Kyushu Group focuses on at all times

- E** Realization of a de-carbonized society
- S** Safety and service, the foundation for all of our businesses
- S** Sustainable city-building
- S** Development of human resources, the source of value creation
- G** Sound corporate management

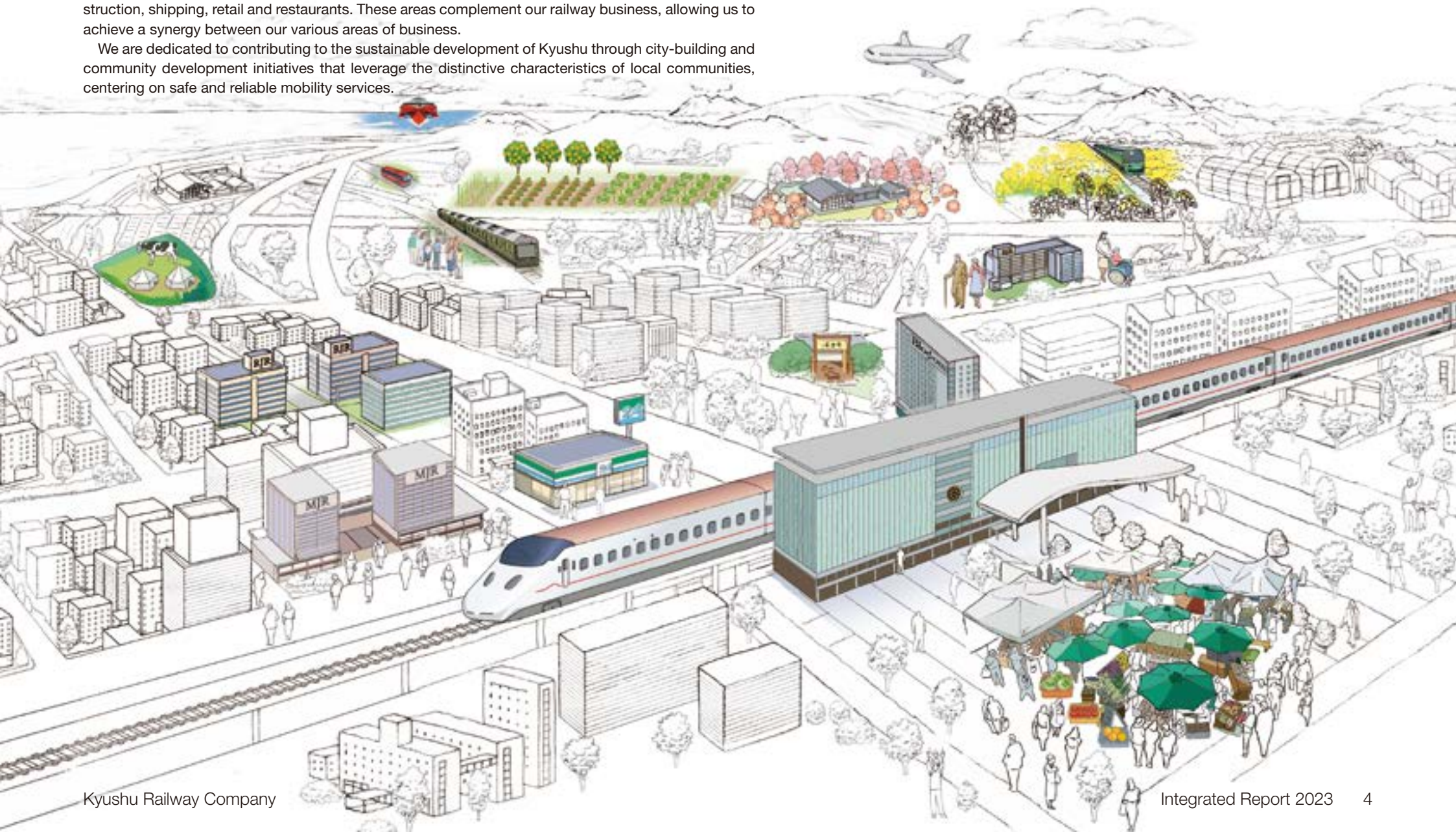
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What We Aim to Be

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

The JR Kyushu Group's first and central business is our railway network throughout Kyushu. Over the years, our business has expanded into areas such as station buildings, hotels, condominiums, construction, shipping, retail and restaurants. These areas complement our railway business, allowing us to achieve a synergy between our various areas of business.

We are dedicated to contributing to the sustainable development of Kyushu through city-building and community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services.



The Three Pillars

forming the JR Kyushu Group's code of conduct

Integrity / Growth and Evolution / Local Community Invigoration

To become what we aim to be, we have established key elements of our code of conduct, concepts that each and every employee of the JR Kyushu Group can keep in mind in every area of our business: **Integrity, Growth and Evolution, and Local Community Invigoration**. We call these our three pillars.

The **integrity** with which we approach safety and service in our railway operations has built trust that is a part of the value of the JR Kyushu brand and is the touchstone of the operations of all of our businesses.

Growth and evolution has taken place in our businesses and organizations thanks to our founders rising to the immense challenges in our business environment in those early days without being afraid to fail.

And **local community invigoration** is our mission and the reason for our existence. Sustainable development of communities leads to sustainable growth of our group.

These pillars are elements of our code of conduct that the JR Kyushu Group will always need to focus on, and they make our corporate culture what it is.



Integrity

Integrity is in the DNA of our group and must continue to be our code of conduct in all our actions.
In consideration to our customers, local community members, business partners, employees and their families, shareholders, and all those involved with the JR Kyushu Group, we make concerted efforts to conduct ourselves in a fair and just manner without engaging in any type of dishonest behavior.



Growth and Evolution

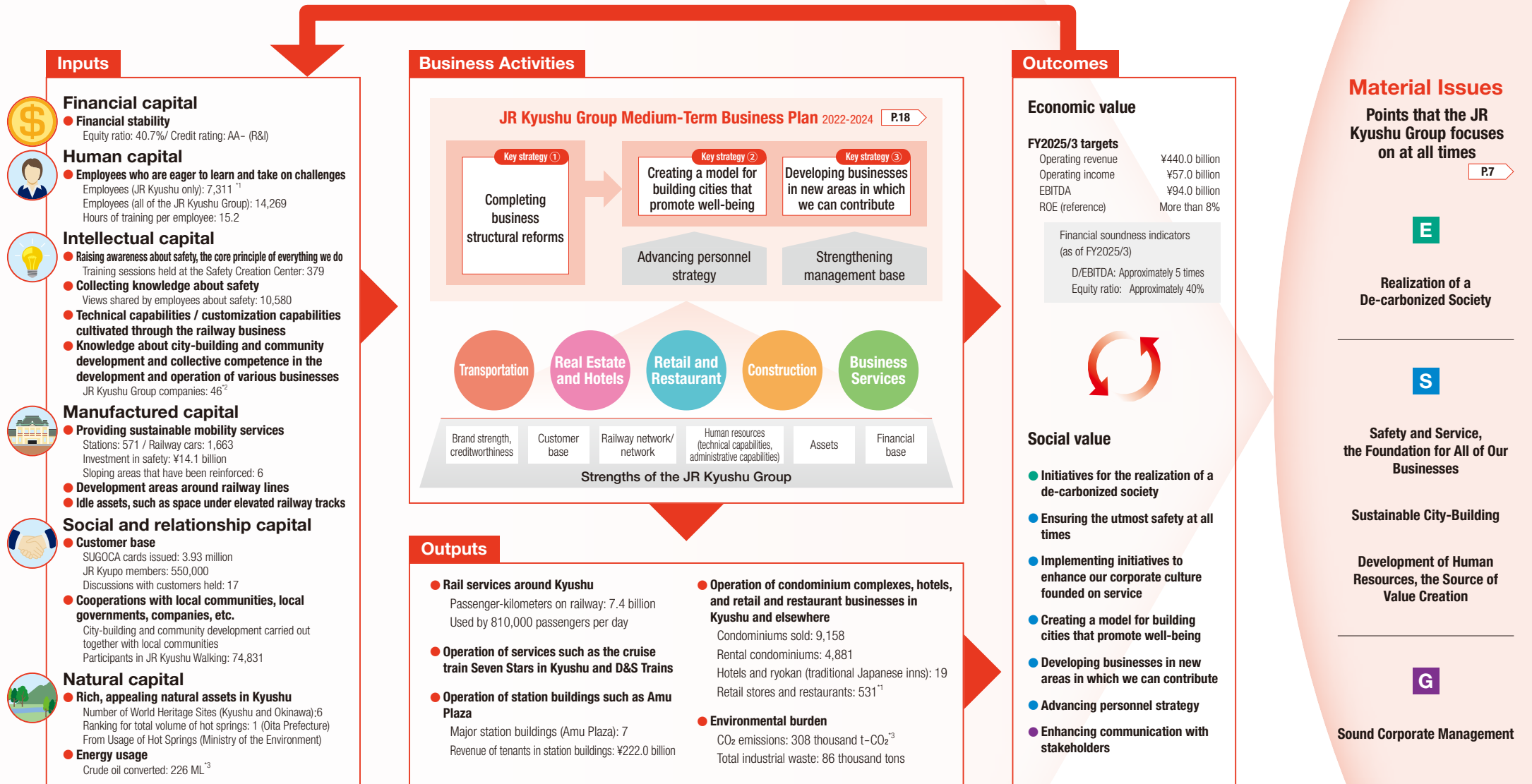
With passion and courage, our group has achieved growth by expanding the scale of our business and evolution by transforming our organization and business.
It is important that we create a culture where people take the initiative to learn and take on new challenges, so that every employee grows and evolves together with the JR Kyushu Group.

Local Community Invigoration

The Group cannot invigorate itself if it does not first invigorate the communities in which it operates. We must approach our business with a strong sense of purpose as a corporate group that is invigorating Kyushu.
When the JR Kyushu Group flourishes, so do our communities.



Value Creation Process



*1 As of April 1, 2023 *2 As of July 31, 2023 *3 Consolidation of all group companies (domestic).
* Unless otherwise specified, figures are for the fiscal year ended March 2023.

Material Issues

Material issues and non-financial KPIs

Based on changes in the external environment and the specific policies for the realization of the 2030 Long-Term Vision, we re-established our material issues and established non-financial KPIs associated with our material issues for the period of the plan.

The results of our employee awareness survey are a non-financial KPI of ours, and are a factor in our decisions about officer compensation (except that of outside directors and directors who are Audit and Supervisory Committee members). [P.75](#)

Material issues (points that the JR Kyushu Group focuses on at all times)	Principles of our material issues	JR Kyushu Group Medium-Term Business Plan 2022-2024			
		Major initiatives	Major objectives/indicators	Progress ('23/3)	
E Realization of a de-carbonized society P.36-42	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 support the realization of a de-carbonized society, we are aiming for net zero CO ₂ emissions by 2050.	Initiatives for the realization of a de-carbonized society	<ul style="list-style-type: none"> CO₂ emissions Disclosure of environment-related information Green building 	<ul style="list-style-type: none"> JR Kyushu non-consolidated emissions in FY2031/3 50% reduction compared to FY2014/3 Groupwide Scope 1 and 2 emissions Groupwide Scope 3 emissions Acquisition of green building certification: 1 or more cases 	54% reduction Tracking emissions 308 thousand t-CO ₂ Starting to calculate 596 thousand t-CO ₂ (JR Kyushu alone) Group results to be disclosed by '25/3 1 case (JR Kagoshima-Chuo Building) (certification acquired in April 2023)
S Safety and service, the foundation for all of our businesses P.44-50	Safety and service is the foundation for all of our businesses, and remains as important as ever. The starting point of everything we do is providing our customers and other stakeholders with peace of mind and earning their trust.	Ensuring the utmost safety at all times Implementing initiatives to enhance our corporate culture founded on service	<ul style="list-style-type: none"> Safety Service 	<ul style="list-style-type: none"> Accidents in the railway business that result in fatalities among customers^{*1} 0 cases Occupational accidents that result in fatalities among employees, etc. 0 cases Score of service ranking^{*2} 90 or more points 	86.4 points for station unit, 81.3 points for conductor unit 1 case (1 passenger injured) 0 cases
S Sustainable city-building P.28-31	Our city-building and community development projects are about making Kyushu a place where people will want to live, work, and visit. The reason this is possible is because the JR Kyushu Group has deep roots in the communities and has grown with them. In addition to implementing city-building initiatives for the realization of well-being for people that reflect the changes we have seen in our external environment and people's values, we will make use of the strengths we have built in our existing businesses to expand areas we work in that contribute to the sustainable development of Kyushu.	Creating a model for building cities that promote well-being Developing businesses in new areas in which we can contribute	<ul style="list-style-type: none"> Resident population in regions around development areas Creating employment through new development projects 	<ul style="list-style-type: none"> Monitoring indicators Monitoring indicators 	— —
S Development of human resources, the source of value creation ^{*3} P.51-61	It is our personnel who create the value of our company. In addition to efforts to develop personnel who take the initiative to learn and take on new challenges, we are working to make JR Kyushu a company that is easy and satisfying to work in. Creating an environment where diverse personnel can thrive will further increase the value of the JR Kyushu Group as a company and lead to sustainable growth.	Advancing personnel strategy	<ul style="list-style-type: none"> Employee engagement Diversity (promoting women's participation and advancement in the workplace) Comfortable environments that are easy and satisfying to work in Health management Re-skilling support 	<ul style="list-style-type: none"> Results of employee awareness survey Exchanges of opinions between executives and employees Ratio of female employees among new employees Ratio of female managers (end of FY2031/3) Ratio of male employees who take childcare leave Ratio of special health guidance given to relevant employees Development of employees skilled in digital technologies Participation in external learning 	Continued YoY improvement 40 times per year or more 30% or more 10% or more 50% or more 80% or more 500 people or more 500 people or more per year 0.02 point increase 57 times (1,031 persons) 20.7% 6.4% 96.5% 76.4% (results for '22/3) 313 1,292
G Sound corporate management P.63-83	We strive to achieve highly effective corporate governance to ensure transparency and fairness in our management. We will also work to enhance mutual communication with our stakeholders and build steady, long-standing relationships of trust.	Enhancing communication with stakeholders	<ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities 	<ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (IR Day events) offering opportunity to talk with outside directors Offering opportunities for exchange, such as presentations, tours, etc. Discussions with customers Building sustainable relationships with local communities 	— 1 5 17 —

*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

Message from the President

We will develop personnel who can invigorate Kyushu, and grow together with Kyushu.

The JR Kyushu Group's significance

Taking on challenges has been part of our DNA since we were first founded

At the beginning of the new fiscal year in April 2023, I told our employees that I wanted us to be the most cheerful and energetic company in Japan. "Invigorating Kyushu, Japan, and Greater Asia" is part of our vision of "What we aim to be". If we want to invigorate Kyushu, we must all be energetic ourselves, and that includes me. In order to accomplish our 2030 Long-Term Vision, which we established in order to become what we aim to be, we must take on more challenges than ever before. I think the greatest challenge we as managers face is developing employees who are passionate about Kyushu's future.

As far as I can see, the JR Kyushu Group's history is built on the challenges we have taken on. When we were first founded in 1987, our railway business posted a loss of ¥30 billion. In order to survive as a company, we had to not only work to improve the profitability of our railway business but build the foundations of businesses that were not dependent on railways. We tried out various businesses and now more than half of the Group's operating revenue comes from our non-railway businesses. Taking on new challenges has become part of the JR Kyushu Group's DNA.

Fulfilling our mission as a company responsible for railways

But no matter how much we increase our ratio of non-railway businesses, our railway is the foundation of the JR Kyushu Group. It's because of our railway that we are able to operate our station building business and develop real estate in the areas around our railway lines. Some people living in Kyushu have fond memories of our predecessor, JNR, and still call our railway by its old name. It is this love from our communities that has motivated our employees to work so passionately to make our railway business more profitable. I myself was involved in increasing trains and producing new rolling stock in those early days as a member of our Railway Operations Headquarters, and I still remember how I racked my brains to find ways to make our customers' journey more comfortable.

Yoji Furumiya

Representative Director, President,
Corporate Officer, and
Chief Executive Officer

The cruise train Seven Stars in Kyushu, which we began operating in 2013, was the culmination of employees' desire to invigorate Kyushu. The train captured the public's attention as a new way of traveling that allows passengers to enjoy Kyushu's nature and food and get to know the communities around our railway lines, and JR Kyushu became a nationally known company. Until then, when I mentioned the name of our company in Tokyo, people would ask if we were a subsidiary of JR on the mainland. After Seven Stars in Kyushu began operating, it was the first thing people thought of when they heard our name. These experiences taking on a new challenge for Kyushu were a major driving force that led to our listing as a publicly traded company.

Accomplishing our 2030 Long-Term Vision will take the Group's operating revenue to ¥600 billion, and a quarter of that will come from our railway business. In order to make Kyushu a cheerful and vibrant region, we will need to expand non-railway businesses like our real estate and construction businesses until we are seen as a general city-building corporate group. However, by no means must we overlook our railway business. The greatest mission of the JR Kyushu Group is to build mobility services that adapt to each change in times and communities through the development of our railway business. We will work together with our employees, with our railway as a base, to build a cheerful and vibrant Kyushu where people will want to live, work and visit.

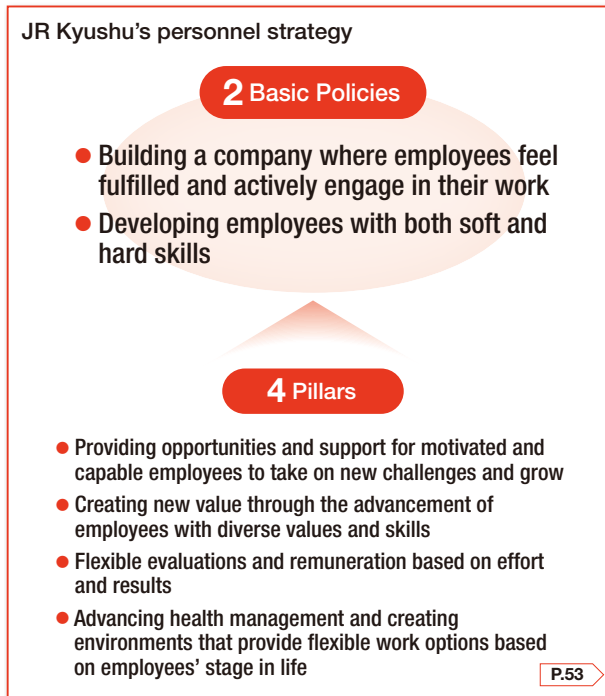
Advancing personnel strategy

Personally driving personnel strategy with the mindset that people are the source of value creation

We have established a new personnel strategy that will fully commence in the fiscal year ending March 2025. This strategy reflects my views in the form of two basic policies and four pillars underpinning those policies.

Our human resources system had actually not been revised for more than ten years. Our existing human resources system had centered on our railway operations and was somewhat lacking in flexibility. This led to an increasing number of younger employees leaving the company, and fewer people expressed an interest in working here. Employees also expressed less

motivation in their work in our annual employee awareness surveys. The upheaval caused by COVID-19 forced us to lower employees' compensation, and some employees left after being loaned to other companies.



It was deeply saddening to lose people who had once joined us out of a desire to work for the JR Kyushu Group, teammates who had worked together with us. Some of our human resources strategies will be rolled out ahead of the full commencement of the new system in the fiscal year ending March 2025, such as our revision of our payment and hiring methods, our training system to develop various professionals, and our expansion of our systems to support employees who give birth and raise children. I have been keenly aware that if I am to motivate our employees then I myself must take an active role and personally drive personnel strategies.

I want our employees to master both soft and hard skills.

Firstly, I want them to develop integrity, a desire to improve, and tolerance for others. Those are the soft skills. And on top of that, I want them to develop the technical mind it takes to detect issues, come up with plans for improvements, and put those plans into action. Those are the hard skills. I have no doubt that our employees' hard skills are top notch but those are not enough on their own. I want our employees to become the kind of personnel who can inspire their peers to work together to achieve success. To become personnel like that, I want our employees to make the most of their unique qualities and skills and communicate with others in their organizations to develop their soft skills.



Tackling community issues with a personal sense of investment

Personnel who have the soft skills and hard skills to support the JR Kyushu Group from inside will take the initiative to make connections with their communities and create new value through external connections. There is no doubt in my mind that if we work together with local governments and companies in other industries on new businesses and city-building initiatives that make use of our railway infrastructure, we'll be on track to accomplish our 2030 Long-Term Vision.

I often talk to our employees about our safety formula: "(what we know + what we can do) x enthusiasm = safety". No matter what knowledge and technologies you have, if there's zero enthusiasm, there's zero safety. You won't get good results without enthusiasm. The same is true of connections with communities. If our employees' enthusiasm for their jobs decreases, we won't be able to be a trusted company.

In April 2022, we established a Regional Strategy Department to act as a point of contact between JR Kyushu and communities. The reason for this was because we will not be able to become a general city-building corporate group unless we become personally invested in community issues.

Take station buildings for example. An increasing number of stations are now managed by parties like local governments or are being utilized effectively by our Engagement Partners in the Kyushu DREAM STATION Project, but we are also seeing an increasing number of stations becoming unmanned due to a decrease in passenger numbers. We will respond to this situation by redoubling Group-wide efforts to be a community company so that we can identify the various issues facing our communities. P.31

JR Kyushu Group Medium-Term Business Plan 2022-2024: Toward our 2030 Long-Term Vision P.17-19

Enriching city-building initiatives to create jobs and attract people

One of the targets in the JR Kyushu Group Medium-Term Business Plan 2022-2024, which commenced in April 2022, was “Return to a growth track”. In the fiscal year ended March 2023, the first year of the plan, our operating income exceeded our forecast despite the continuing impacts of COVID-19. A major factor was the business process re-engineering (BPR) we undertook to enable ongoing operation of our public transport networks, which reduced fixed costs by ¥14 billion. However, we fell short of the operating revenue target for our railway



business. Our revenue only missed the target by a small margin, but this may reflect a change in customers’ perceptions of transport compared to the pre-pandemic days. I would like to thoroughly analyze this and build a business model that is effective in attracting customer traffic.

We will also make significant advances in major projects for creating a model for building cities that promote well-being, another of the key strategies in our Medium-Term Business Plan, in the fiscal year ending March 2024. These are taking place in two areas: the Western Kyushu area, which includes cities such as Nagasaki that are seeing an influx of people after the opening of the Nishi-Kyushu Shinkansen, and the Fukuoka area, particularly around Hakata Station. In the Western Kyushu area, the expanded area of the JR Nagasaki Station building (Amu Plaza Nagasaki Annex, JR Nagasaki Station Building, Offices, Nagasaki Marriott Hotel) is about to open and the international tourism city of Nagasaki is being transformed into a land gateway. The station building has an office area, which will make it possible to attract many companies. Other new developments are being made, such as the URESHINO YADOYA hot spring inn near Ureshino Onsen, a station on the Nishi-Kyushu Shinkansen line, so that there are things for customers to enjoy throughout the region. P.29

While tourism is an important element in creating an influx of people, I think that creating jobs in Nagasaki is extremely significant. The station building alone will create many jobs. The opening of the Shinkansen line has also provided more options for commuting to Nagasaki from nearby areas like Saga. Nagasaki is seeing the fastest population decline in Japan. In order to make Kyushu a cheerful and vibrant region, we first need to create jobs. We need to make it so that young people will stay here or move here, work here and keep the region thriving. I think that creating that kind of influx of people is a role the JR Kyushu Group should play.

The Fukuoka area, meanwhile, is the center of Kyushu, so we will create spaces for people to gather. We will build offices at the site of the Fukuoka-Higashi prefectural government building and convert the former site of Sunoko Elementary School, near Tenjin, to a commercial facility or a fee-paying elder care home. To coincide with their completion at the end of 2028, we have launched the Aerial City Project, which makes use of the area above the tracks at Hakata Station.

Uncertain times are just the time for measures to attract people

The loss of customer traffic during COVID-19 measures is a lesson we are heeding in our Medium-Term Business Plan, with measures for developing businesses in new areas in which we can contribute. In our real estate business, we are working on initiatives such as leasing logistics facilities, an area where demand is high, in addition to our offices and hotels. We have established a private REIT to expand our functions for securing external funding needed for our city-building initiatives so that we can carry out our projects agilely.

In construction, we established JR Kyushu Construction Group Holdings Inc. in July 2023 as an intermediary holding company to collectively handle the management of our group companies. This will enable us to build the capacity for larger orders and handle demand for projects such as infrastructure maintenance for local governments. It will also standardize DX strategies within the Group to make this work more efficient. P.21

The impacts of COVID-19 may lessen in future. However, the risks of a natural disaster like the 2016 Kumamoto earthquakes are still present. And as a result of climate change, disasters are worsening and we are now seeing them every year. If we think further afield than Kyushu and consider Russia’s attack on Ukraine, there is always a risk of a geopolitical incident that significantly affects the prices of energy or materials. So how do we continue to grow when things are becoming increasingly uncertain? I think the answer is to create influxes of people.

This may seem contradictory to what I have been saying about accelerating our advances into new fields of business that are not dependent on customer traffic. But as a corporate group centering on a railway company, the JR Kyushu Group has created customer traffic through various businesses of ours. Expanding our business in growth areas like logistics will be essential for strengthening our business portfolio. And then in addition to that, we need to create influxes of people. I think it is also important to use the strengths the Group has developed through our existing businesses and apply those in various measures and business development initiatives, like planning major events.

Tackling social issues and building the transport of the future

With the population declining, it is likely to be difficult to maintain a Kyushu-wide railway network in future. But I believe that protecting public transport networks is our responsibility. Linking with other modes of transport like buses and taxis will be essential in order to do this. We have begun working together with Nishi-Nippon Railroad and Daiichi Kotsu Sangyo to provide seamless public transport services in the greater Kitakyushu area. For elderly people, being picked up from a bus stop near their home is easier than going to a station. Shortages of staff such as drivers are expected to worsen in future, and with birthrates declining and the population aging, companies will not be able to meet society's needs alone.

The area of the Hitahikosan Line between Soeda Station and Yoake and Hita Stations, which was damaged by heavy rain, will reopen as the BRT Hikoboshi Line, a bus rapid transit line, on August 28, 2023. We will open new stations that are closely connected to community members' lives based on the concept of "kind to people, communities, and the future". With 36 BRT stations (stops), three times as many as before the disaster, we are expecting this to be an easier and more convenient mode of transport than railways. P.30

I also feel that MaaS has a major role to play, as it enables various transport systems to be connected by ICT and AI. From this fiscal year, we will brand ourselves as the transport of the future and actively invest in the development of new technologies.

Strengthening corporate ESG

The JR Kyushu Group aims to be a corporate group that will invigorate Kyushu and transmit Kyushu vitality to the rest of Japan and Asia. This means that creating sustainable corporate and social value that brings us closer to what we aim to be is the corporate ESG we strive for, and I want to contribute to the accomplishment of the SDGs through our corporate ESG.

Storage batteries and renewable energy—a variety of measures for decarbonization

The JR Kyushu Group announced its agreement with the TCFD Recommendations in February 2021, and is aiming to achieve net-zero CO₂ emissions by 2050. In our scenario analysis, we viewed the introduction and expansion of renewable energy businesses as an opportunity. We had already worked on initiatives to utilize energy recovered from trains on our Shinkansen lines and conventional lines, but from April 2023, we have begun working together with companies such as Sumitomo Corporation Group on a storage battery business. Our storage battery grid will be used to supplement renewable energy such as solar energy. We plan to set up storage batteries around Kyushu, using space around our railway lines. We will start in Kumamoto Prefecture. This will also make effective use of unused land owned by JR Kyushu and reduce the running costs of our railway. The batteries will also be used as emergency power supplies in situations like disasters, so this is a decarbonization initiative and a contribution to local communities all in one. P.21 P.37-41

In future, we plan to take various measures, such as introducing solar power generation using our railway properties, to achieve carbon neutrality by 2050.

Respecting diverse values and enhancing dialog

In order to find pathways for growth as a city-building company centering on railways, we must change our working environments so that diverse personnel can thrive here. For example, when it comes to gender diversity, railway companies have historically not hired many women due to issues such as the format of the work, but now we have career directors who are women. We have also introduced systems that will ensure that giving birth and raising children will not interfere with employees' careers. These are part of our new human resources strategy, which we have briefly announced. In order to be a company that can solve various social issues, we first need to promote the building of organizations that accept diverse values.

Increasing employee engagement is also important. From the fiscal year ended March 2023, we have facilitated exchanges of opinions between our executive officers and all

our employees so that our management can make everyone thoroughly aware of our corporate principles, the future of the company and what we aim to be. These days, it is commonplace to use digital tools to share information, but while this does enable large volumes of information to be shared at once, the communication is ultimately one-way. When it comes to important matters, it is important to talk to people the old-fashioned way and hear what they really think.

P.51-61



To our stakeholders

All of our employees will work together to achieve our 2030 Long Term Vision

The fiscal year ending March 2024 will be an important year for the formulation of our next Medium-Term Business Plan. We need to get firmly back onto a growth track so that we can formulate specific measures to achieve our 2030 Long Term Vision. In order to do this, as I have said many times before, people will be the source of our value creation. We will actively work to get the best from each of our employees and make Kyushu a cheerful and vibrant region.

I think that Kyushu and the JR Kyushu Group are tied together by fate. If Kyushu is vibrant, the JR Kyushu Group can grow. And JR Kyushu's presence will make Kyushu vibrant. All of our employees will work together to move this company forward and make this happen.



History of the JR Kyushu Group

History of the JR Kyushu Group
At a Glance



History of the JR Kyushu Group

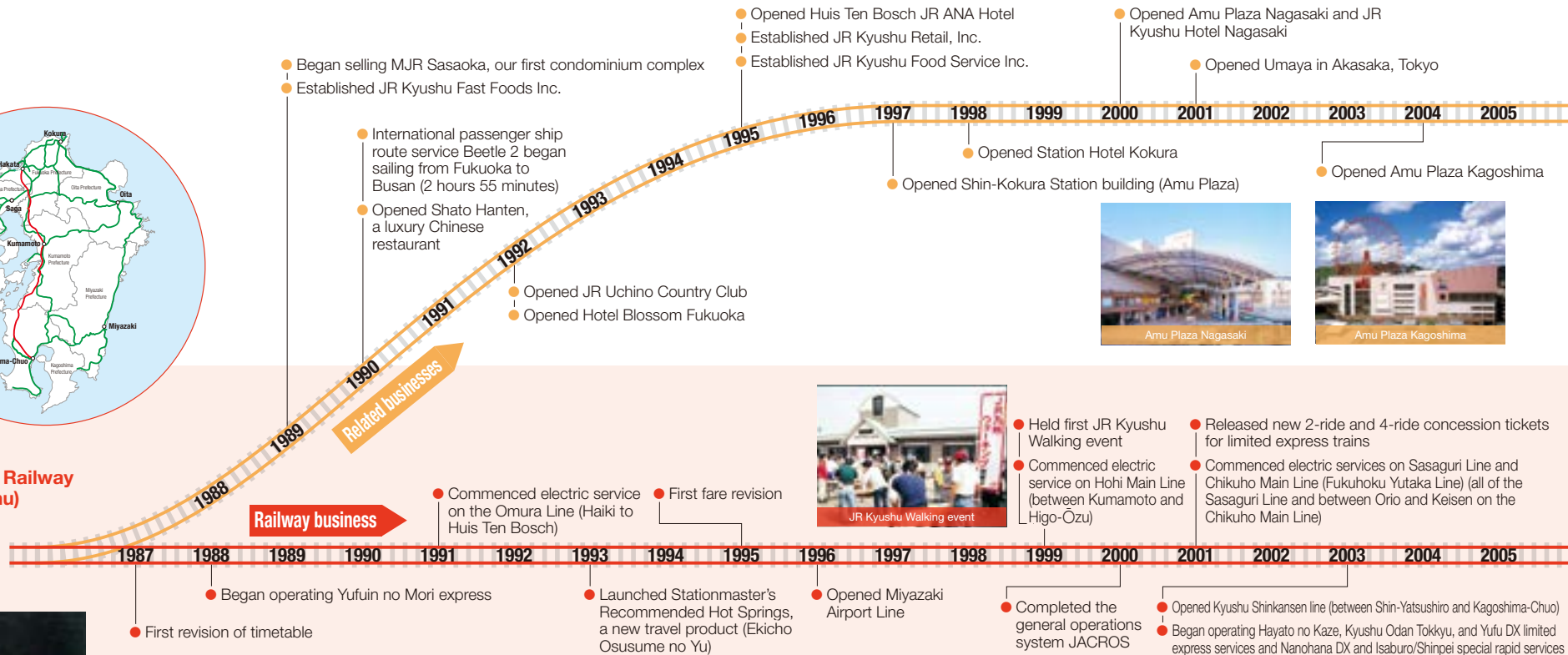
The JR Kyushu Group's Corporate DNA

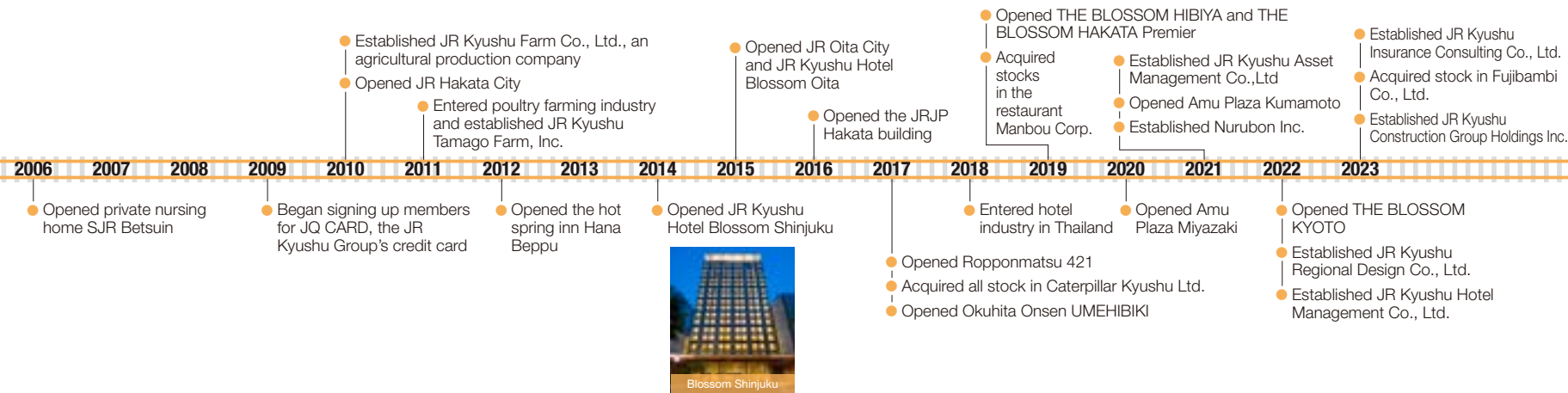
JR Kyushu was established following the breakup and privatization of Japanese National Railways in 1987. At the time of privatization, railway operations were around ¥30 billion in the red. We took steps to improve income and expenditure, but were also aware that we could not rely on our railway operations alone. We took up the challenge of various other businesses as well and aimed for growth.



Established Kyushu Railway Company (JR Kyushu)

1987



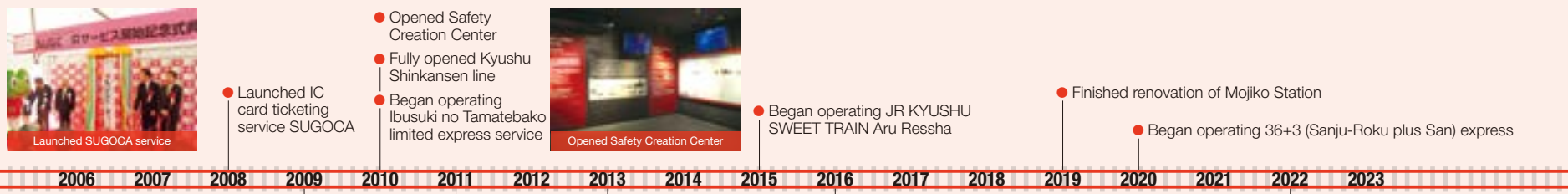


Real Estate and Hotels

Retail and Restaurant

Construction

Business Services



At a Glance

Business Overview

Operating Revenue by Segment* (to outside customers)

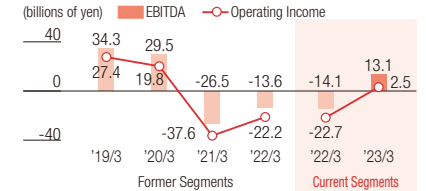
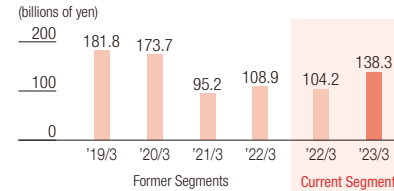
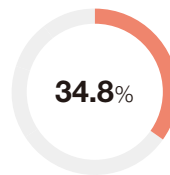
Operating Revenue

EBITDA/Operating Income or Loss

Transportation



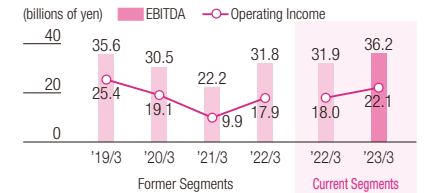
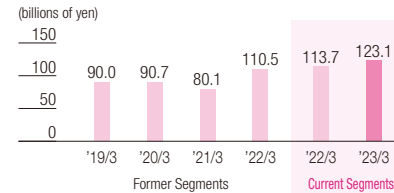
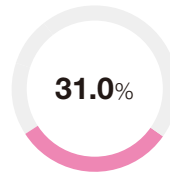
Our Transportation business comprises businesses such as our railway business, bus business, and passenger ship businesses. We operate a total of 23 lines (2 Shinkansen lines, 8 main lines, and 13 regional lines), covering 2,342.6km across all seven prefectures of Kyushu (as of April 1, 2023). Our bus business consists of local bus, express bus, and charter bus services, while our international passenger ship business covers routes such as Fukuoka to Busan.



Real Estate and Hotels



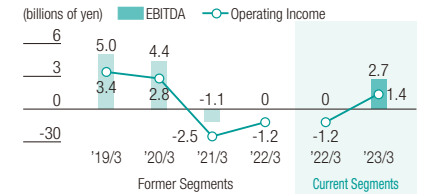
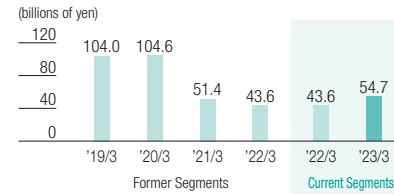
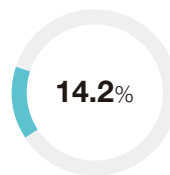
Our Real Estate and Hotels Group operates a real estate lease business (commercial facilities, offices, rental apartments, etc.), a real estate sale business (condominiums), parking lot business, retirement complexes, hotels, and tourist complexes, and experience-type outdoor businesses, in addition to asset management for a private REIT. Affiliated companies manage the station and office buildings we own, primarily in major cities in Kyushu, as part of our property rental business.



Retail and Restaurant



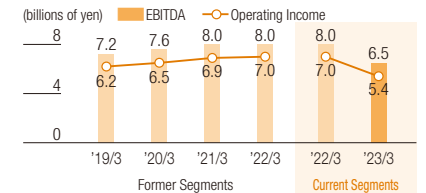
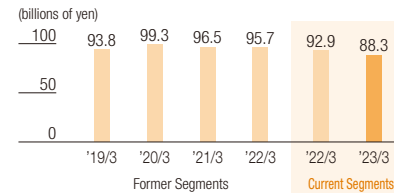
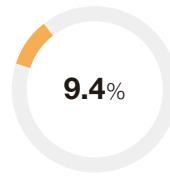
Our Retail and Restaurant Group operates in the retail, restaurant, and agriculture industries. Our retail business includes chains such as Meihingura specialist souvenir shops, FamilyMart convenience stores, and Fujibambi, which produces and sells confectionery. Our restaurant business includes the Umayu tavern, fast food restaurants, and the Manbo and Yakiniku Nurubon restaurants. Our agriculture business produces and sells produce.



Construction



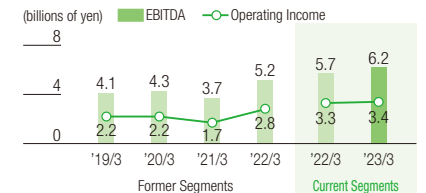
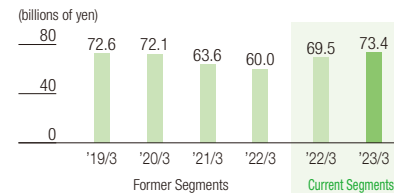
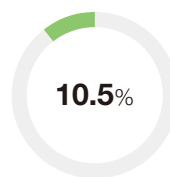
Our Construction Group comprises businesses such as our construction business, rolling stock and machinery construction, and electrical business. In our construction business, we use our specialist railway technology to carry out work related to railways, primarily civil engineering, track work, construction, and maintenance. Our rolling stock and machinery construction business designs, produces, installs, and performs maintenance for rolling stock and machinery. Our electrical business constructs and maintains electrical, HVAC, and firefighting equipment for public and private facilities, primarily electrical facilities for railways. We also provide construction consultancy services.



Business Services



Our Business Services Group operates businesses such as an advertising business, sales and rental of construction machinery and more. Our advertising business plans and produces ads and carries out sales promotions. Our business for sales and rental of construction machinery deals with machinery such as construction machines, diesel engines, and generators, with activities including sales, rental, maintenance, and training. Other services include sales of railway materials, office appliances and other equipment, contracting of employee lodging management, system development and operation, shared financial services, and general security services.



*Breakdowns for each segment are calculated according to the current segment structure.



JR Kyushu Group Medium-Term Business Plan

Overview of JR Kyushu Group Medium-Term Business Plan

Progress on JR Kyushu Group Medium-Term Business Plan 2022-2024

Key strategy ① Completing business structural reforms

Key strategy ③ Developing businesses in new areas in which we can contribute

Steadily Advancing DX Strategy

Message from the CFO



Overview of JR Kyushu Group Medium-Term Business Plan

2030 Long-Term Vision

The JR Kyushu Group's 2030 Long-Term Vision is "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." This vision was established in order to accomplish "What we aim to be": "A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation".

The business environment surrounding the JR Kyushu Group has been changed dramatically by COVID-19, further increasing the uncertainty of what business conditions we can expect in future. When we established the 2030 Long-Term Vision, we focused on major changes in the external environment that are anticipated in the period up to 2030 and how values regarding the concept of well-being will change among the people who will be impacted by those changes, as well as considering future scenarios in anticipation of extreme changes, so that we can achieve the 2030 Long-Term Vision despite these conditions.

2030 Long-Term Vision

We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

Policies for the realization of the 2030 Long-Term Vision

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

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

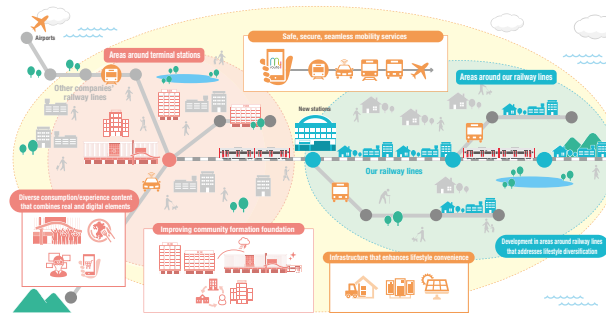
Policies for the realization of the 2030 Long-Term Vision

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

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

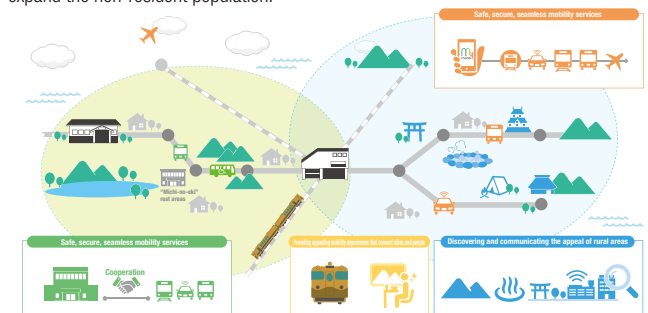
City-building initiatives in areas around our terminal stations and railway lines

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



City-building initiatives in local regions

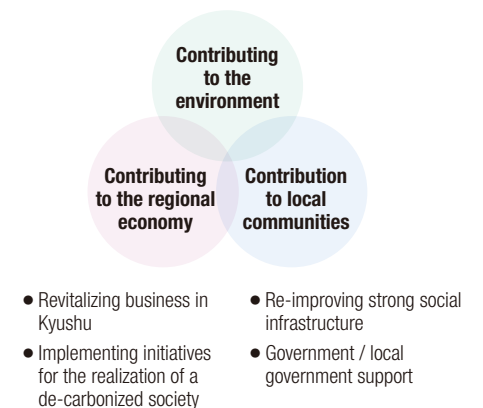
We will work in cooperation with local governments and other modes of transportation to build and introduce sustainable transportation infrastructure. In addition, we will rediscover and make effective use of regional resources. In these ways, we will aim to expand the non-resident population.



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

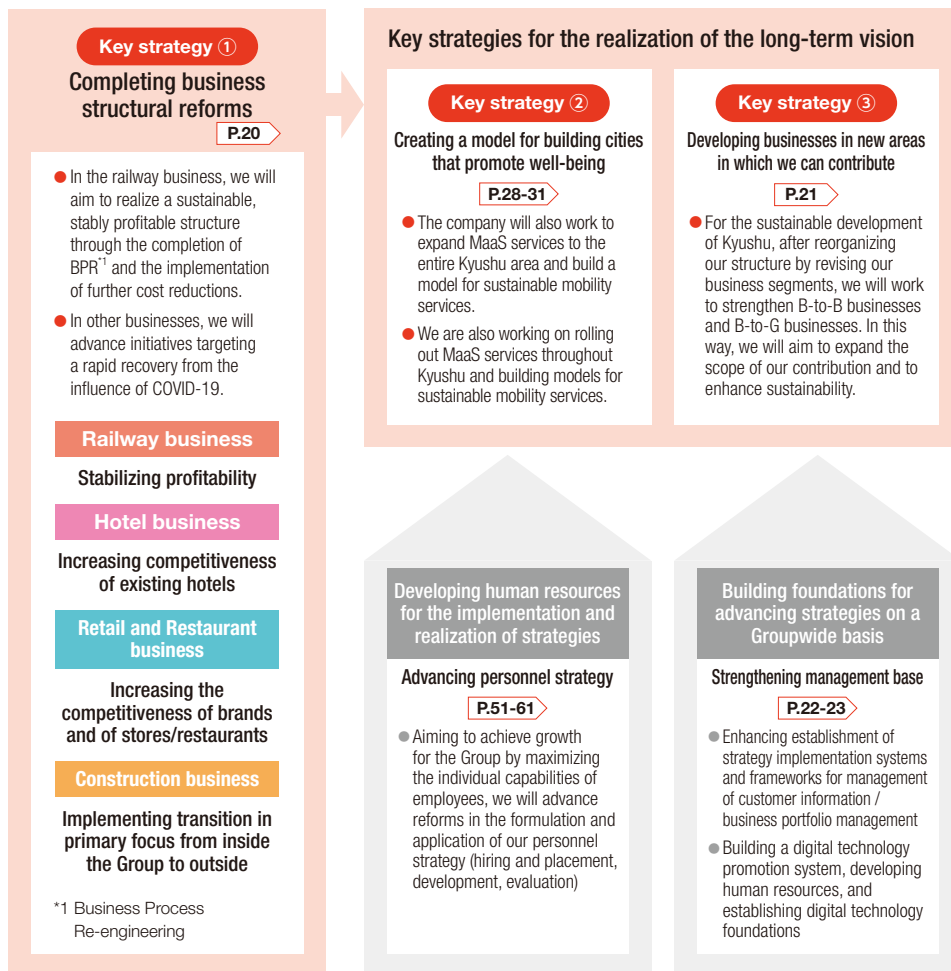
With consideration for the strengths that the Group has cultivated through its existing businesses, we will expand areas we work in that contribute to the sustainable development of Kyushu, which is our principal business region.

The Group's strengths	Brand strength, creditworthiness	<ul style="list-style-type: none"> ● Ongoing commitment to regional development ● Providing safety and security, our mission as an infrastructure company ● Providing highly original designs/services, such as the cruise train Seven Stars in Kyushu and Design & Story trains
	Customer base	<ul style="list-style-type: none"> ● Base of customers from mobility services ● Points of contact with customers through station building tenants with sales in excess of ¥200.0 billion
	Railway network/network	<ul style="list-style-type: none"> ● Network of railway lines and bases that extends throughout Kyushu ● Connections with government / local communities
	Human resources (technical capabilities, administrative capabilities)	<ul style="list-style-type: none"> ● 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
	Assets	<ul style="list-style-type: none"> ● Idle assets, such as space under elevated railway tracks ● Real estate, buildings such as station buildings, etc.
	Financial base	<ul style="list-style-type: none"> ● Sound financial base that makes it possible to implement aggressive growth investment



JR Kyushu Group Medium-Term Business Plan 2022-2024

Commencing in the fiscal year ended March 2023, the JR Kyushu Group Medium-Term Business Plan 2022-2024 designates these three years as an important stage for the JR Kyushu Group to return to a growth track quickly. We will continue to carry out our three key strategies: “Completing business structural reforms”, “Creating a model for building cities that promote well-being” and “Developing businesses in new areas in which we can contribute”, along with two initiatives to aid in the execution of those strategies: “Developing human resources for the implementation and realization of strategies” and “Building foundations for advancing strategies on a Group-wide basis”.



Principles of our Medium-Term Business Plan

Changes in the external environment by 2030

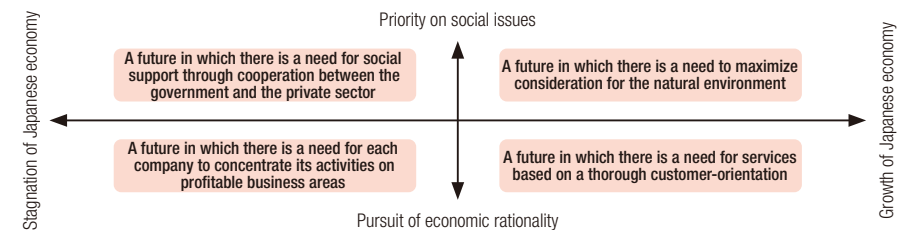
- Identification of factors in changes in our external environment that may occur by 2030 from the perspective of PEST (politics, economy, society, technology)

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

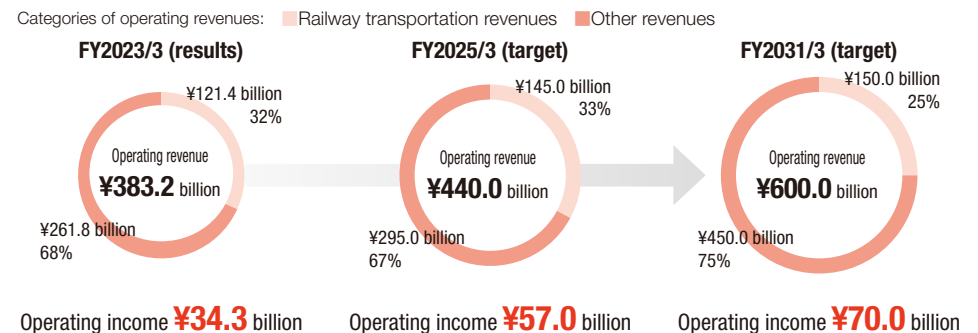
- We focused on changes in people's values regarding the concept of well-being which have been influenced by changes in the external environment
- Consideration from the perspectives of mind, body and society/environment

Consideration of multiple future scenarios through scenario planning

- We considered future scenarios focusing on changes in values regarding the concept of well-being with an assumption that the external environment will have an influence that exceeds expectations by 2030



Steps toward the realization of the long-term vision



Progress on JR Kyushu Group Medium-Term Business Plan 2022-2024

Numerical management targets and shareholder return policy

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 amount originally set for the final fiscal year of the previous medium-term business plan before it was reduced in light of the impact of COVID-19.

Numerical targets

(billions of yen)

	'23/3 (results)	'24/3 (forecast)	Fiscal year ending March 2025 (plan)
Operating Revenue	383.2	417.0	440.0
Operating Income	34.3	45.7	57.0
EBITDA	63.8	78.3	94.0
[Reference] ROE	7.8%	—	More than 8%

Numerical targets by segment

(billions of yen)

Segment name	Operating Revenue			Operating Income		
	'23/3 (results)	'24/3 (forecast)	'25/3 (target)	'23/3 (results)	'24/3 (forecast)	'25/3 (target)
Transportation	138.3	160.7	163.0	2.5	13.2	17.0
Real Estate and Hotels	123.1	128.4	133.0	22.1	21.4	27.0
Retail and Restaurant	54.7	55.8	65.0	1.4	2.0	3.0
Construction	88.3	92.5	95.0	5.4	6.0	7.0
Business Services	73.4	74.8	80.0	3.4	3.9	4.0
Total	383.2	417.0	440.0	34.3	45.7	57.0

Shareholder return policy

JR Kyushu places importance on the stable provision of returns 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.

*For details on our non-financial KPIs and our progress on these, see "Material Issues" in "Value Creation Story".

P.7 Material Issues

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.

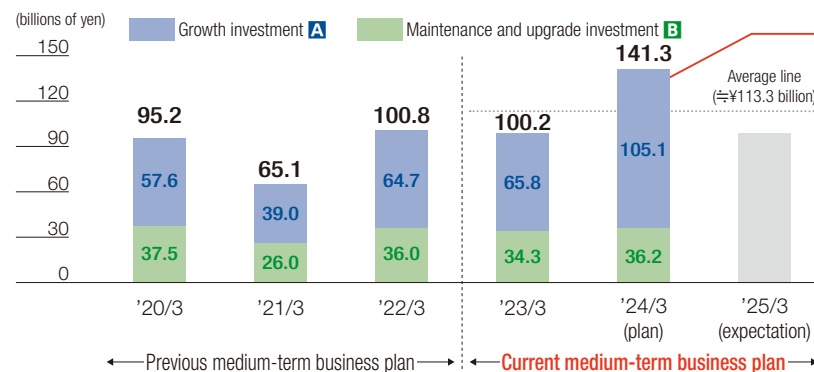
Capital investment plan

(billions of yen)

	'23/3 (results)	Total for plan period	Consumption rate
Growth investment A (Including M&A)	65.8	225.0	29.2%
Maintenance and upgrade investment B	34.3	115.0	29.8%
Safety Investment	14.1	58.0	24.3%
Total	100.2	340.0	29.5%

Financial soundness indicators (end of '25/3)

D/EBITDA	Approximately 5 times
Equity ratio	Approximately 40%



EBITDA	75.0	4.6	30.7	63.8	78.3	94.0
Annual dividend	14.6	14.6	14.6	14.6	14.6	Undecided
Financial soundness indicators						
D/EBITDA	1.9 times	54.1 times	10.5 times	5.5 times	—	Approx. 5 times
Equity ratio	49.9%	43.8%	40.8%	40.7%	—	Approx. 40%

Major investment projects during the period of the plan

Growth investment A

Real estate / hotel related

- JR Nagasaki Station building
- Kagoshima-Chuo Station west entrance development
- URESHINO YADOYA (development of the Ureshino Japanese-style inn)
- Project for utilizing the space above the tracks at Hakata Station
- 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 B

Railway business related

- Projects related to the Nishi-Kyushu Shinkansen
 - New production of Shinkansen rolling stock
- Operations / maintenance reform
- Safety investment
 - Updating 811 series main circuit
 - New production of the DD200 locomotives
 - New production of YC1 series rolling stock.
 - Self-driving related

Investments that contribute to increases in environmental value (included in the above-mentioned growth investment and maintenance and upgrade investment): approximately ¥60.0 billion
* Based on projects that are eligible for the Green Bond framework, etc.

Main capital investment projects in FY2024/3

Growth investment A

- Development of JR Nagasaki Station Building
- Project for effective use of the site of the Fukuoka Prefecture east government building
- Project to utilize the former site of Sunoko elementary school
- URESHINO YADOYA (development of the Ureshino Japanese-style inn)

Maintenance and upgrade investment B

- New production of rolling stock for the Nishi-Kyushu Shinkansen
- Renovation of rolling stock for conventional lines
- Rerouting of lines and other efforts to utilize the space above the tracks at Hakata Station

Key strategy ① Completing business structural reforms

BPR (Business Process Re-engineering)

The ¥14.0 billion reduction in fixed costs in the railway business, due to BPR, which was initiated in response to COVID-19, was completed in FY2023/3 and has helped to return the railway business to profitability.

Key BPR initiatives

- Implement optimization of service levels, increase efficiency of inspection and maintenance, multi-skilling, etc.
- For BPR, basically focus on reducing fixed costs without investing

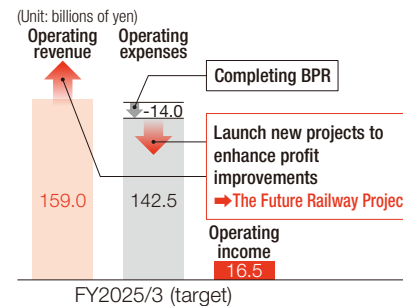
Differences between BPR and the Future Railway Project

Considered by individual organizations	Considered by cross-functional teams
Short term (completion to take approximately two and a half years)	Medium to long term (sights set on FY2025/3 and FY2031/3)
Focus on cutting costs	Improve provides by earning revenues and investing

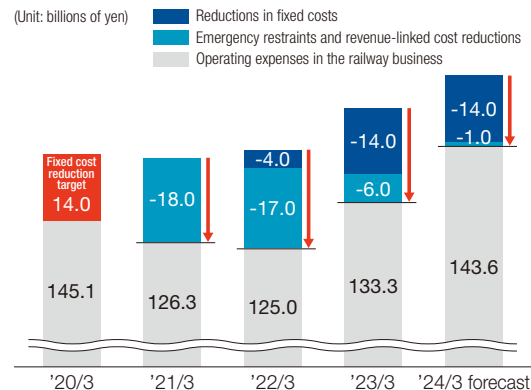
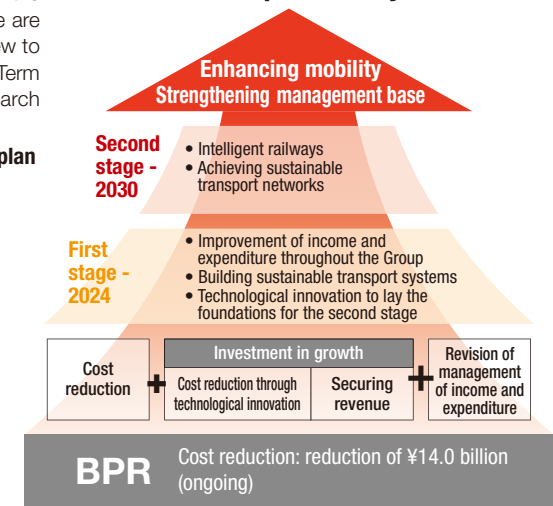
The Future Railway Project

The Future Railway Project seeks to drive city-building in Kyushu by bringing about evolutions in mobility and strengthening the capabilities of our business based on the slimming down of our railway business through our BPR. Through this project, we are working on more in-depth improvements to our income and expenditure with a view to the fiscal year ending March 2025 at the end of the JR Kyushu Group Medium-Term Business Plan 2022-2024 (First Stage 2024) and then the fiscal year ending March 2031 (Second Stage 2030).

Relationship between the medium-term business plan and the Future Railway Project



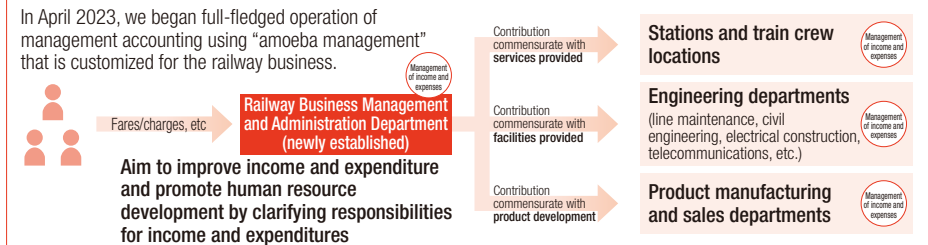
Create the “future of railways” to drive urban development in Kyushu.



FY2024/3 initiatives

- We will continue moving forward with cross-organizational studies via cross-functional teams.
- In FY2024/3, we will move to CBM and review ticket prices (such as Green Car (first class) fees). We expect such efforts to have around a ¥1.0 billion improvement effect on income and expenses.

Example of initiatives Future management of income and expenses



Initiatives to achieve “Management by All” in our railway business

Thus far, we have worked steadily on our railway business with safety and service as the foundations, but we have not acted quickly enough to improve our income and expenditure after our revenue decreased due to the pandemic. This is due to a separation that has existed thus far between the departments that earn our revenue, the departments that handle expenses such as those for equipment maintenance, and the departments that manage the income and expenses of our railway. There has been no framework to make every department aware of income and expenditure as they engage in their work. In order to run our railway business sustainably, all employees involved in our railway business will need to be conscious of our income and expenditure.

From April 2023, we introduced a customized version of Kyocera’s “Amoeba Management”, where revenue is calculated for each workplace to recognize how each workplace’s efforts are contributing to the running of our railway. Through this initiative, we aim to clearly define responsibilities for revenue and expenditure, promote improvement of income and expenditure and the development of personnel, and achieve ongoing growth of our railway business.



Muneyuki Harada
Deputy manager of Railway Business Management and Administration Department, Railway Operations Headquarters

Key strategy ③ Developing businesses in new areas in which we can contribute

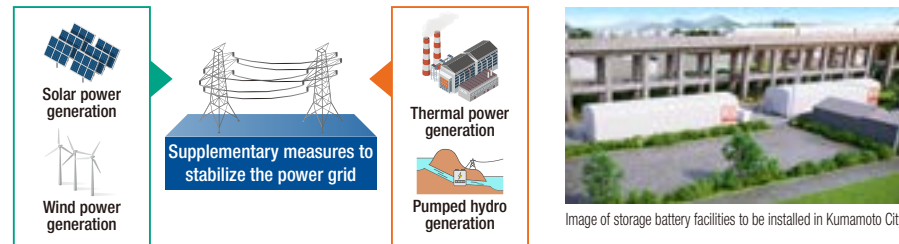
Topics Entering the grid-based storage battery business

We are conscious that this Medium-Term Business Plan presents an opportunity to grow our business by transitioning to a de-carbonized society. We are discussing proactive initiatives to create new value, and in April 2023 we established Battery Station Kyushu LLC, a joint venture with the Sumitomo Corporation Group that operates a grid-based storage battery business.

<p style="text-align: center;">JR Kyushu</p> <ul style="list-style-type: none"> • Unused land alongside tracks • Qualified personnel (chief electricians) 	<p style="text-align: center;">Sumitomo Corporation Group</p> <ul style="list-style-type: none"> • Business expertise • Storage battery supply chain 	<p>Name Battery Station Kyushu LLC</p> <p>Established April 2023</p> <p>Investors Kyushu Railway Company BS Holdings Co., Ltd.* Sumitomo Corporation Kyushu Co., Ltd.</p>
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* Wholly owned subsidiary of Sumitomo Corporation that owns and manages energy storage assets

Large-scale adoption of renewable energy will be essential in order to achieve carbon neutrality by 2050, but this will create new issues concerning stability of power supplies as there is significant fluctuation in the generation of these forms of energy depending on natural conditions such as sunlight and wind. Solving this issue is particularly imperative in Kyushu, which has seen particular progress in the adoption of renewable energy compared to the rest of Japan. This business has installed storage battery systems to make effective use of the areas around railway lines and other vacant land on our railway network. Operation of this system is scheduled to commence from FY2024.



Exploring new possibilities for storage batteries

Kyushu's abundant sunlight has seen particular progress in the adoption and expansion of solar power generation, but an issue we are currently facing is that when the supply of sunlight exceeds demand, some of the renewable energy that has been collected cannot be output. Storage batteries have potential as a solution to this issue.

JR Kyushu is one of the companies that have worked on solutions using storage batteries thus far. Our initiatives include the adoption of a battery-operated train (DENCHA) and the adoption of equipment to store recovered power. In future, we aim to work actively on solutions to social issues like the creation of a steady balance between supply and demand in power systems, including our own.



Keita Kojima
Strategy Management Dept.
Future Energy Project Team
Deputy Manager

Topics Establishment of JR Kyushu Construction Group Holdings Inc. Strengthening BtoB and BtoG businesses

Our Construction Segment operates businesses such as our general construction business, rolling stock and machinery construction business, electrical business and construction consulting business. It maintained steady revenue even during the period of upheaval created by the pandemic, but the business situation faced by our companies is expected to create difficult conditions, such as a decrease in railway construction jobs and increasingly severe staff shortages.

With this intermediary holding company playing a central role, we aim to strengthen cooperation between Group companies to harness the collective power of the Group. In addition to expanding our business through activities such as M&A, we aim to build a common foundation to strengthen our personnel development and back office functions and, in doing so, achieve sustainable growth of our Construction Segment and become a total construction group that is a leader in solving problems in community infrastructure.

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

Target image for the Construction segment

- We will demonstrate our comprehensive capabilities with consistent functions from upstream planning and design to construction and maintenance as indicated below.
- Contribute to local communities and solve social issues in a wide range of fields and domains
 - Make long-term, deep connections with clients and properties to meet their needs
 - Leverage and work across a wide range of business domains to create new products and domains



Strengths of the JR Kyushu Group Local governments, railway, city-building initiatives

Source of growth Total services through technical capabilities and know-how, a strong foundation for human resources and cooperation between companies

Specific initiatives

- Support sales expansion**
- Joint proposal planning (PFIs, lump-sum contracting, etc.)
 - Inter-company collaboration on human resources and know-how

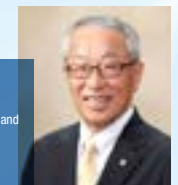
- Development of common infrastructure**
- Joint purchasing, system integration, shared indirect operations, promotion of construction DX
 - Drafting of segment-specific HR strategies, support for recruiting

- Promotion of M&A and alliances**
- Expansion of territory through M&A, establishment of PMI system
 - Promotion of alliances to expand and strengthen business

Thus far, each of our companies has focused on major railway construction projects such as the completion of the Shinkansen and the continuous railroad grade separation project. In future, however, the Construction Segment will need to demonstrate comprehensive strength.

We aim to be a total construction group that plays a central role in the JR Kyushu Group's city-building initiatives and is a leader in solving issues in diversifying community infrastructure.

Kiyotaka Matsumoto
Representative Director and President
JR Kyushu Construction Group Holdings, Inc.



Steadily Advancing DX Strategy

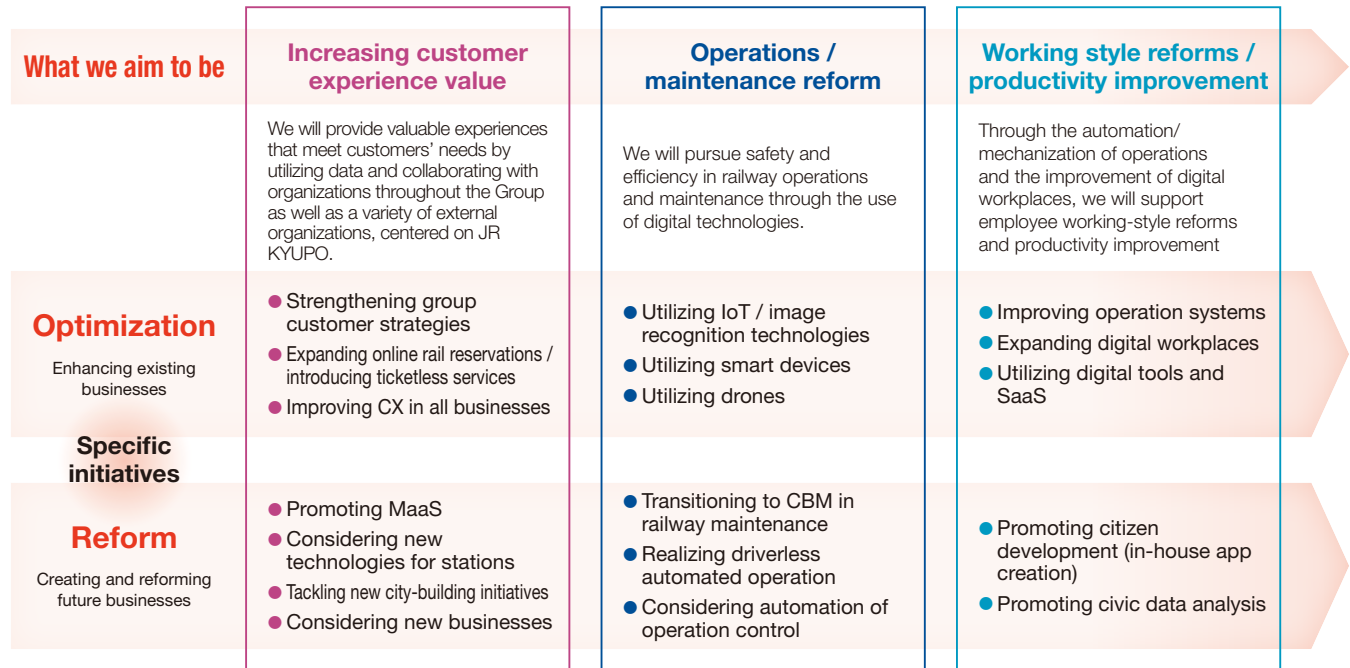
Fundamental approach

We believe that DX promotion is one of the most important approaches as we consider how to strengthen our management base to support the key strategies in the JR Kyushu Group Medium-Term Business Plan 2022-2024. During this Medium-Term Business Plan period, we will build technology promotion frameworks and digital platforms for the implementation of various measures utilizing digital technologies.

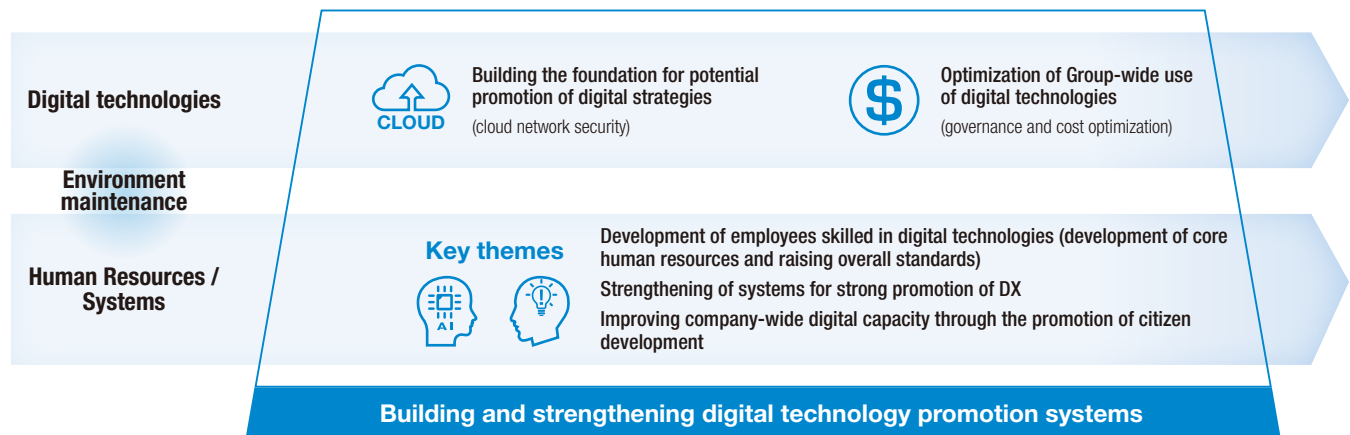
JR Kyushu Group DX Strategy 2022-2024

We have established the JR Kyushu Group DX Strategy 2022-2024 to provide more details on the initiatives to promote DX that are described in this Medium-Term Business Plan.

This DX Strategy seeks to use digital technologies for optimization and reforms in areas such as providing more valuable experiences for customers and reforming operations and maintenance to become what we aim to be. To accomplish this, we have designated “Developing human resources skilled in digital technologies” and “Strengthening digital technology promotion systems” as particularly important themes, and are working to set up technical environments and build frameworks for the promotion of digital technologies through measures such as developing human resources skilled in digital technologies.




The Japanese government has an application-based DX certification system that recognizes organizations conducting excellent DX-related initiatives based on guidelines formulated by the government. The JR Kyushu Group was certified under this system on March 1, 2022.



Building digital technology promotion systems (development of personnel)

Current progress and future initiatives

As “Developing human resources skilled in digital technologies” is a key theme of our DX strategies, we have established a digital CoE as a control tower for the promotion of digital technologies throughout the Group, and we are driving operational reforms through the development of applications for our operations and the analysis of data using programming language such as Python. We have also appointed digital promotion managers with specialist training in key departments. These managers work together to lead transitions to digital technologies in each department and develop core personnel. In future, we will dedicate ourselves to the development of personnel in each division and group company and take measures such as advanced development, training support and the building of platforms to strengthen our frameworks for employees to develop their own applications and our initiatives for the use of data, with the aim of strengthening the framework of our digitalization initiatives and improving our overall digital capabilities.

Employees skilled in digital technologies are well poised to drive improvements in operational efficiency and increases in sales through the use of digital technologies. We are actively working to develop such employees, and by the fiscal year ended March 2023, we trained a total of 313 of the 500 employees we plan to train to be skilled in digital technologies throughout the execution period of our DX strategies.

Interview with Digital CoE personnel

● What are Digital CoE personnel working on?

We are working on analyzing data in a wide range of areas of the JR Kyushu Group, proposing measures and improving the efficiency of operations. We are also focusing on promoting the use of data in the JR Kyushu Group through activities such as training on data analysis.

● What are the strong points of your skills?

AI development, data analysis skills such as natural language processing, and analytical design that uses those skills to solve operational issues. We are now able to acquire many different forms of data, and we want to use that data to contribute to operational reforms.

● What is your outlook for the future?

We want to play a central role in the Group's efforts to transition to a data-driven JR Kyushu Group, leading activities for the utilization of data and making everyone in the Group aware of these principles and their importance.



Shinnosuke Himeno
IT Strategic Planning
Department
Corporate Planning
Headquarters



Training by the Digital CoE



Data analysis using programming language

Improvement of our overall digital capabilities (specific initiatives)

Development of applications by employees other than our IT specialists

We are seeing increasing efforts every year, especially among the younger generation, to improve business efficiency by developing applications using RPA and Microsoft Power Platform and utilizing data using BI tools (Motion Board). Many of their ideas, such as combinations of RPA and application development, were strong enough to be turned into actual operational systems, and have potential not only to be used in their own department but to be rolled out throughout the whole company, which has steadily improved our overall digital capabilities.

In February 2023, we held the Digital-1 Grand Prize (D-1 Grand Prize) to provide motivation for employee-led initiatives. There were 12 entries from various departments throughout the Group, eight of which were announced after a document screening and final selection process before the winners of the Grand Prize and other awards were selected.

We will remain dedicated to creating a climate for improving the efficiency of our work by encouraging our employees to learn about digital technologies and digitize our work processes.

Interview with the winner of the Digital-1 Grand Prize

● Could you tell us the specifics of the application you developed?

The locations of faults detected by personnel riding on rolling stock are instantaneously calculated from GPS information and registered in an application. The application also provides a transportation route to the location of the fault.

● Why was this application needed?

When inspecting equipment on a Shinkansen train, it is difficult to accurately locate where a fault is occurring while traveling at high speed. This led to a large margin of error, which was a major problem in our workplace. That created a significant margin of error that caused major issues in our workplace.

● What areas do you want to tackle next?

As I developed this application, I not only learned about how to develop an application and utilize position information; I also communicated more with other departments and made all kinds of connections.

In future, I want to develop a more advanced application linked to RPA and work on initiatives to roll out digital tools in the company.



Ren Yamakawa
Sendai Shinkansen
Engineering Division
Kumamoto Shinkansen
Engineering Depot



Mr. Yamakawa focused on user-friendliness and familiarity in his application

Message from the CFO

**Takuma Matsushita**

Chief Financial Officer

Making growth investments, including in new areas of business, investing in human capital and steadily working on new technologies while remaining financially sound and focusing on efficiency

A solid start to our return to a growth track

In the fiscal year ended March 2023, the first year of the JR Kyushu Group Medium-Term Business Plan 2022-2024, we got off to a generally solid start. In our consolidated results, operating income was ¥34.3 billion, ¥5.3 billion higher than the initial forecast, and EBITDA was ¥63.8 billion, ¥58.2 billion higher than the initial forecast.

In terms of investments, we made over ¥100 billion in growth investments. With regards to creating a model for building cities that promote well-being, one of the key strategies in this Medium-Term Business Plan, we are seeing steady progress in our development of the area around Nagasaki Station, centering on our expansion of the JR Nagasaki Station building (Amu Plaza Nagasaki Annex, JR Nagasaki Station Building, offices, Nagasaki Marriott Hotel), which is scheduled to be opened in the fiscal year ending March 2024, along with our city-building initiatives in the Fukuoka area, centering on Hakata Station. We are also making progress in the acquisition of logistics facilities to strengthen our new areas in which we can contribute that are not dependent on customer traffic. We expect to receive confirmation within this year for around half of the ¥90 billion yen in growth investments that were initially unconfirmed.

Enhancing IR and ensuring transparency in both the financial and non-financial spheres

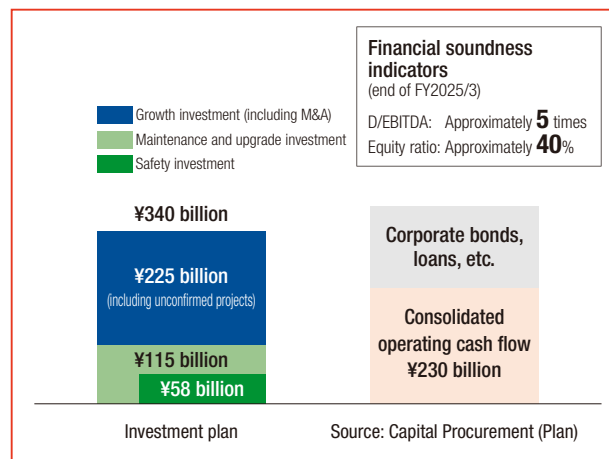
With regards to our financial situation and strategies, for starters, our free cash flow is trending back upward. However, it is still in the negative at present. We are extremely conscious of this issue and are working to resolve it. We are always considering revisions to our cross-shareholdings policy. In the previous fiscal year, we sold three cross-shareholdings for which the rationale for holding was no longer sufficient, and we are currently in discussions about points such as the usefulness of retaining the remaining cross-shareholdings. We are also carrying out ongoing initiatives to achieve ROE of 8%, our metric for profitability, by the end of this Medium-Term Business Plan period.

With regards to our dividends policy, we have set minimum annual dividends of ¥93 per share with a consolidated dividend payout ratio of around 35%. Like our ROE, we do not plan to change these during this Medium-Term Business Plan period, and while we are considering stock buybacks as an option depending on the situation, our policy is to deliver steady returns to our shareholders in the long term.

Our policy for qualitative and quantitative enhancement of IR also remains unchanged. We have received various opinions from our investors thus far and our Board of Directors has reflected that feedback where appropriate in various measures. As I reflect on the various opinions we have received, I am conscious that non-financial elements now represent an immense proportion of the company's values. We are working to explain our progress on our non-financial initiatives in an easy-to-understand way in addition to the financial elements.

Our share prices are also recovering from the upheaval created by COVID-19 and our PBR now exceeds 1. We will continue to focus on IR and actively work on visualizing non-financial elements such as ESG to increase transparency and enhance dialog with our investors so that we can continue improving the value of the company.

Investment plan (this Medium-Term Business Plan period)



Formulating a personnel strategy and proactively tackling environmental issues

In this Medium-Term Business Plan, we re-established our material issues based on the specific policies for the realization of the 2030 Long-Term Vision. We have set non-financial KPIs linked to these. The internal ESG Strategy Committee we have established is carrying out these initiatives and checking progress in relation to our KPIs.

First, with regard to the S (social) element of ESG, we have worked on formulating a personnel strategy. This is because it is important to enhance our framework for securing and developing human resources who can achieve this Medium-Term Business Plan and our 2030 Long-Term Vision. Our senior management have taken the lead, and built the basic framework of our new personnel strategy in just a year. To summarize this strategy, it gives opportunities to employees who hope to grow, and rewards effort and results from employees. The official commencement of the strategy is scheduled for the fiscal year ending March 2025, but we are planning to increase compensation by 12% compared to the fiscal year ended March 2023, a total of ¥3.5 billion. We believe that the impacts of this can be offset by further increasing

revenue and reducing costs, so we have not changed our numerical target of ¥57 billion in operating income in this Medium-Term Business Plan.

As part of our diversity initiatives, we have set a non-financial KPI that states that women must account for at least 30% of new hires. We are seeking to raise company-wide awareness of ESG quickly by tying the non-financial KPIs concerning the results of our employee awareness survey to directors' compensation.

With regards to the E (environment) element, we have categorized our investment strategies as "defensive" and "proactive". In the previous fiscal year, we announced our entry into the storage cell field as a proactive strategy, and we are conscious that this was a step toward accomplishing the 2030 Long-Term Vision. With regards to CO₂ emissions, we have tracked emissions in scopes 1 and 2 for Group companies with energy usage above a set baseline, and we plan to expand this to all Group companies. Non-consolidated emissions in scope 3 have also been disclosed from the fiscal year ended March 2020, and we are working to disclose these for the whole of the Group.

Growth investments and active investment in new technologies

When we consider sustainable growth, investment in our Real Estate Department will be essential for the JR Kyushu Group. First, it will be important to strongly promote city-building initiatives in western Kyushu and the greater Fukuoka City area. Investing in Kyushu and invigorating it is one of the JR Kyushu Group's missions. To that end, we are also willing to invest in major markets such as the Tokyo metropolitan area if it will enable us to accelerate the growth of this business.

Our efforts do not consist simply of increasing our assets; we are also actively utilizing the private REIT we established in the previous fiscal year to make cyclical real estate investments. Increasing property value is another important perspective. Building appealing offices will generate demand. The average office rent per tsubo (a unit of measurement equivalent to 3.3m²) in the Hakata area was previously around ¥10,000 per month

and is now around ¥13,000. Office rent in our JRJP Hakata building is over ¥20,000 per tsubo. I would say this is proof that we are a market leader that is increasing property values in the area.

Acquisition of Green Building Certification, which indicates that our buildings have strong environmental performance, is another effective way to increase property values. We acquired this certification for the JR Kagoshima-Chuo building, which we completed in April 2023, and we will acquire the same certification for our expansion of the JR Nagasaki Station building, which will open in fall 2023. We aim to actively invest in future real estate development in the greater Fukuoka City area to further increase property values.

New technologies are another key area we will invest in. During our BPR, which led to a ¥14 billion decrease in fixed costs in the previous fiscal year, we received thousands of ideas from employees about how to improve our business. Some employees suggested creating new value through advanced technologies such as DX and automation. We decided to establish The Future Railway Project from the fiscal year ending March 2024 to provide investment limits for developments like these. These not only include autonomous driving technology for our railway cars, but also facilities using image recognition, as well as rolling stock maintenance technologies. We will also work on utilizing these technologies outside our railway, such as using DX in our Service Department to improve customer service. We consider the promotion of DX to be one of the most important areas for the JR Kyushu Group to focus on, and have established digital technology foundations, such as setting up digital CoE, to promote various measures that utilize digital technologies. We are also actively investing in new technologies for these initiatives.

In addition to driving more active investment in real estate and new technologies, I believe that important roles I must play as CFO are to rigorously discuss the risks the JR Kyushu Group should take in each measure and investment project and make cool-headed judgments from the perspective of capital costs.

Establishing a holding company to expand our construction business

Entering and leaving businesses could well epitomize JR Kyushu's history. These moves have been the result of us taking on new challenges again and again to continue growing our business despite the difficult business environment of the railway industry. I am conscious that we must continue to constantly and rapidly revise our portfolio to keep up with changes in society. For example, the creation of our new Business Services Segment was the result of our aim to make our focus on BtoB and BtoG businesses known both inside and outside the company.

To that end, we have established a holding company in our Construction Segment to collectively handle the management of our Group companies. This segment has a variety of Group companies involved in work from construction consulting to design, civil engineering, and architectural and facility construction. Thus far, we have developed these businesses with a focus on railway-related construction, but with the creation of our holding company we will be able to handle each of these functions collectively, which will enable us to accept large orders outside the Group. This is the greatest purpose

of our establishment of this company. We also have a view to orders in areas where we have not worked before, such as PFI (a method where private capital and know-how are utilized in public works). Active M&A is another aim. Through this common management base, we aim to improve efficiency and reduce costs through system integration and joint purchasing, as well as consolidating functions such as back office operations for a more efficient management framework.

We are also actively engaging in M&A in other segments, including the Retail and Restaurant Segment. Companies like Manbou, a manufacturer and seller of squid siu mai dumplings which we acquired in 2019, and Fujibambi, a seller of black sugar donut sticks which we acquired in 2023, have extremely powerful brands and their sales steadily increased even during the upheaval of COVID-19. Nurubon, a suburban Japanese barbecue restaurant that we acquired in 2021, is also performing well in response to high demand.

We also see potential to expand our businesses through expansion of upstream businesses. We are conscious that a business portfolio is never finished, and we carry out bold but measured M&A strategies, including withdrawing where necessary.

Improving resources for business portfolio revision

	Major initiatives thus far		Initiatives during this Medium-Term Business Plan period	
	Expansion of business domain	Business revision / withdrawal	Expansion of business domain	Business revision / withdrawal
Transportation Railway business, bus business, passenger ship business, etc.		● Revision of hydrofoil ferry system		
Real Estate and Hotels Real estate lease business, real estate sale business, parking lot business, retirement complexes, hotels, residential construction/sale, golf course management, etc.	● Commencement of asset management business	● Revision of areas of residential construction and sale business (detached houses)	● Entry into outdoor experience complex business ● Commencement of project management contracting for other companies' commercial facilities	● Withdrawal from/sale of some hotels
Retail and Restaurant Retail, restaurant, agriculture	● M&A of seafood processing company ● M&A of suburban Japanese barbecue restaurant	● Transfer of majority of stock in drugstore business ● Withdrawal from overseas businesses	● M&A of confectionery manufacturer and seller	● Transfer of all stock in drugstore business ● Transfer of stock in bakery business
Construction Construction business, rolling stock and machinery construction business, electrical business	● M&A of electrical company		● M&A of metal manufacturer	
Business Services Advertising business, sales and rental of construction machinery, cleaning and station operation, linen supply business, etc.	● M&A of construction machinery rental company ● M&A of systems company	● Sale of leasing business	● M&A of systems company ● M&A of heavy goods logistics company	
All, other	● Establishing specialized regional funds to drive revision of business portfolio	● Sale of hospital business	● Entry into grid-based storage battery business	

Holding firm on our capital adequacy ratio of 40% with financial strength as a key investment strategy

COVID-19 has reminded us of the importance of maintaining a fixed level of equity. Even if COVID-19 settles down, another pandemic could happen. Natural disasters are happening almost every year. We will prepare for such cases by maintaining a capital adequacy ratio of 40% for at least the period of this Medium-Term Business Plan.

To do so, we must make agile growth investments, including in M&A. With trends in interest rates remaining opaque, we are also conscious that financial strength is an important element in securing investment capability. At present, our financial strength rating is AA-. We will work to maintain this first and foremost. EBITDA is increasing, but when we consider the D/EBITDA ratio, it has yet to fully recover. We want to increase the ratio to 5.

In terms of revenue from other businesses, recovery of revenue in our railway business will be a major factor in the fiscal year ending March 2024. In the current fiscal year, railway demand appears to be at 94% of the pre-pandemic level. If we break down the recent monthly figures for April 2023 into commuter and non-commuter demand, commuter demand is at 90% of its pre-pandemic level, which we forecast, but non-commuter demand has fallen short of our forecast at 95% of its pre-pandemic level. Gradual recovery is expected in future, but recovery from the pandemic is a focus in the measures we are taking.

With regard to costs, we are expecting to be able to reduce fixed costs in our railway business to ¥14 billion again during this fiscal year as a result of our BPR. However, there were emergency restrictions on costs such as labor costs and maintenance costs until the previous fiscal year, and we expect expenses to increase in the fiscal year ending March 2024 as those restrictions are removed. Additionally, around ¥1-2 billion in depreciation costs will accumulate throughout the year due to the impairment process performed when listing.

To recoup that profit, it will be important to change every employee's awareness. In the fiscal year ending March 2024, we introduced amoeba management in our railway business. Thus far, the departments of our railway business that earn revenue and those that handle expenses worked separately from each other without a clear sense of responsibility for revenue and expenses. We introduced this system so that employees will be able to take a profit-focused view in their work and consider how much profit we will have left afterwards. So in addition to improving our figures for income and expenditure, making employees aware of our income and expenditure is a major purpose.

We are also focusing on increasing the top line of our railway revenue. Inbound tourism is one business opportunity we have in mind. The top sales in the fiscal year ended March 2019 (prior to the pandemic) for the JR Kyushu Rail Pass, a ticket allowing unlimited trips for overseas tourists, were in Taiwan, Hong Kong, China and South Korea in that order. Customers from Taiwan, Hong Kong and South Korea alone are bringing Rail Pass sales to their pre-pandemic levels, and we are likely to see a full return of Chinese tourists in Kyushu too in the near future. We will also increase the price of the JR Kyushu Rail Pass from October 2023, and we believe that there is room for a further price increase. And our railway is not the only business where this is the case. We will also work on raising customer rates in our hotels, as we have done in the past.

The ¥57 billion yen operating income target we have set in this Medium-Term Business Plan is by no means an easy one. As CFO, I am working on initiatives that will get every employee involved in raising our top line and decreasing costs so that we can meet our target.

Closing

The JR Kyushu Group prides itself on making a difference to life in Kyushu through its railway business and various other businesses. We aim to fulfill our responsibilities to local communities while also creating economic and social value. A company is a going concern. While yearly profit is important, I think what is most important is to achieve sustainable growth with a focus on capital efficiency. The importance of generating profit in the medium to long term is something I feel in my bones as I carry out my duties as CFO.

Local Community Invigoration Sustainable City-Building

E	Realization of a De-carbonized Society
	Safety and Service, the Foundation for All of Our Businesses
S	Sustainable City-Building Development of Human Resources, the Source of Value Creation
G	Sound Corporate Management



We approach our business with a strong sense of purpose as a corporate group that is invigorating Kyushu. Even if our business environment has dramatically changed, this mindset remains unchanged. Ever since we were first established, we have worked steadily to build a resilient railway and drawn on the comprehensive strengths of the JR Kyushu Group in proactive city-building and community development projects involving various facets of our business to create thriving communities with plenty of employment opportunities.

Our city-building and community development projects are about making Kyushu a place where people will want to live, work, and visit. The reason this is possible is because the JR Kyushu Group has deep roots in the communities and has grown with them. When communities are invigorated, the JR Kyushu Group is invigorated too. Sustainable development of communities leads to sustainable growth of our group.

Creating a model for building cities that promote well-being

City-building initiatives in the western Kyushu area

The Nishi-Kyushu Shinkansen, opened in September 2022, was a catalyst for city-building initiatives in the western Kyushu area. Specific initiatives include the operation of the D&S Train TWO STARS 4047 and the provision of MaaS-related services in the western Kyushu area, the development of the JR Nagasaki Station building, including the Amu Plaza Nagasaki Annex and Nagasaki Marriott Hotel, and URESHINO YADOYA. These initiatives are carried out together with communities to invigorate the western Kyushu area.



<p>Number of people using the Nishi-Kyushu Shinkansen (September 23, 2022 - July 25, 2023)</p> <p>Approx. 6,500/day 102% of FY2019/3 levels</p> <p><small>Notes: Results on the section between Takeo-Onsen and Nagasaki The comparison with FY2019/3 levels is on the same day, for the Kamome limited express on the section between Isahaya and Nagasaki.</small></p>	<p>Nishi-Kyushu Shinkansen revenues (September 23, 2022 - March 31, 2023)</p> <p>¥2.5 billion</p>	<p>Number of people using TWO STARS (September 23, 2022 - July 22, 2023)</p> <p>160/day Boarding efficiency of 92%</p> <p><small>Note: Operates mainly on Fridays, Saturdays, Sundays, Mondays, and holidays, and the capacity of each train (3 cars) is 87 passengers.</small></p>	<p>Occupancy index (difference vs. 2019) (March 2023)</p> <p>Nagasaki 82.9 (+20.5) Ureshino 93.8 (+20.1)</p> <p><small>[Reference]</small> Nationwide 74.6 (+18.7)</p> <p><small>Note: The index is calculated by Kyushu Economic Research Center based on room availability data collected and compiled by lodging reservation sites. Numbers range from 0 to 100, with higher numbers indicating better operators.</small></p>
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Operating the TWO STARS 4047 (new D&S train)
(September 2022)

- Operating on two routes between Takeo-onsen and Nagasaki, this "Western Kyushu sea tour train" makes a circuit around western Kyushu

Japanese-style Inn URESHINO YADOYA
(October 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
(January 2022)

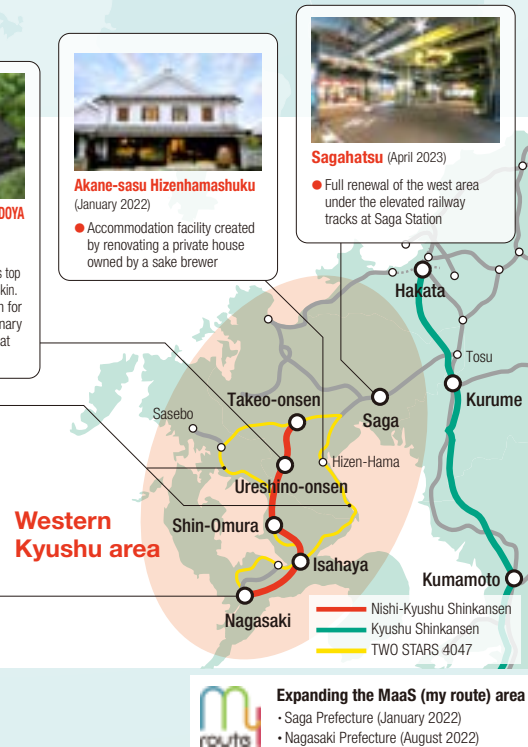
- Accommodation facility created by renovating a private house owned by a sake brewer

Sagahatsu (April 2023)

- Full renewal of the west area under the elevated railway tracks at Saga Station

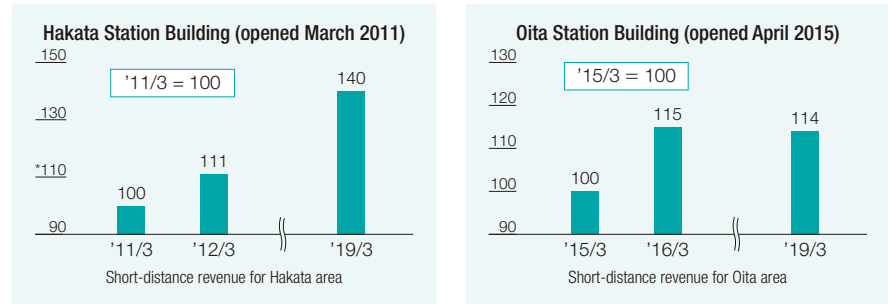
JR Nagasaki Station Building (fall 2023 to early 2024)

- Implementing a multi-faceted development project as the land gateway to Nagasaki, an international tourism city. Includes hotels (Nagasaki Marriott Hotel), commercial facilities, offices, parking lots, etc.
- Implementing environmental burden reduction, infection prevention, introduction of next-generation AI/ICT.



The effect of the opening of the JR Nagasaki Station building based on other station buildings

Economic value: short-distance revenue before and after



Social value

Kumamoto Station building (opened April 2021)

Visitors to Amu Plaza Kumamoto ^{*1}	Working population	Resident population ^{*2}
Approx. 14.38 million	Up approx. 4,800	Up approx. 1,000

*1 As of FY2023/3

*2 Forecast based on number of residents expected to move into our condominiums.

Nagasaki Marriott Hotel (scheduled to open early 2024)

City-building initiatives are underway in the area around Nagasaki Station to transform it into an international tourism city that serves as a land gateway, including the development of a complex that includes hotels, commercial facilities, offices and parking. Nagasaki Marriott Hotel, the first international brand handled by the JR Kyushu Group, is scheduled to be opened in early 2024.

I spent my youth in Nagasaki and it has many memories for me. Going back there about 30 years later has made me really happy. The mission of Nagasaki Marriott Hotel is "Wonderful Nagasaki Hospitality, Always." The opening of this hotel will open the doors for guests visiting from around the world to see what a wonderful destination Nagasaki is, and I am really looking forward to it.



*JR Nagasaki Station Building (Amu Plaza Nagasaki Annex, JR Nagasaki Office Building) is scheduled to open in the fall of 2023.

Creating a model for building cities that promote well-being

Transitioning to BRT for the Hitahikosan Line

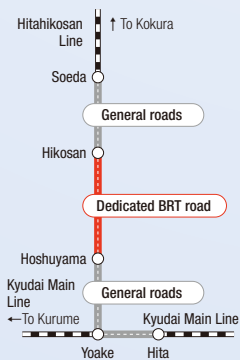
Opening of BRT Hikoboshi Line on the Hitahikosan Line on August 28, 2023

In July 2017, the area of the Hitahikosan Line between Soeda Station and Yoake and Hita Stations was damaged by heavy rain that affected northern Kyushu. This area of the line will reopen as the BRT Hikoboshi Line, a bus rapid transit line, on August 28, 2023.

We are working to build friendly transport facilities close to our passengers, with the aim of developing a BRT system that is kind to people, communities, and the future.

About the BRT on the Hitahikosan Line

The Hitahikosan BRT uses a dedicated road between Hikosan Station and Hoshuyama Station (14.1km). The sections between Soeda Station and Hikosan Station and between Hoshuyama Station and Hita Station use general roads passing through residential areas, providing greater convenience for the community.



Concept

Kind to people, communities, and the future

We want the BRT to be a positive force for customers and communities, an environmentally friendly mode of transport, and the key to a future where communities around our BRT line can live amid abundant greenery.

Nickname

BRT Hikoboshi Line (official name: Hitahikosan Line BRT)

Hikoboshi is the Japanese name for the star Altair, one of the two stars celebrated during Japan's Star Festival (Tanabata). We nicknamed our BRT line this in the hope that it will be a guiding light for the future of the communities around the Hitahikosan Line.

Design

The basic design was created by the team of JR Kyushu employees who are carrying out the construction work, most of whom are young workers. They communicated with members of the community while coming up with the design. Forest green was chosen as the base color to reflect the abundant nature of the area.



Community initiatives

Routes and timetable

We sought feedback from members of the community when setting the timetable for BRT services, including discussion with local governments in the areas around the lines, questionnaires answered by local residents, and interviews with high schools. We have set around 1.5 times as many services as we had when the line was a railway, particularly during the busy morning school commute. We have also set a new route that passes high schools in Hita City for greater convenience.



Events in the areas around the lines

In spring and fall, we hold JR Kyushu Walking events called Hitahikosan Line Connection Walks together with local governments in the areas around the lines to promote those areas. We will also hold a fan walk event along the dedicated road between the time it is completed and the time it opens. We are working together with the community to create engagement in the leadup to the opening.



Workshop at a BRT station

We worked together with local elementary schools to hold a workshop to make benches for the BRT stations. Attendees also colored commemorative wooden medals with the logo, allowing members of the community to be part of the creation of the BRT.



Environmentally friendly initiatives

Through a joint project with the Fukuoka prefectural government and Commercial Japan Partnership Technologies Corporation, we are planning test driving of minibuses with fuel cells powered by hydrogen, the next generation of clean energy. As a transport company that strives to be environmentally friendly through initiatives such as the BRT Hikoboshi Line, we are working on the preparations together with the local governments and other organizations that are involved.



A new transport model for communities

In the leadup to the opening, we conducted a questionnaire for residents in the areas around the lines to find out what they wanted from the BRT. We found that many respondents wanted more bus stops in locations that were convenient for parts of their daily life like going to the doctor, going to school or going shopping.

We increased the BRT stations (stops) outside community buildings such as medical facilities, commercial facilities and schools to give community members direct connections to their destination from near their homes and provide services that make use of the characteristics of the BRT.

We want the BRT Hikoboshi Line on the Hitahikosan Line to provide a new transport model that invigorates local communities.



Hitomi Ueno Sub-leader
Hiroki Matsumoto General Manager
Yuhei Nishira Group Leader
 BRT Design Project, Planning Section, Marketing and Sales Department, Railway Operations Headquarters

Creating a model for building cities that promote well-being

Kyushu DREAM STATION


We are carrying out initiatives to find business partners for the Kyushu DREAM STATION Project, where they can utilize JR Kyushu's stations (buildings and grounds) and lines (businesses involving trains, branding of sections of lines, etc.) to bring their dreams and wishes to life and work together with us to create engagement, both with their own business and our stations and the surrounding communities. Businesses that make a general application for this project are designated as Engagement Partners and work together with us to invigorate local communities.

We aim to put in the hard work together with business who share our passion for contributing to community engagement and create businesses that invigorate local communities, guided by the flexible thinking and ideas of the businesses.

In the first round of applications in the fiscal year ended March 2023, we designated four businesses as Engagement Partners, and have been conducting discussions with them to create engagement at each station.


Nagayo Station (Nagasaki Prefecture)

- Partial contracting of operations in Nagayo Station grounds
- Planning and execution of exhibitions, product sales events, etc. through a job-seeking support service at the community hall




Aoshima Station (Miyazaki Prefecture)

- Projects to promote tourism in the Aoshima area with Aoshima Station as a starting point




Misumi Station (Kumamoto Prefecture)

- City-building initiatives throughout an area encompassing not only Misumi Station but also the Misumi-higashi Port



Kirishimajingu Station (Kagoshima Prefecture)


- Renovation of interior of Kirishimajingu Station building
- Creation of "tea room" (restaurant) in the station



IFOO Co., Ltd.

- Overseeing the design of a new D&S Train scheduled to commence operation in spring 2024
- This company was selected as the designer because it places importance on community ties, is working on various projects with community roots, and shares our vision for our D&S Trains.

Several decades after I left Kirishimajingu, where I grew up, I had the opportunity to go back to Kirishimajingu Station. The streets were full of memories; there are so many things that will never change and scenes I'll never forget. As I walked around consumed by those feelings, an old woman I used to know called out to me in our local dialect, "Hideki, come back home!" Those few words were so encouraging to me. I want to work together with the community to create engagement in a shared effort between the station and the surrounding area. It was this that inspired me to enter. I was given the opportunity to design a D&S Train because I shared the same vision for coexistence with the local community. I will do my best to fulfill the mission of this project and design a train that reflects JR Kyushu's vision for its D&S Trains, along with the diversity of the community.



Hideki Hachiman
Representative Director and President
IFOO Co., Ltd.

Contributing to communities and increasing the value of local brands through M&A, etc.

Thus far, the JR Kyushu Group has carried out M&A to maximize synergies with our existing businesses, promote tourism in Kyushu and generate demand for our railway with the aim of finding opportunities for profit and expanding our business domain.

In April 2021, we established specialized regional funds called JR Kyushu Corporate Investment LLC. The fund invests in Kyushu-based companies that provide products and services with community roots and supports business continuity and further growth of the companies it invests in to drive the development and growth of communities.

Through initiatives like these, we will work to maintain local jobs and improve the value of local brands accelerating initiatives to invigorate Kyushu and contribute to the sustained development of Kyushu.

M&A by the JR Kyushu Group

Manbou Corp.

In December 2019, we acquired Manbou Corp., a company that started as a squid siu mai dumpling vendor



and now operates Japan's first undersea restaurant in Karatsu City, Saga Prefecture, as a group company. The company's results have remained strong since joining the JR Kyushu Group as a result of measures such as expanding sales routes such as online sales. We will continue developing this business while staying true to the products and brand strength that Manbou has built, to develop local food culture and further tourism.

Fujibambi Co.,Ltd.

In June 2023, we acquired Fujibambi Co.,Ltd., which produces and sells sweets such as black sugar donut sticks in Kumamoto City, Kumamoto Prefecture, as a Group company. We will continue working on initiatives such as development of new products and expansion of sales routes, making use of Fujibambi's product brands and the JR Kyushu Group's customer contact points, to contribute to greater engagement in Kyushu.



Industries of recent M&A

- Accommodation facility management
- Construction machinery sales
- Construction machinery rentals
- Contracted system development and temporary staffing
- Electrical construction
- Production and sale of processed seafood products, restaurant management
- Sweet sales
- Switchboard, communication wiring board and signage production
- Japanese barbecue restaurant management, meat wholesaling
- Production and sales of metal fittings for construction
- System development, installation and maintenance
- Transportation of heavy goods and precision machinery
- Sweet sales and production

*M&A from FY2016/3 onwards. Includes M&A by Group companies



Oyama Yumekobo, Inc.



Caterpillar Kyushu Ltd.



Nurubon Inc.



Implementing Corporate ESG

The JR Kyushu Group's Corporate ESG



The JR Kyushu Group's Corporate ESG

Principles of our corporate ESG

The JR Kyushu Group aims to be a corporate group that will invigorate Kyushu and transmit Kyushu vitality to the rest of Japan and Asia. Our vision of what we aim to be is a guideline for our mission to contribute to a sustainable society by pursuing long-term, sustainable value.

The JR Kyushu Group uses the Japanese word *okonai* for its three pillars. This word means “conduct” or “actions”, and it refers to what we must do as a corporate group. Our three *okonai* are “Integrity”, “Growth and Evolution,” and “Local Community Invigoration”. These are standards that every employee must follow in order to achieve what we aim to be, and all of our employees take these very seriously. We bring the *okonai* that have served us for all these years to our initiatives to solve material issues.

We disclose information from the four perspectives of our information disclosure framework based on TCFD recommendations: governance, strategies, risk management, and metrics and targets.

Governance	Strategies	Risk management	Metrics and targets
<ul style="list-style-type: none"> Establishment of ESG Strategy Committee Reporting to Board of Directors 	<ul style="list-style-type: none"> Identifying material issues Identifying the risks and opportunities of our material issues 	<ul style="list-style-type: none"> Planning, formulation and progress management of measures by ESG Strategy Committee chaired by President 	<ul style="list-style-type: none"> Establishment of non-financial KPIs

Governance

In 2019, we opened our specialist ESG Promotion Office and established our ESG Strategy Committee, led by our president, to strengthen and further implement initiatives in various areas of ESG. Our ESG Strategy Committee positions corporate ESG as a company-wide issue and decides on how to strengthen and further implement initiatives related to each environmental, social, and governance element. Matters determined by the committee are reported to the Board of Directors when necessary.

In the fiscal year ended March 2023, the ESG Strategy Committee discussed the risks and opportunities of our material issues and the state of information disclosure about human capital.

To further promote corporate ESG, an Outside Director who is knowledgeable about ESG attends ESG Strategy Committee meetings as an observer.

Framework for implementing corporate ESG



Organization	Chairperson	Number of meetings held (As of the fiscal year ended March 31, 2023)
ESG Strategy Committee	President and CEO	3
Members		
Committee Members: Director General of Corporate Planning Headquarters, Director General of Railway Operations Headquarters, Deputy Director General of Railway Operations Headquarters, Director General of Business Development Headquarters, Deputy Director General of Business Development Headquarters, Corporate Officer in charge of Public Relations Dept., Corporate Officer in charge of Administration Dept., Corporate Officer in charge of Human Resources Dept., Corporate Officer in charge of Finance & Accounting Dept., Regional Office Managers, General Manager of Strategy Management Dept.		
Observer: Outside Director Office: ESG Promotion Office		

Main issues

Formulation of strategies and disclosure of information	Environment	Social and Governance
<ul style="list-style-type: none"> Editing policies for Integrated Report Disclosure of non-financial information Responding to ESG survey Opinions from ESG investors, etc. 	<ul style="list-style-type: none"> Expansion of TCFD scenario analysis (analysis of 1.5°C scenario, disclosure of financial impact) Initiatives for the realization of a de-carbonized society ESG financing 	<ul style="list-style-type: none"> Future human rights initiatives Human capital disclosure measures Corporate ethics initiatives

Strategies — Identifying material issues, risks and opportunities —

We defined material issues as points that the JR Kyushu Group must focus on at all times.

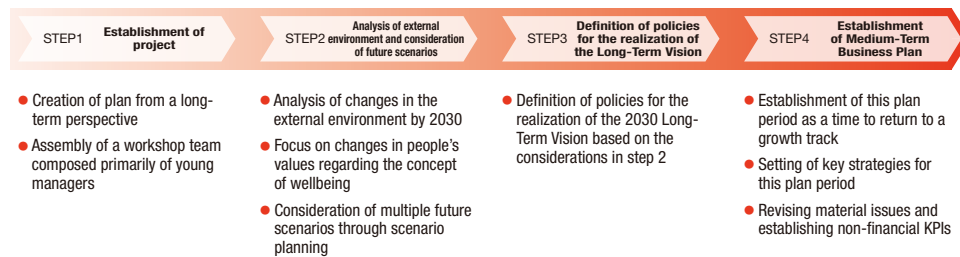
In the formulation of the JR Kyushu Group Medium-Term Business Plan 2022-2024, based on the specific policies for the realization of the 2030 Long-Term Vision, we re-established our material issues and established non-financial KPIs associated with the material issues.

Based on the establishment of our material issues, we identified the risks and opportunities of each material issue. We believe that it is important to accurately identify the risks and opportunities of these material issues and reflect these in our management.

Refer to our Data Section for details on risk factors.

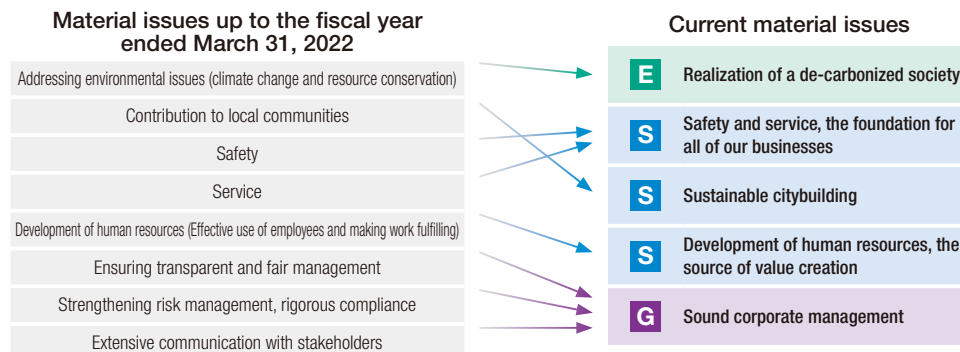
P.89 Details on risk factors

Process for establishment of Medium-Term Business Plan and revision of material issues



See our website for details. <https://www.jrkyushu.co.jp/company/esg/management/>

Revision of material issues



Risk management

Our ESG Strategy Committee, chaired by the President and CEO of the Group, checks the current state of initiatives to address our material issues and the progress on our non-financial KPIs, and discusses matters such as ESG trends and issues. Matters are reported to the Board of Directors when necessary.

Metrics and targets

To realize the 2030 Long-Term Vision, we have set non-financial KPIs. Refer to "Material issues" in "Value Creation Story" for details on our non-financial KPIs and current progress.

P.7 Material issues

Main opinions from our directors about material issues and non-financial KPIs

- The material issues have been streamlined and are easy to understand. The processes that have been discussed by parties such as the ESG Strategy Committee are important.
- It's good that non-financial KPIs were included too, as these are also issues.
- In terms of enhancing communication with stakeholders, relationships with local communities are important. It's important that both sides are continually working to build relationships.



Risks and opportunities of our material issues

Refer to “Material issues” “Value Creation Story” for details on our non-financial KPIs and current progress.

P.7 Material issues

Material issues (points that the JR Kyushu Group focuses on at all times)	Principles of our material issues	Main risks	Main opportunities
E Realization of a de-carbonized society	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 support the realization of a de-carbonized society, we are aiming for net zero CO ₂ emissions by 2050.	<ul style="list-style-type: none"> ● Increase in procurement costs for energy, etc. ● Increased frequency/severity of damage to railway facilities by natural disasters 	<ul style="list-style-type: none"> ● Securing business opportunities related to the environment, expansion of scope of contribution ● Increasing competitiveness as a business with superior environmental performance
S Safety and service, the foundation for all of our businesses	Safety and service is the foundation for all of our businesses, and remains as important as ever. The starting point of everything we do is providing our customers and other stakeholders with peace of mind and earning their trust.	<ul style="list-style-type: none"> ● Accidents causing passenger fatalities or injuries, occupational accidents causing fatalities to employees, etc. ● Loss of trust and social sanctions due to accidents, etc. 	<ul style="list-style-type: none"> ● Establishment of JR Kyushu Group brand by gaining trust from stakeholders
S Sustainable city-building	Our city-building and community development projects are about making Kyushu a place where people will want to live, work, and visit. The reason this is possible is because the JR Kyushu Group has deep roots in the communities and has grown with them. In addition to implementing city-building initiatives for the realization of well-being for people that reflect the changes we have seen in our external environment and people's values, we will make use of the strengths we have built in our existing businesses to expand areas we work in that contribute to the sustainable development of Kyushu.	<ul style="list-style-type: none"> ● Population decrease due to declining birthrate and aging population, etc. ● Decrease in resident populations due to loss of appeal of areas around railway lines ● Decline of regional economies due to intensifying competition between cities ● Mismatch between customers' needs and the value we provide 	<ul style="list-style-type: none"> ● Formation of communities around terminal stations, increase in resident populations through improvement of convenience in day-to-day life in areas around railway lines ● Invigoration of regional economies through attraction of new companies by local governments, etc. ● Realization of well-being, with consideration for changes in values
S Development of human resources, the source of value creation	It is our personnel who create the value of our company. In addition to efforts to develop personnel who take the initiative to learn and take on new challenges, we are working to make JR Kyushu a company that is easy and satisfying to work in. Creating an environment where diverse personnel can thrive will further increase the value of the JR Kyushu Group as a company and lead to sustainable growth.	<ul style="list-style-type: none"> ● Decrease in competitiveness and loss of growth opportunities due to shortage of human resources suited to characteristics of businesses ● Loss of human resources due to decrease in engagement 	<ul style="list-style-type: none"> ● Expansion of opportunities to hire diverse human resources ● Creation of innovation and business growth through the advancement of diverse human resources
G Sound corporate management	We strive to achieve highly effective corporate governance to ensure transparency and fairness in our management. We will also work to enhance mutual communication with our stakeholders and build steady, long-standing relationships of trust.	<ul style="list-style-type: none"> ● Loss of social trust and refusal to trade by stakeholders due to incidents such as misconduct ● Weakening of organization due to decrease in awareness about compliance ● Difficulty continuing business due to insufficient corporate governance functions 	<ul style="list-style-type: none"> ● Building of steady long-term trust relationships and expansion of trade with stakeholders through extensive communication



E Environment

For Building a Sustainable Society
Realization of a De-carbonized Society
Other Initiatives (Biodiversity, Resource Recycling, etc.)



For Building a Sustainable Society

Basic Principle and Basic Policies

Good environmental stewardship is essential for ensuring sustainable growth of the JR Kyushu Group. The JR Kyushu Group has established the following Basic Principle and Basic Policies for initiatives to tackle interlinked environmental issues, including climate change adaptation (reduction of CO₂ emissions, etc.), resource recycling (effective use of energy and resources, etc.), and maintaining biodiversity.

Basic Principle

The JR Kyushu Group will implement initiatives for environmental conservation and stewardship in all of its businesses and thereby contribute to the creation of a sustainable society.

Basic Policies

- To realize a de-carbonized society, we will take further measures against climate change, such as efficient energy use and the adoption of new technologies, and strive to maintain biodiversity.
- We will take thorough measures to use limited resources such as water effectively and reduce waste, and endeavor to build a circular society.
- We will endeavor to prevent pollution through measures such as appropriate management and treatment of environmental pollutants.

Information disclosure aligned with TCFD recommendations

In February 2021, we disclosed information aligned with TCFD recommendations. In August 2022, we analyzed the 1.5°C scenario and calculated the financial impacts of some of the qualitative risks that are expected to have the biggest impact and for which we have parameters for future predictions. We will continue to contribute to the realization of a sustainable society by disclosing information on our governance, strategies, risk management, and metrics and targets according to TCFD recommendations and working on environmental initiatives.

Information disclosure aligned with TCFD recommendations

Governance

The organization's governance of climate risks and opportunities

Strategies

Real and potential impacts of climate risks and opportunities on the business, its strategies and its financial plans.

Risk management

Methods used to identify, assess and manage climate risks

Metrics and targets

Metrics and targets for assessment and management of climate risks and opportunities

* About TCFD: The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) to discuss how to disclose climate-related information and take climate-related measures in financial institutions.

Governance

The JR Kyushu Group has positioned the realization of a de-carbonized society as one of its material issues. Our ESG Strategy Committee carries out measures to address climate change and other environmental issues, including checking that our business activities are conducted in line with our Basic Principle and Basic Policies, setting autonomous targets to solve the issue of climate change and checking the progress of these, and managing climate risks. In addition, when necessary, the Board of Directors receives reports about important matters that have been discussed by the ESG Strategy Committee and provides instructions.

Strategy

1 Climate change-related Risks and Opportunities

The risks associated with climate change are classified as risks related to the transition to a lower-carbon society (transition risks) and physical impacts (physical risks). The following is a review of the impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning for the railway business.

Impacts of climate risks and opportunities on the organization's business, strategies and financial plans.

		Type	Evaluation	Risks	Opportunities
Transition	Policy/ regulation	Increase in carbon tax (increase in carbon prices)	Large	<ul style="list-style-type: none"> (Medium to long term) Energy procurement cost increase Materials procurement cost increase due to rise in price of iron and steel Decrease in sales due to passing of procurement costs on to wages 	<ul style="list-style-type: none"> (Medium to long term) Insignificant influence on energy procurement costs from measures to address trend toward energy saving and de-carbonization
		Regulations related to carbon emissions and the use of fossil fuels	Moderate	<ul style="list-style-type: none"> (Medium to long term) Increase in development/manufacturing costs for rolling stock to address regulations (Long term) Difficulty in operating diesel rolling stock if unable to address regulations 	<ul style="list-style-type: none"> (Medium to long term) Increase in sales accompanying maintenance of environmental superiority of railways resulting from early adoption of de-carbonization
	Market	Change in energy mix Change in energy prices	Large	<ul style="list-style-type: none"> (Medium to long term) Energy procurement cost increase Decrease in sales due to passing of energy procurement costs on to wages 	<ul style="list-style-type: none"> (Medium to long term) Lower costs and higher sales due to introduction/expansion of renewable energy businesses accompanying advances in photo-voltaic power generation and electricity storage technologies
	Technologies	Adoption of next-generation technologies	Large	<ul style="list-style-type: none"> (Medium to long term) Decline in sales due to decrease in environmental superiority of railways resulting from adoption of electric vehicles, etc. Failure of investment in new technologies for environmentally friendly rolling stock, etc. (Long term) Decrease in sales following loss of railway superiority due to adoption of self-driving technologies for automobiles, etc. 	<ul style="list-style-type: none"> (Short to medium term) Lower costs due to adoption of self-driving technologies for railways (Medium to long term) Decrease in costs due to efficient inspection operations accompanying advances in weather forecasting Increase in sales accompanying active use of public transportation due to adoption of MaaS (Long term) Decrease in maintenance costs and increase in environmental superiority due to introduction of next-generation rolling stock, increase in sales due to increased environmental superiority
	Reputation	Changes in customer preferences	Large	<ul style="list-style-type: none"> (Short to medium term) Decline in sales if the environmental superiority of railways decreases, resulting from a shift to alternative means of transportation due to higher environmental consciousness among customers 	<ul style="list-style-type: none"> (Short to medium term) Increase in sales if the environmental superiority of railways is maintained, resulting from a shift to the use of railways due to higher environmental consciousness among customers
		Change in reputation among investors	Small	<ul style="list-style-type: none"> (Short to medium term) Decline in reputation among investors if environmental measures are not considered to be aggressive 	<ul style="list-style-type: none"> (Short to medium term) Attraction of ESG investment due to shift to low-carbon, environmentally friendly businesses
Physical	Acute	Increased frequency/ severity of natural disasters	Large	<ul style="list-style-type: none"> (Short term) Decrease in sales due to disaster recovery cost increases and service suspensions accompanying increased or longer incidents of rain/strong winds (Short to medium term) Influence on business continuity due to supply chain interruption Decline in asset value in regions with high disaster risk 	<ul style="list-style-type: none"> (Medium to long term) Decrease in disaster restoration costs and increase in sales due to operation of a railway business that is disaster resilient
	Chronic	Rise in average atmospheric temperature	Large	<ul style="list-style-type: none"> (Short term) Increase in air-conditioning costs Increase in costs to address heatstroke Increase in costs due to breakdown of electrical equipment and other railway assets and to rail buckling (Short to medium term) Decline in sales due to trend toward refraining from going out 	

2 Scenario Selection

We analyzed the effect of climate change on our railway business, based on 2°C to 4°C scenarios outlined by specialist institutions, such as the IPCC (Intergovernmental Panel on Climate Change) and IEA (International Energy Agency). Additionally, in August 2022, we conducted an analysis reflecting the 1.5°C scenario and calculated the financial impacts of some elements.

Major scenarios used in scenario analysis	
Used primarily to analyze transition risks	IEA: NZE, SDS, STEPS, DRS
Used primarily to analyze physical risks	IPCC: RCP1.9, RCP2.6, RCP8.5

Future prediction parameters related to transition and physical risks based on each scenario^{*1}

Risk	Parameter	Unit	Future prediction parameters (2050)				
			At present	4°C	2°C	1.5°C	
Transition	Increase in carbon tax	Emission coefficient ^{*2}	g-CO ₂ /kWh	463	282	67	-5
		Carbon price ^{*2}	\$/t-CO ₂	-	-	160	250
Physical	Increased frequency/severity of natural disasters ^{*3}	Probability of slope failure ^{*4}	%	10	12		12
		Flood frequency ^{*5}	times	1	4		2

*1 Parameter values are based on partial estimations.

*2 Refer to World Energy Outlook 2020 and World Energy Outlook 2021 (IEA).

*3 The 1.5°C scenario was analyzed using parameters for the 2°C scenario, as sufficient future prediction parameters are not available for the 1.5°C scenario.

*4 Refer to the Climate Change Adaptation Information Platform (A-PLAT).

*5 Refer to Recommendations on water control plans based on climate change (technical review committee on flood control plans based on climate change)

Calculation of increase in financial impact associated with risks, etc.

We calculated the increase in financial impact that is likely to be caused in 2050 by the qualitative risks that are expected to have the biggest impact and for which we have parameters for future predictions.

Transition risks were calculated by estimating emissions in 2050 from emission coefficient predictions for each scenario and multiplying these emission volumes by carbon costs.

For physical risks, we referred to hazard maps provided by the Ministry of Land, Infrastructure, Transport and Tourism, established the risk level for each site (stations, areas between stations, etc.) and estimated the costs likely to be incurred as a result of disasters at each risk level based on past costs. We also calculated increases in facility damage costs that are likely to occur in future based on the likelihood of disasters in each scenario.

Calculations of increase in financial impact in 2050 based on each scenario

Risk	Expectations	Increase in financial impact (billions of yen/year)			
		4°C	2°C	1.5°C	
Transition	Increase in carbon tax	Costs due to introduction of carbon tax based on decrease in emission coefficient	-	+ approx. 1.5	+ approx. 1.0
Physical	Increased frequency/severity of natural disasters	Costs incurred by damage to facilities due to increase in natural disasters	+ approx. 15.0	+ approx. 7.5	

3 Future policies and initiatives

The JR Kyushu Group has established the Road-map toward the realization of a de-carbonized society in the JR Kyushu Group Medium-Term Business Plan 2022-2024 (announced March 2022) based on transition risks and physical risks. In addition to working actively on measures to mitigate these risks, such as reducing our energy consumption and switching to renewable energy, we are also working on adaptive measures such as measures for handling heavy rain. P.40

Risk Management

The Group's ESG Strategy Committee, which is chaired by the President and CEO, plans, formulates, and manages the progress of measures to reduce CO₂ emissions. In addition, to identify and evaluate the influences of climate change on the Group's businesses, we analyze climate change risks and opportunities, and in the ESG Strategy Committee, reports are made at least once per year. In addition, reports are made to the Board of Directors as necessary.

Metrics and Targets

The JR Kyushu Group has announced that it is aiming for net-zero CO₂ emissions by 2050. We have also designated the realization of a de-carbonized society as one of our material issues, and have set non-financial KPIs in the JR Kyushu Group Medium-Term Business Plan 2022-2024, including intermediary goals for 2030.

We will continue working on Groupwide initiatives to reduce CO₂ with the aim of realizing a de-carbonized society. P.7

See our website for details.

<https://www.jrkyushu.co.jp/company/esg/> Information Disclosure Aligned with TCFD Recommendations

Realization of a De-carbonized Society

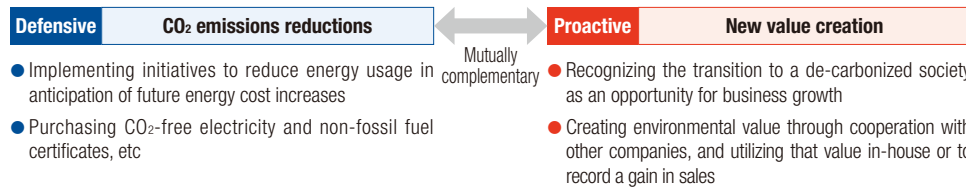
E	Realization of a De-carbonized Society
S	Safety and Service, the Foundation for All of Our Businesses Sustainable City-Building Development of Human Resources, the Source of Value Creation
G	Sound Corporate Management

Toward the realization of a de-carbonized society

The realization of a de-carbonized society was set as a material issue for the Group in the JR Kyushu Group Medium-Term Business Plan 2022-2024. 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.

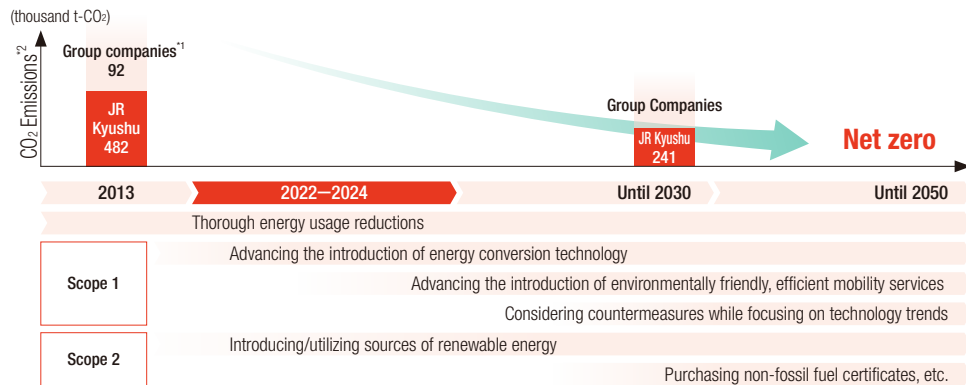
Fundamental approach

Toward the realization of a de-carbonized society, we will work not only from a defensive perspective of simply reducing CO₂ emissions but also from a proactive perspective of positioning the transition to a de-carbonized society as an opportunity for business growth and creating new value. While collaborating with other companies, we will strive to achieve both business growth and enhancement of environmental value.



Road map toward the realization of a de-carbonized society

The JR Kyushu Group has established a road map toward a de-carbonized society in the JR Kyushu Group Medium-Term Business Plan 2022-2024. We will continue to set appropriate milestones and revise our roadmap where necessary, taking into account future trends in technology and economic feasibility.



¹ Aggregate value from periodic reporting stipulated in the Act on Rationalizing Energy Use
² Scope 1 and 2 emissions

Major initiatives during the period of the Medium-Term Business Plan

We will carry out the following initiatives during the period of this Medium-Term Business Plan.

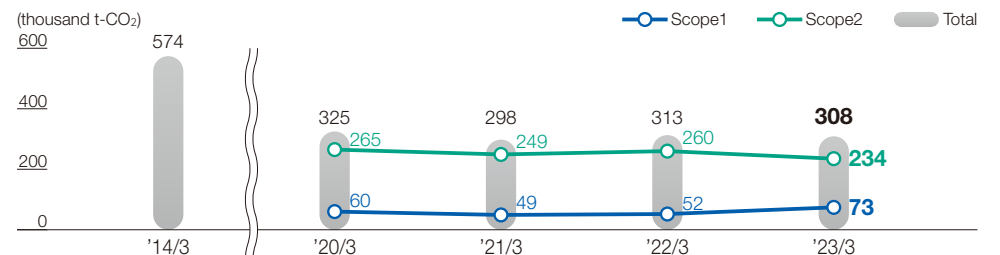
- Proactive**
 - Introducing/utilizing sources of renewable energy
 - Acquiring green building certification for real estate assets
 - Considering the introduction of energy conversion technologies through cooperation with other companies
- Defensive**
 - Implementing energy saving for electricity used in train operations
 - More-efficient, streamlined facilities

Investments that contribute to increasing environmental value

Over the period of this plan, we are planning environment-related investments of approximately ¥60.0 billion. These will be invested in projects/criteria that are eligible for the Green Bond framework that was established in April 2021, energy-saving train cars, and real estate for which we intend to obtain green building certification. We will also consider other investments, such as a renewable energy business.

Green Bond Framework	Eligible project/criteria	Example of eligible project
Clean transportation	Investments related to building, modification, and upgrades of electric and hybrid rolling stock	<ul style="list-style-type: none"> ● Development of new model Shinkansen train cars ● Renovation of 811 series train cars ● YC1 series diesel-electric rolling stock equipped with storage battery
Green buildings	Investments related to the building of real estate around stations and facilities for JR Kyushu for which we intend to obtain green building certification	<ul style="list-style-type: none"> ● New Nagasaki Station building, hotel

The JR Kyushu Group's CO₂ emissions



¹The figures for '14/3 are the total CO₂ emissions
²From '23/3, the scope has been expanded to include all Japanese entities in the Group

Initiatives to introduce sources of renewable energy and conserve energy

JR Kyushu's Scope 2 emissions (emissions created by electric power) account for 80% of the total of our Scope 1 and Scope 2 emissions, so we are working on decarbonization of electricity for net-zero CO₂ emissions by 2050, along with efforts to conserve energy.

● Introduction of company solar energy generation through onsite PPA models

Thus far, we have installed three company solar energy facilities through an onsite PPA model^{*1}. As a result, some of the electricity used at our sites comes from renewable energy, reducing CO₂ emissions. We will expand our company solar energy facilities in future to further reduce our CO₂ emissions.



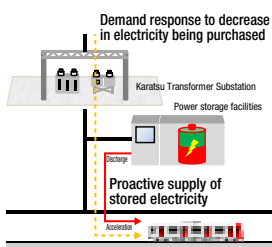
● Development of solar energy facilities using vacant land

We are working together with West Holdings Corp. and Osaka Gas Co., Ltd. to make effective use of vacant land by developing new non-FIT solar energy stations. Thus far, we have developed four areas in this way. (Photo: Katsuno Station, Chikuho Main Line.) The electricity and environmental value that are generated will be purchased by West Holdings and Osaka Gas in the long term, while we purchase a range of renewable energy provided by Osaka Gas, including new non-FIT power sources. This is enabling us to decarbonize facilities such as our stations.



● Demand response using power storage facilities

We have signed a demand response^{*2} agreement with Osaka Gas for the use of power storage facilities (introduced in 2018) to effectively utilize energy generated while trains are stopped. In addition to conventional energy conservation operations, electricity from these facilities is actively discharged during power shortages, reducing the amount of electricity that needs to be purchased and contributing to steadier supply and demand of electricity. This is Japan's first railway demand response initiative using power storage facilities^{*3}.



*1 A system in which a power company installs solar energy equipment on the roof of a customer's building or on their land and supplies electricity to the customer while owning and maintaining the equipment.

*2 Utilization of the customer's ability to adjust their solar power equipment to ensure steady supply and demand of electricity.

*3 According to a study by JR Kyushu.

Acquiring green building certification for real estate assets and company facilities

● JR Kagoshima-Chuo Building

Opened in April 2023, the JR Kagoshima-Chuo Building is a complex of commercial facilities, offices and parking. Its vision is "Building urban facilities and attracting customer traffic suited to the land gateway to Kagoshima." In addition to initiatives to reduce environmental burden by adopting highly efficient equipment and using natural energy sources, the building was designed for ease of use by customers and with consideration for the surrounding environment, earning it CASBEE certification.



● New Employee Training Center building wins Energy Conservation Grand Prize

As our first zero-energy building with user-participating systems for some facilities, our Employee Training Center (completed March 2022) is a building where everyone can see the energy-saving activities that are in place. The activities can be horizontally expanded to school facilities, and it is this contribution to education on energy conservation in particular that won this building the Energy Conservation Grand Prize for FY 2022. The building, including its non-user-participating facilities, uses around 57% less energy than the standard primary energy usage, earning it ZEB Ready certification.



Considerations for the adoption of energy conversion technology in collaboration with other companies

Some of our rolling stock run on diesel. We have already adopted alternatives such as the BEC819 DENCHA, a battery-powered train, and the YC1 Series of diesel-electric rolling stock equipped with a storage battery. Biofuel is also attracting attention as an alternative to diesel.

In April 2022, we conducted a performance test at our Kokura Rolling Stock Center for a single engine running on 100% FAME biofuel made by refining waste oil. We will continue to conduct necessary verifications and tests, including exhaust gas measurement and running tests.



Energy saving for electricity used in train operations

We have adopted many energy-saving trains to save energy used in the operation of our electric trains. These account for 85% of our trains as of March 2023. Initiatives in recent years include the adoption of our 821 Series and the remodeling of our 811 Series. The remodeling of our 811 Series included an upgrade of the driving motors and control devices, a switch to a VVVF control mechanism using energy-efficient SiC hybrid modules, the adoption of regeneration brakes, and a switch to LED lighting in the cabins to reduce our environmental impact.

We have also conducted verification testing to confirm the effects of changing driving operations and air conditioning settings to save energy on some route segments. We will continue expanding elements such as the area of our verification testing to provide comfortable transportation services with less energy.



Other Initiatives

Biodiversity initiatives

The climate and biodiversity are interrelated. We are working on initiatives to preserve biodiversity in addition to our measures against climate change.

Tree planting

In addition to tree planting and forest development activities to provide habitats and rearing environments, we are contributing to waterway improvement, improvement of disaster-proofing functions and preservation of landscapes.

JR Kyushu Kumamoto Branch	Took part in a tree planting activity on Mt. Kimpo (Kumamoto City) run by NPO21 Kumamoto Kimpo-Ariake Environmental Council
JR Kyushu Trading Co., Ltd.	Formed JR Kyushu Trading Mori Yunomae forestry agreement with the municipal government of Yunomae Town in Kumamoto Prefecture, along with local companies and other organizations, from the fiscal year ended March 2020
Caterpillar Kyushu Ltd.	Formed the Caterpillar Forest agreement for forestry creation and maintenance with the Nichinan City government as part of the Miyazaki prefectural government's company forest system
JR Kyushu Electric System Company	Participating in Tori-ga-Saezuru Midori-no-Kairo Tree Planting Events
JR Kyushu Resort Development Co., Ltd	Working on projects led by the Greenery by Golf Group such as greening and environmental conservation in spaces such as public facilities and national parks

Reduction of plastic waste

JR Kyushu Hotels Inc., JR Kyushu Station Hotel Kokura Inc., and JR Kyushu Huis Ten Bosch Hotel Co., Ltd. are introducing amenities made from lightweight materials and biomass materials.



Resource recycling initiatives

The JR Kyushu Group is helping to build a circular society by implementing measures to make effective use of resources through the three Rs: reduce, reuse, recycle.

Company social media page for giving and receiving unwanted items

In the fiscal year ended March 2022, we set up a community social media page for giving and receiving unwanted items. We share information on surplus and unneeded items within the company to reduce costs and make effective use of resources. Around 152 items were listed in the fiscal year ended March 2023, around 88 of which have been put to good use.

Use of water resources

Rolling stock centers such as the Kumamoto Rolling Stock Center for our Shinkansen trains and the Kokura Rolling Stock Center for our conventional trains use large quantities of water for purposes such as washing rolling stock and parts. We are taking measures such as filtering the wastewater at a treatment plant to enable it to be reused as treated wastewater or gray water.

Station building companies such as JR Hakata City Co., Ltd. and JR Nagasaki City Inc. are also reusing rainwater and making effective use of water resources.

Reuse and recycling of uniforms

JR Kyushu began reusing some of its uniforms in 2022. We have also recycled around 2,700kg of worn out uniforms to create new resources.

Management of chemical substances

JR Kyushu appropriately manages and disposes of chemical substances that affect the environment in accordance with the relevant laws.

Measures against CFCs

As CFCs are greenhouse gases, we register any CFCs used at each of our locations and appropriately manage filling and collection volumes when using or disposing of CFCs.

Management of PCB waste

PCBs (polychlorinated biphenyls) were previously used as insulating oils for our rolling stock and electrical facilities, but we have now switched to non-PCB oils by phasing out or redesigning older trains and facilities. Waste from used PCBs is managed according to the relevant laws and regulations. We now use mineral oil as our insulating oil. As equipment without zero PCB certification may contain traces of PCBs in its insulating oil, we are analyzing PCB in the oil, storing the oil appropriately, and successively disposing of it.

Initiatives under the PRTR Act

Chemical substances used in each area of our business, including asbestos and volatile organic compounds (VOCs) such as toluene and xylene, are appropriately treated and managed according to the PRTR Act (Act concerning Pollutant Release and Transfer Register).

Expansion of ESG financing

The JR Kyushu Group is carrying out ESG financing initiatives to solve social issues such as climate change and further accelerate efforts to build a sustainable society.

Activities for the fiscal year ended March 2023 include the establishment of a framework based on the principles of sustainability-linked loans for capital procurement from financial institutions in September 2022. Additionally, in November 2022, we issued ¥25.0 billion in green bonds based on our Green Bond Framework, which has passed third-party evaluations by Sustainalytics and the Rating and Investment Information Center. We also published our annual report on the use of proceeds and the environmental benefits (1 report, December 2022), and we endeavor to ensure transparency about our use of funds through dialog with bond investors.

As a result of initiatives like these, we won the Bronze Award in the Capital Procurement category of the ESG Finance Awards Japan.

We will continue to expand our ESG financing to provide strong support for ESG management, and promote the realization of a de-carbonized society as a major pillar of our sustainability initiatives.



See our website for details.

<https://www.jrkyushu.co.jp/company/esg/>



S Social

Safety and Service, the Foundation for All of Our Businesses

Safety
Service

Development of Human Resources, the Source of Value Creation

Personnel strategy

Human Rights Efforts



Safety and Service, the Foundation for All of Our Businesses — Safety —

- E Realization of a De-carbonized Society
- S **Safety and Service, the Foundation for All of Our Businesses**
Sustainable City-Building
Development of Human Resources, the Source of Value Creation
- G Sound Corporate Management

Fundamental approach

Our unchanging mindset is that safety requires initiative. Every employee approaches our safety improvement initiatives with the fundamental approach of “Safety is the greatest thing we owe to our customers” indicated in our safety principles.

Safety principles

Safety is the greatest thing we owe to our customers.

1. Ensuring safety is based on exact observance of rules and procedures, and is achieved through our continuous effort.
2. Strict checks and thorough communication are the most important elements of ensuring safety.
3. Everyone in every role must work together to ensure safety.
4. If you are unsure what to do, take the safest action.

Safety control structure

With proactive involvement from top management, we have established safety management regulations for the purpose of establishing a safety control structure and maintaining and improving transportation safety. To address natural disasters, we comply with the Japanese government’s Transport Disaster Management Guidelines, appropriately operating a PDCA cycle for safety control and implementing activities such as safety audits and safety checks. We carry out checks of the effectiveness of these initiatives in an ongoing effort to further ensure safety.

Safety promotion committee

Meetings of our Corporate Safety Promotion Committee, led by our president, are held monthly to share safety information and discuss how to prevent railway accidents, hindrances to transportation, and occupational disasters and how to prevent reoccurrence of any incidents that do occur. Matters such as measures and information that are adopted by the committee are disseminated mainly through Safety Promotion Committee meetings held in each department and distribution of video summaries of those meetings. Furthermore, to ensure unified safety practices among the whole of the JR Kyushu Group, these Safety Promotion Committee meetings are attended by persons in charge of safety at JR Kyushu Group companies, and measures and safety-related information that are adopted are disseminated to group companies.

Safety status reports and strengthening of safety control structure in our railway

Quarterly reports are made at Board of Directors meetings about issues such as operational accidents, transportation faults and occupational accidents in our railway business. The appropriateness of safety initiatives and measures to prevent reoccurrence is confirmed, and feedback shared at the meeting is reflected to strengthen the Group’s safety control structure.

Systems to improve safety

The JR Kyushu Group is working on a three-year Medium-Term Safety Plan (2023-2025) to implement measures that ensure the utmost safety at all times.

In this plan, we have established a principle called our “safety formula”: “Safety takes more than knowledge and technologies. If there’s zero enthusiasm, there’s zero safety. If there’s double the enthusiasm, there’s double the safety!” Under this principle, we work to achieve the utmost safety at all times.

Safety formula

(what we know + what we can do) x enthusiasm = safety

- What we know..... Knowledge and experience
- What we can do..... Technologies and capabilities
- Enthusiasm..... Motivation and a sense of responsibility

Safety takes more than knowledge and technologies
If there's zero enthusiasm, there's zero safety
If there's double the enthusiasm, there's double the safety!

Setting targets

We have set the following specific principles and targets to achieve the utmost safety at all times. From April 2023, we added “door misoperation violations” as a new top priority, and are accelerating our initiatives.

Fatalities injuries	Accidents causing passenger fatalities or injuries		Eliminate the root cause 0 cases all year
	Disasters causing fatalities to employees, etc.		
	Three major occupational accidents (collisions, electric shock (high voltage), falls)		
	Accidents in the operation of our railway (for which the JR Kyushu Group is responsible)		
Dangerous accidents and incidents	Incidents		Aim to eliminate 0 cases/year reached
	Incidents requiring instruction (hazardous incidents)		
	Signal violations		
	(Republished) Door misoperation violations		
Inconvenient accidents and incidents	Accidents in the operation of our railway (for which the JR Kyushu Group is not responsible)	Blocked crossing accidents	10
		Accident due to person on track	10
	Faults (transportation faults)	Rolling stock faults	15
		Track faults	0
		Power line faults	0
		Security equipment faults	0
	Incidents requiring instruction (nuisance incidents)		5

Initiatives to accomplish our objectives


Collective efforts to achieve the utmost safety at all times

Top priorities


Initiatives to eliminate signal violations, door handling violations and collision violations

- Further enhancement of systems to improve safety
- Improvement of the overall skills of employees, etc. in ensuring safety
- Prevention of railway accidents, etc.
- Flexible and strong measures to handle dramatic changes in our business environment
- Prevention of accidents involving trains and facilities


Efforts to achieve greater safety through new technologies, etc.




Automated analysis and detection by AI and sensors



Labor saving and improvement of precision through the utilization of video analysis and drones

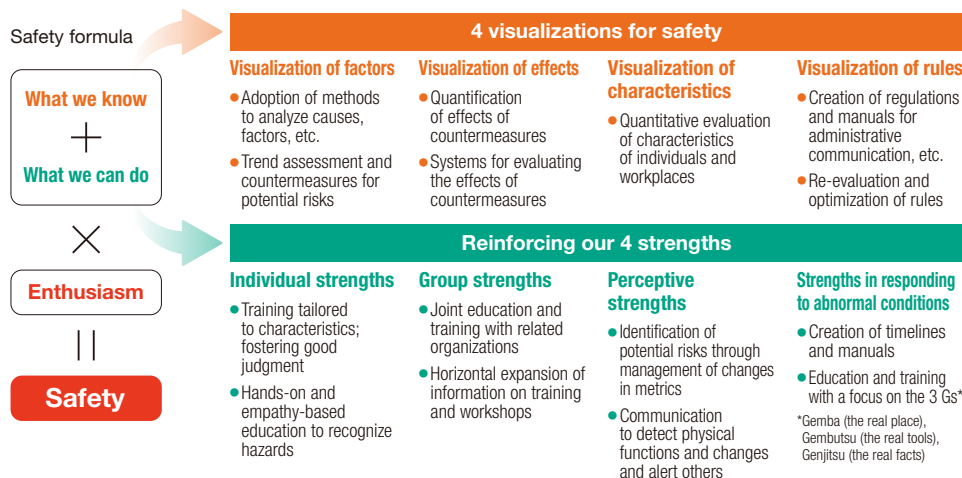


Status monitoring and CBM by systems



Promotion of the development of support equipment using apps

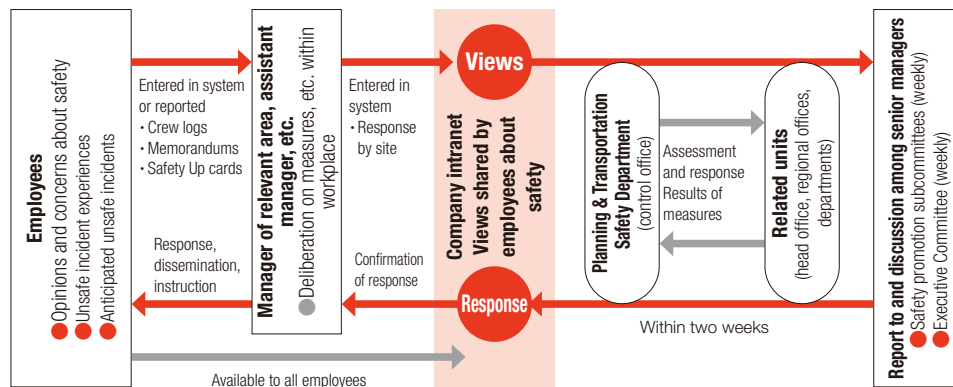
New focuses for initiatives



Views shared by employees about safety

Our system for views shared by employees about safety is used to allow employees to share opinions and concerns about safety, unsafe incident experiences, and unsafe incidents that may occur to prevent accidents and other hazards before they occur. Details and solutions are reported to the Executive Committee within two weeks and information is shared with all employees via our intranet.

Process for views shared by employees about safety



Examples of improvements as a result of views shared by employees about safety

In the fiscal year ended March 2023, we received 10,580 messages with feedback, observations, or details about unsafe incident experiences. 360 of these required measures to be taken, and we have addressed these and/or established policies about measures to be taken.

Examples of improvements

View	Measure
<p>An unused sign pole was found in an inspection of a site near our railway lines. We considered this unsafe as it could become corroded or be blown over by strong wind in future, which could create an obstruction for trains.</p> 	<p>It had previously been set up to show where trains needed to stop, but was no longer needed, so we removed it.</p> 

Strong measures against intensifying environmental issues: measures for disasters caused by heavy rain

In the fiscal year ended March 2023, we carried out work in 6 areas to reinforce sloping areas alongside the tracks that may be affected by heavy rain or typhoons and prevent rockfall and collapse due to deterioration over time.



Before the measures were carried out



After the measures were carried out

Safety award systems


We have various systems to reward workplaces and employees who are actively carrying out safety initiatives such as safety promotion campaigns and soliciting views from employees about safety, and have significantly contributed to preventing accidents and other incidents and ensuring safe and reliable transportation throughout the year.

These award systems foster motivation and initiative among employees, developing personnel who act autonomously to ensure safety.



Safety Creation Grand Prize

— Workplace Category — (Sasebo Engineering Office, Nagasaki Engineering Works)



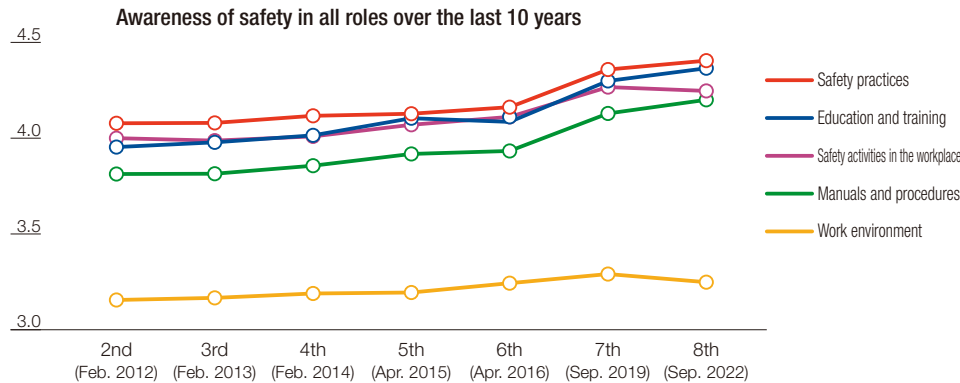
When employees at this workplace saw a member of the public cutting trees next to the tracks, they approached the individual and asked them to stop, explaining that if they got too close to the tracks, they could be hit by a train.

Comment from award-winning workplace

We have focused on two points in our initiatives in our workplaces. The first is “noticing small things”. This means making a conscious effort to notice small things that go undetected when work is performed cursorily. The second is “speaking up about any changes you notice”. We believe that it is important to respond with integrity to observations by our own team and in other workplaces and to understand each other. We aim to continue working to ensure the utmost safety at all times so that our customers can feel safe.

Safety awareness questionnaires

JR Kyushu conducts regular safety awareness questionnaires. The purpose of these questionnaires is to periodically assess understanding and awareness of safety policies based on our transport safety management system and reflect the results in future safety initiatives.



Improvements	Possible contributors	Specific initiatives
Safety practices	Results of amendments to safety principles, safety promotion campaigns, and various education, training, etc.	Take the next step with further initiatives based on policies of Medium-Term Safety Plan and safety promotion campaigns.
Education and training	Extensive education and training	
Manuals and procedures	Amendments of manuals, enhancement of safety patrols, etc. based on real situations	

Regressions	Possible causative factors	Specific initiatives
Safety activities in the workplace, etc.	Insufficient communication during the upheaval caused by COVID-19 means that the principle of "Safety is the foundation of everything" was not properly conveyed	To raise awareness about safety, we set conduct goals for safety promotion campaigns that reflect the fact that safety is the foundation for everything we do and is the greatest thing we owe to our customers.
Work environment	Employees have felt more burdened as measures such as the creation of manuals have progressed	

Initiatives to increase safety by utilizing new technologies, etc.

Adoption and use of smart devices

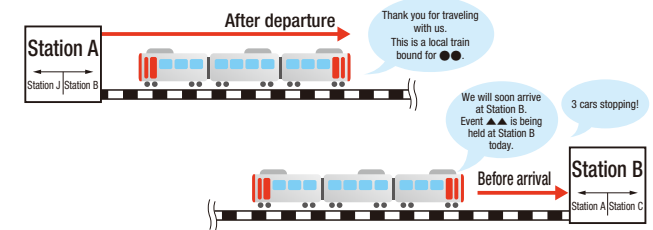
We are working to improve efficiency through measures such as digitalization and operational support using smart devices. All drivers are given smart devices and a driving support app called Shiraseru-kun is used to assist in their driving. Various other apps have been developed to digitalize our operations.

Shiraseru-kun driver support app

This app has various functions that provide support while driving

Driving support

The GPS of the smart device obtains information on the train's location and alerts the driver with an on-screen message and alarm when they are approaching a station where the train needs to stop and the area before each station where they need to slow down to prevent human error by drivers.



Advances in autonomous driving technology

Trains, like other modes of transport, are seeing advances in automated driving technology. We have developed a self-driving train system based on ATS (Automatic Train Stop)-DK. Test driving began in December 2020 in one section of the Kashii Line, and was expanded to the entire Kashii Line in March 2022. We will work toward autonomous driving systems that will be operated by other onboard crew (GOA (Grade of Automation) 2.5) by the fiscal year ending March 2025.

Self-driving train equipment (FS-ATO)

Automation of driving using existing ATS



Features

- Only system used in ATS zone, which encompasses the majority of conventional lines
- Only autonomous driving used in zones with crossings
- First autonomous driving system used on a JR line (as of December 2020)

Results of test driving (end of June 2023)

Total distance driven	382,512 km
Total number of stops	224,847

Process/schedule

December 2020	Test driving started (Saitozaki Station - Kashii Station)
March 2022	Expanded zone and trains used for test driving (entire Kashii Line) Added functions (number of cars, snow removal, economical driving)
March 2023	Expansion of target trains (46%→67%)
End of fiscal year ending March 2025 (target)	Autonomous driving systems that will be operated by other onboard crew

Safety and Service, the Foundation for All of Our Businesses — Service —

- E** Realization of a De-carbonized Society
- S** Safety and Service, the Foundation for All of Our Businesses
Sustainable City-Building
Development of Human Resources, the Source of Value Creation
- G** Sound Corporate Management

Fundamental approach

Since 1991, JR Kyushu has worked to enhance service through a variety of measures. In 2003, we formulated the Service Charter, which employees recite each day and always keep in mind. Since the fiscal year ended March 2008, we have accelerated our initiatives to further promote a corporate culture founded on service. Themes are set for each year's activities for further implementation. From the fiscal year ending March 2024, we will change the themes we have set thus far into pledges. Our service pledge is "We will strive to make JR Kyushu a company that always acts from customers' perspective and is kind to all people," and through this pledge we will focus on acting more passionately to improve service further.

Service Charter

- 1 We are grateful to the customers who select JR Kyushu.
- 2 We listen to customers, think from the customer's perspective, and pursue customer satisfaction.
- 3 We always greet customers with a sense of hospitality and remember that every customer is important.

Listening to customer feedback

We listen to all feedback from passengers to understand what customers are concerned about and what they are not satisfied with. We place the highest importance on responding rapidly to customers' requests.

Initiatives to address customer feedback

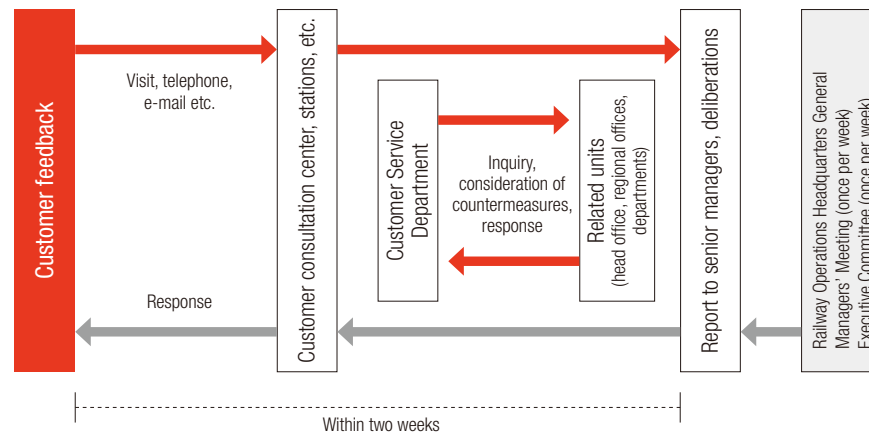
As we mention in our Service Charter, customer feedback is the starting point of our efforts to enhance service. We listen to customer feedback and strive to understand what customers are concerned about and what they are not satisfied with. We place the highest importance on responding rapidly to their requests and on working to enhance service.

In addition to messages received directly from customers, we seek feedback through various

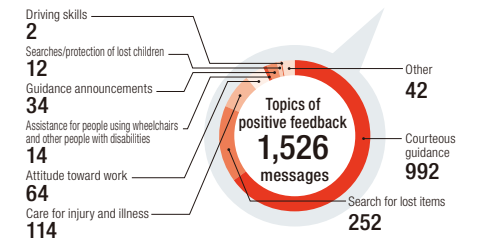
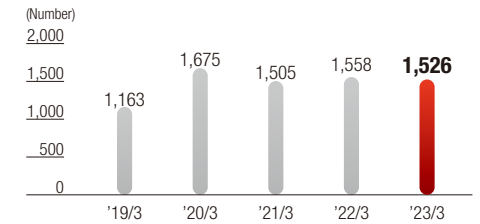
avenues such as online and by phone. In the fiscal year ended March 2023, we received around 13,500 items of customer feedback, including praise, feedback messages and requests. We strive to report feedback to senior managers, deliberate, and provide a response to the customer within two weeks, and to rapidly share and analyze the feedback within the company and apply it to specific improvement measures.

In the event that it is difficult to make improvements immediately, future measures are considered by the Committee to Enhance Our Corporate Culture Founded on Service, which has the president and other related officers as members. In these ways, we are working to enhance service quality.

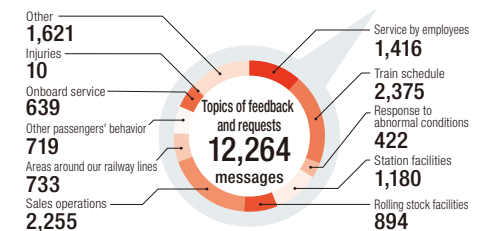
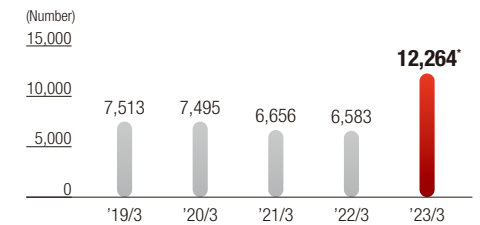
Flow of customer feedback



Number of compliments



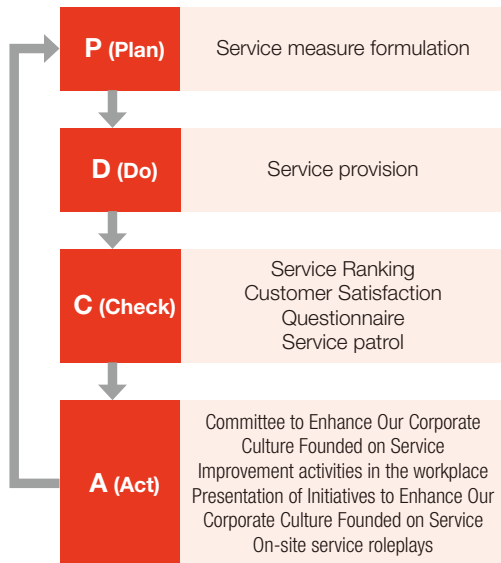
Number of feedback messages and requests



*There was a significant increase in feedback messages in response to the timetable changes in September 2022 and the opening event for the Nishi-Kyushu Shinkansen.

Initiatives to enhance service quality

We are implementing a variety of initiatives to enhance service quality. We periodically obtain the cooperation of customers in answering the Customer Satisfaction Questionnaire, which we use to measure customer satisfaction and to enhance various services based on the content of the evaluations received. We also implement a Service Ranking, which involves formulating evaluation standards for each service and utilizing external research to conduct evaluations. The diagram below shows the flow of initiatives to leverage customer feedback and enhance service quality by carrying out service measures.



Committee to enhance our corporate culture founded on service

To comprehensively consider items related to service at JR Kyushu, we implement improvement activities based on the formulation of service strategies, and advance the establishment of a foundation for the enhancement of service quality, a committee chaired by the president and including general managers and regional office manager among its members meets once per month. Praise and feedback from customers are analyzed and information on initiatives to improve service in each area is shared.

Service ranking

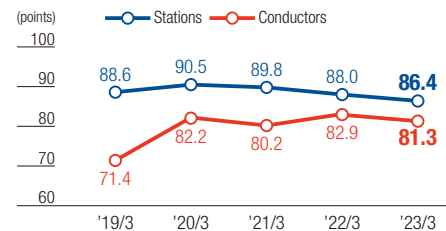
In our station and conductor units, we ask an external surveying organization to conduct a third-party evaluation of our service level once each year.

We then identify issues from the results and carry out initiatives to improve service, or relay the results to sites where there are issues and ask them to make improvements urgently. Excellent practices are rolled out at other sites. We are also quantifying and ranking the results of the surveys. Through this initiative, we are working to enhance awareness of customer reception at each work site and promote active improvement of service. From the fiscal year ended March 2022, we have been providing training based on reflection on service rankings to strengthen weak areas that were identified in the survey results and raise our minimum level of service.

One of the material issues in the JR Kyushu Group Medium-Term Business Plan 2022-2024 is “Safety and service, the foundation for all of our businesses”. “Implementing initiatives to enhance our corporate culture founded on service” is one of our non-financial KPIs: our target is a service ranking of 90 points or higher, and we are striving to further improve service.

In our survey for the fiscal year ended March 2023, we received criticisms in the sections on greetings and facial expressions in interactions with customers. We also found that speech and confirmation-seeking conversations were weak areas. In the fiscal year ending March 2024, we will work to improve our interactions with customers through initiatives to promote cheerful greetings. These will include initiatives to approach customers on a daily basis and initiatives focusing on the cornerstones of service: the 4S, energy, greetings and gratitude.

Trends in service rankings



Initiatives to enhance service quality in each area and work site

Saga Railway Operations Department, the department I run, is in charge of almost all of Saga Prefecture. A service representative’s job is to find out about customers’ feedback and requests and coordinate improvements and instruction with site managers and related units. We respond as quickly as possible to the daily feedback and requests we receive from customers and carry out a process of trial and error on a daily basis to make JR Kyushu a group our customers will enjoy dealing with.

To foster a culture of mutual praise in this department, we proactively give thank-you cards to employees who gave excellent service to a customer or handled an issue well. In particular, employees who have few opportunities to interact with customers during the course of their work have few opportunities to receive thank-you cards, so I am constantly making people conscious of gathering information so that these employees’ actions can be acknowledged. I want to use initiatives like these to increase consciousness of service among all of the employees in this department.



Hiroko Sakai
Service Representative
Senior Station Operator
Saga Railway Operations
Department

Fostering awareness of service

Developing employees who provide excellent service

We are rolling out roleplay-based training for all station and onboard employees based on likely scenarios such as service at the ticket gates and on board trains, as well as situations such as passengers who need to be accompanied and assistance for blind passengers using a cane. A Customer Company Championship is also held for our station and onboard staff, with regional and company-wide competitions. Employees compete to improve customer satisfaction, working on elements such as speech and demeanor. We invite elderly passengers and passengers with disabilities to attend customer support training about the best ways for station and onboard staff to assist passengers who may need help. In the fiscal year ended March 2020, we began awarding qualifications as Service Care-Fitters¹.

Over 313² employees hold this qualification. To ensure a safe, reliable and comfortable experience for customers in future, we will carry out various initiatives in the fiscal year ending March 2024, including training to improve the service mindset of all employees, OJT-specific initiatives so that customer support trainees can be involved in instruction in various workplaces, and a significant expansion of Service Care-Fitter qualifications that employees can obtain.

*1 An employee who learns the spirit of hospitality and assistance techniques for helping the elderly or people with disabilities, and is able to help them while putting them at ease. (Source: Website of The Nippon Care-Fit Education Institute.)

*2 As of March 31, 2023

Examples of training in FY2023/3

Name of training	Number of participants	Overview
Customer reception seminar	Approx. 50 people	This training aims to enhance guidance and customer service abilities. Participants learn how to ensure that the type of service that is necessary on the front lines is well established in worksites, and they acquire know-how about responding to feedback from customers.
Customer Support training	Approx. 80 people	To enable customers with physical disabilities and elderly customers to use stations and trains with peace of mind, this training aims to have employees on the front lines (station employees, train crew members, etc.) learn about new accessibility laws and regulations and acquire knowledge and skills related to appropriate support, and then apply this training in each workplace.
E-learning	All employees	This training aims to deepen understanding of "Toward a Corporate Culture Founded on Service 2022".
Training for the Service Care-Fitters qualification	Approx. 60 people	Employees seek to qualify through learning the techniques and hospitality necessary to make train travel stress-free for elderly passengers and passengers with disabilities.

Initiatives to enhance a culture of mutual praise

We believe that through praise we can draw out the motivation and independence of employees, recognize each other's contributions, and, in doing so, further enhance service based on the added value created by each employee. We are implementing a range of activities on that basis. Specifically, we have established a variety of recognition systems for employees who have received compliments from customers.

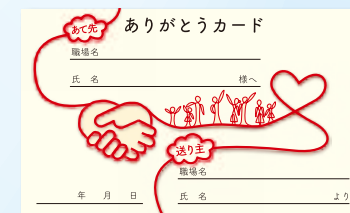
We will use the excellent initiatives of award winners as a reference in ongoing work to share information to facilitate the provision of services that are aligned with the sentiments of customers.

Examples of initiatives to create a culture of mutual praise

- Thank-you cards are used as a way for employees to express gratitude to each other
- Employees who have provided outstanding service and received messages of gratitude from customers and colleagues are recognized each month with awards
- All employees are told about particularly outstanding praise and thank-you cards that employees have received
- A Service Round-Table Discussion is held twice a year, where employees who have received awards exchange opinions with the President and the general manager of the Customer Service Department
- We recognize employees who have provided especially superior service through the Service of the Year Awards

Our thank-you cards

Our thank-you cards are a tool for employees to praise a colleague whom they saw providing excellent service to a customer, who took a measure or lent a hand to improve service, or who helped to handle an unusual situation, etc. We believe that praising each other encourages employees to recognize each other's contributions and makes employees' work more fulfilling. Around 59,000 thank-you cards were sent in the fiscal year ended March 2023.



Service of the Year Awards

Development of Human Resources, the Source of Value Creation

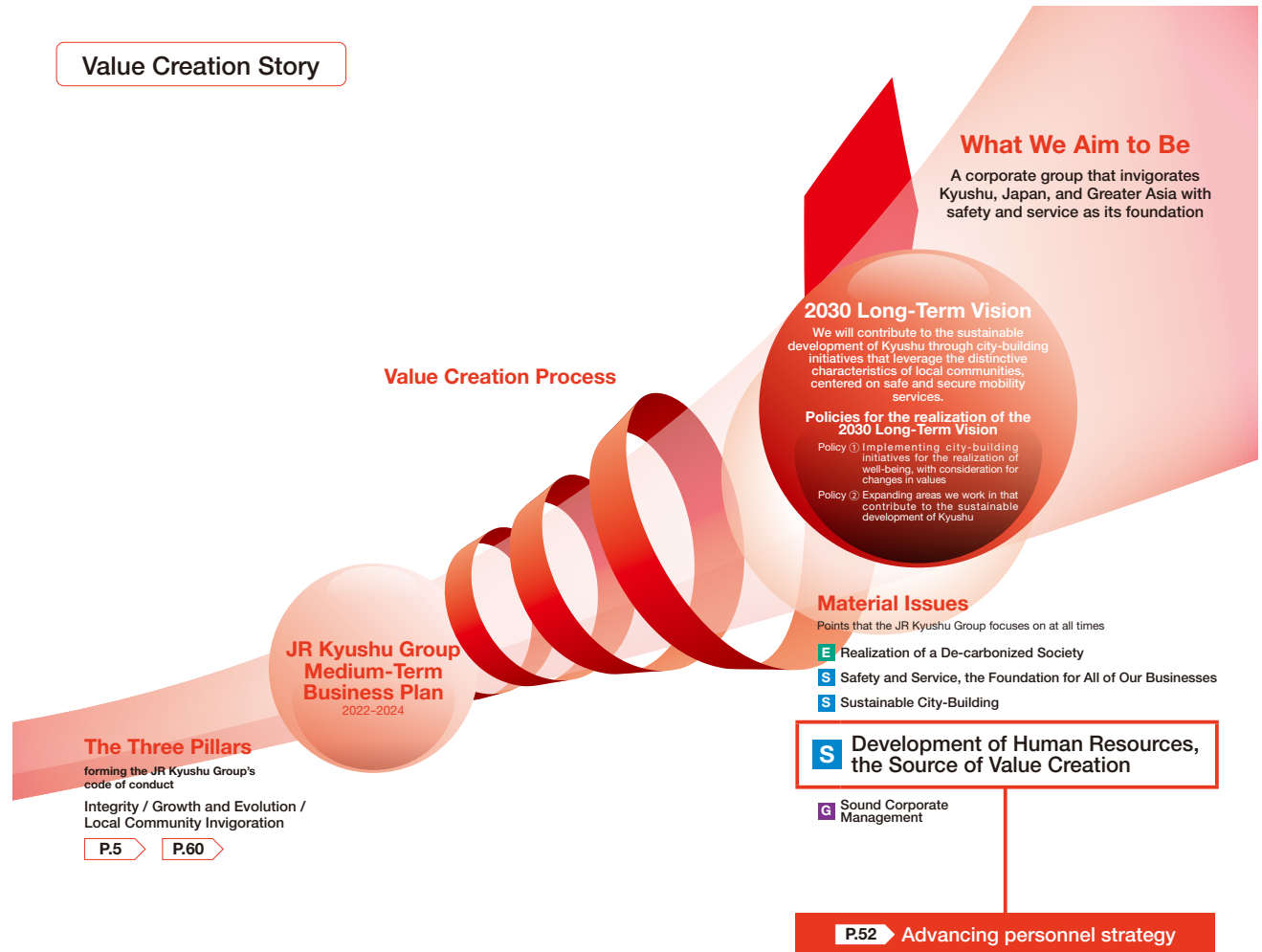
- E Realization of a De-carbonized Society
- S Safety and Service, the Foundation for All of Our Businesses
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Fundamental approach

It is our personnel who create the value of the JR Kyushu Group. In addition to efforts to develop personnel who take the initiative to learn and take on new challenges, we are working to make JR Kyushu a company that is easy and satisfying to work in. Creating an environment where diverse personnel can thrive will further increase the value of the JR Kyushu Group as a company and lead to sustainable growth.

With the formulation of JR Kyushu Group Medium-Term Business Plan 2022-2024, we defined policies for the realization of the 2030 Long-Term Vision using a scenario planning method based on changes in our external environment. We recognize that developing human resources for the implementation and realization of strategies will be important in order to realize our Long-Term Vision, and so we have set "Development of Human Resources, the Source of Value Creation" as one of our material issues.

Major changes are taking place not only in our management strategies and business model but in the labor market and environment surrounding our personnel, and we need to formulate and execute a personnel strategy suited to these new conditions. With that said, our three pillars are concepts that each and every employee of the JR Kyushu Group should keep in mind and use as a touchstone in all of our business operations. They are practices that the JR Kyushu Group will always need to take seriously, and they embody our corporate culture.



Development of Human Resources, the Source of Value Creation —Personnel strategy—

Advancing personnel strategy

We recognize that developing human resources for the implementation and realization of strategies will be important in order to realize our 2030 Long-Term Vision, and so we have set “Development of Human Resources, the Source of Value Creation” as one of our material issues.

We have established two Basic Policies and four Pillars for our new personnel strategy, and have set KPIs for each of them.

Governance

“Development of Human Resources, the Source of Value Creation” is one of the JR Kyushu Group’s material issues. The JR Kyushu Group Medium-Term Business Plan 2022-2024 commenced in April 2022, and we have had many discussions about a personnel strategy linked to our management strategies. In April 2023, we established a Human Resources Strategy Committee chaired by the President and CEO to serve as a body for ongoing discussion of our personnel strategy from the perspective of strengthening governance.

Our Human Resources Strategy Committee will formulate various human resources plans and check the progress of human resources initiatives.

In addition, when necessary, the Board of Directors receives reports about important matters that have been discussed by the Human Resources Strategy Committee and provides instructions.



Strategies

From April 2022, after a series of discussions about our wage system and other elements of our personnel strategy, we established the two Basic Policies and four Pillars of our personnel strategy.

P.53 Personnel strategy linked to our management strategies

- STEP 1**
 - Monthly meetings of the Human Resources Strategy Committee, chaired by the President and CEO, were held for a year from April 2022
 - Our Corporate Officers took a trip together to discuss the personnel strategy, emulating the training camps that are common for Japanese athletes
- STEP 2**
 - Exchanges of opinions about human resources were held between employees and management
 - External stakeholders were interviewed about our personnel strategy to confirm the direction of the strategy and its connection to our management strategies
- STEP 3**
 - The personnel strategy was discussed by the Board of Directors (total of 2 meetings) and opinions from various perspectives were reflected before final approval was given

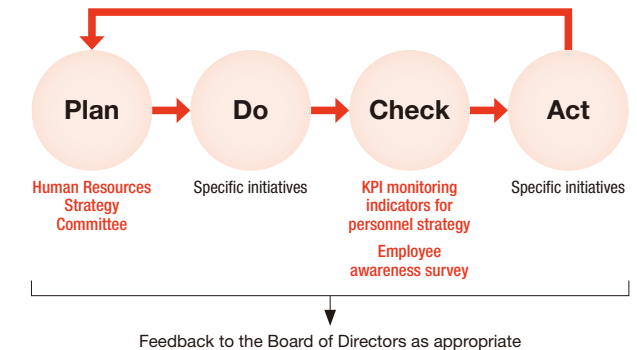
Comments at Board of Directors meetings

- “I think the most important thing is the nature of JR Kyushu’s presence in society, so that needs to be fully conveyed to employees.”
- “I think it is good that you established the Human Resources Strategy Committee and deliberations are progressing quickly. I want you to make sure motivation on sites really increases.”
- “What’s important is how you convey to each employee that JR Kyushu has a vision of ‘What we aim to be’ and that people are management’s greatest asset; how you can increase engagement; and how you build the systems to do so.”

Risk management

Our Human Resources Strategy Committee, chaired by our President and CEO, will formulate various human resources plans and check the progress on KPIs.

It will also take action to increase the effectiveness of our personnel strategy through flexible responses such as revising specific measures based on factors such as changes in our environment and the awareness and progress of various measures. Matters that are discussed are also reported to the Board of Directors when necessary.

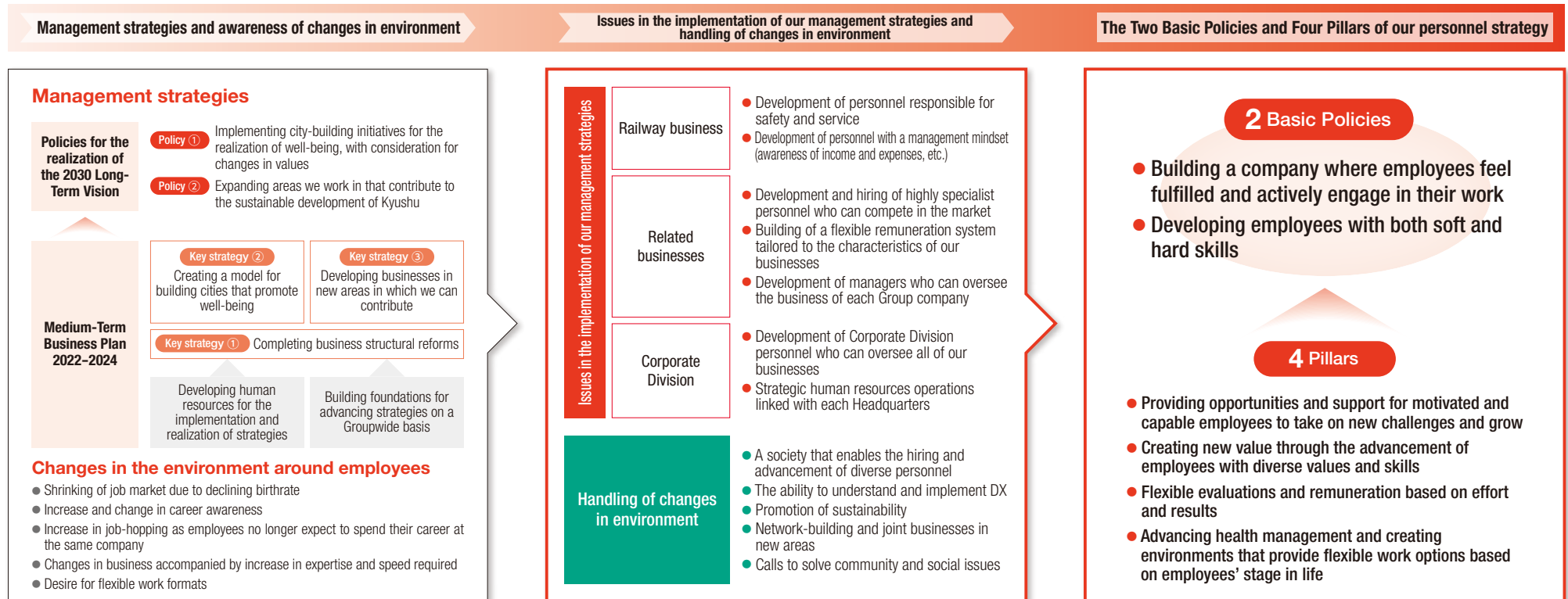


Metrics and targets

We have defined two Basic Policies and four Pillars for our new personnel strategy linked to our management strategies. To further increase the effectiveness of our personnel strategy, we have added some KPIs related to human resources in the JR Kyushu Group Medium-Term Business Plan 2022-2024.

P.59 Setting of new KPIs

Personnel strategy linked to our management strategies



2030 Long-Term Vision and JR Kyushu Group Medium-Term Business Plan 2022-2024

- Two policies formulated for the realization of the 2030 Long-Term Vision
- “Return to a growth track” set as the objective of the Medium-Term Business Plan, with three key strategies.

Changes in the environment around employees

- We are aware that major changes are taking place in the environment around companies and individuals, such as changes in the job market as a result of the declining birthrate, and changes in the state of society and individuals’ values and awareness, and these will happen at an increasingly rapid pace in future

P.17 Policies for the realization of the 2030 Long-Term Vision

P.18 JR Kyushu Group Medium-Term Business Plan 2022-2024

To realize our 2030 Long-Term Vision, we will work to provide safe and reliable transportation services in our railway business, as well as utilizing elements such as digital technologies for future railways to bring about advances in mobility. In related businesses, we will work on city-building initiatives in the areas around railway lines and in suburban areas to accommodate diversifying lifestyles, and will create new businesses that will serve as pillars of the Group. In our Corporate Division, we will work to maximize the collective strengths of the Group to make key investments in growth businesses and build a strong management base, as well as driving digitalization.

- Current issues in human resources are reassessed and particularly critical issues in our railway business, related businesses and Corporate Division are identified
- Additionally, responses to wider social shifts are discussed, such as understanding and implementing DX as an organization and promoting sustainability

We have established two Basic Policies and four Pillars for our new personnel strategy.

We believe that the future of this company depends on whether employees feel fulfilled and actively engage in their work and whether they can grow through opportunities for new challenges in areas such as their work and training, so we have set these as the two Basic Policies of our personnel strategy. We also redefined the knowledge and skills required to execute our management strategies. We have classified these as soft skills and hard skills. Soft skills are elements of personal character that we want our employees to value, such as integrity, a desire to improve, and tolerance for others. Hard skills are the skills that employees need in order to complete their work, such as the ability to identify issues, come up with ideas and execute tasks. We believe that these skills underpin the company and will enable us to become “What we aim to be”.

P.54-58 The four Pillars and specific initiatives

P.59 Setting of new KPIs

Providing opportunities and support for motivated and capable employees to take on new challenges and grow
 — Set goals and take on all kinds of challenges in order to grow! —



Issues and approaches

To make work fulfilling for our employees and develop their soft and hard skills, it is important to provide opportunities and support for motivated and capable employees to take on new challenges and grow. As we have formulated our human resources strategies thus far, we have discussed the need to rebuild our education framework and tailor it to each business and class in order to achieve our Long-Term Vision, and the importance of making all the necessary investments in the employees who will implement and realize our strategies. From the fiscal year ending March 2024, we will expand the career support and opportunities to learn and take on challenges that we offer to our employees. Additionally, where information on various personnel used to be managed individually, it will now be managed collectively to further visualize each employee's experience, skills and education so that this information can be utilized for purposes such as staffing to facilitate the advancement of employees and the growth of the company.

Related non-financial KPIs	
Attendance of safety education and training (up to fiscal year ending March 2031)	100% every year
Acquisition of Service Care-Fitters qualifications (fiscal year ending March 2026)	All managers in the railway business
Registration in various proposal systems (up to fiscal year ending March 2031)	2.5 or more registrations per employee each year
Development of employees skilled in digital technologies (fiscal year ending March 2025)	500 people or more
Participation in external distance learning (up to fiscal year ending March 2025)	500 people or more per year

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

Specific initiatives

1 New training encouraging employees to set goals and think about their careers

From the fiscal year ending March 2024, we will establish Career Design Training: Thinking About the Value of Our Own Work and Increasing Fulfillment (Job Satisfaction). This initiative will give employees greater fulfillment in their work and an opportunity to think about the next stages of their career. The purpose of this initiative is for employees to further reflect on and understand elements such as the social significance of our businesses, fully understand the significance and value of their own work, and map out a future vision for their career to gain a greater sense of fulfillment. The details of the training are shared with employees' supervisors so that it can be reflected in their daily work and self-study and supervisors can track employees' progress and support them in the building of their careers.

2 Expansion of training by position and external study programs to improve soft and hard skills

Training by position, such as training for new employees, training for managers and training for new managers, is carried out to provide employees with training tailored to each stage of their growth. Through this training, employees learn skills such as active communication and management methods. From the fiscal year ending March 2024, we will add senior management development training to provide early development for senior managers. This training will provide further development for the management who carry out our business and improve their soft and hard skills.

So that every employee has a goal for further learning, we have various other programs including external distance learning, training videos, language training, and external study programs such

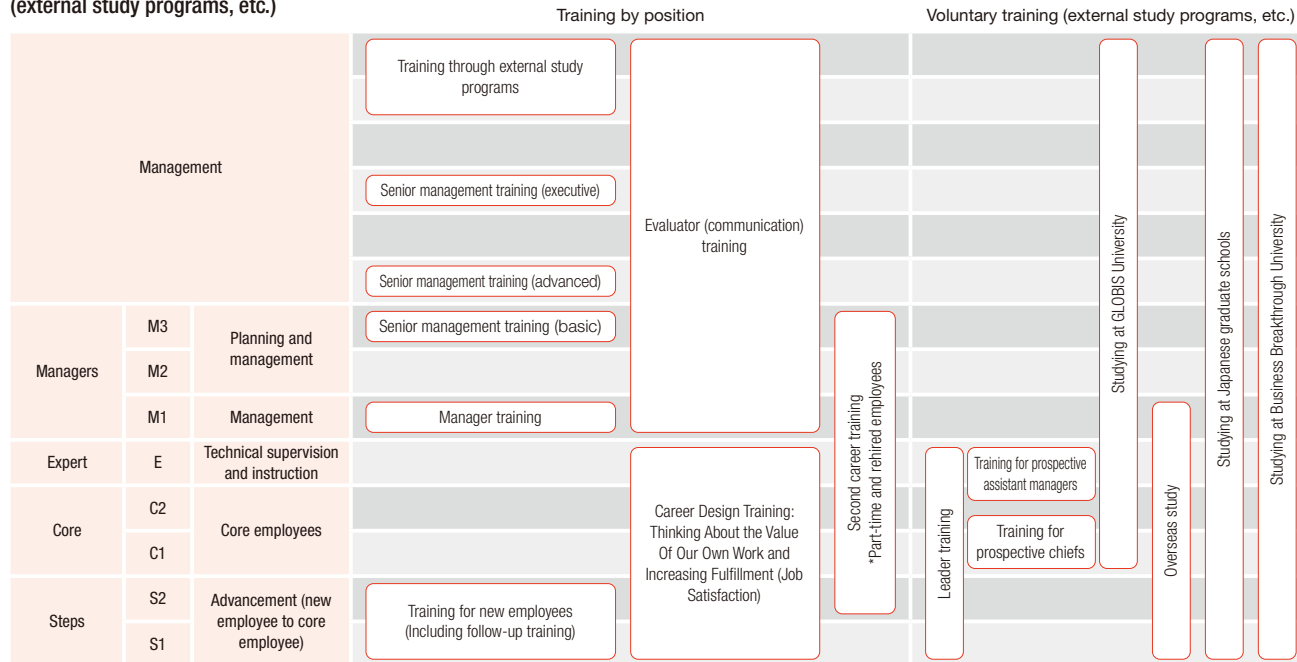
as programs for employees to study overseas or at universities and graduate schools. Many employees make use of these to improve their skills. In future, we will expand the environments where our employees can learn outside the company to foster new perspectives that are not confined to past precedent, and create venues for employees to widen their networks outside the company.

Every year we award a Learning Award to acknowledge employees who have actively worked on initiatives to learn more during the year, such as gaining qualifications.

3 New opportunities for challenges, including idea-seeking, voluntary transfers and various presentations

We have a system that seeks proposals from employees about ideas for improving operations, reducing costs, increasing revenue or starting a new business (Future Creation Program HIRAMEKI). Any JR Kyushu employee can submit ideas, regardless of their years of service at JR Kyushu or experience. A key feature of this system is that when an idea is proposed and adopted, the employee who made the proposal is assigned to the new business or initiative. This is not a system where people make proposals and then let someone else implement them. Personnel reassignments are a part of the system, which fosters an eagerness to contribute directly to the realization of a new business idea. We also hold annual presentations to share cases of improvements in workplaces, such as safety and service initiatives, to facilitate horizontal expansions of those initiatives and give awards for particularly outstanding activities. Both of these are symbolic initiatives centering on employees who have taken on new challenges, and we believe that they inspire each of our employees to make the most of the wide-ranging knowledge, experience and other assets they possess.

Framework for training by position and voluntary training (external study programs, etc.)



Number of opinion exchange meetings held in fiscal year ending March 2023: **57**

Opinion exchange meetings with all employees (Mirai Meetings)

The difficult conditions created by COVID-19 restrictions led to a decrease in employee satisfaction for various reasons, including anxiety and dissatisfaction, particularly about salaries and bonuses, and a decline in communication. An increasing number of employees resigned, particularly newer employees, and fewer people sought employment here. Although we were able to reduce fixed costs through our BPR project, we were conscious of the gap between the work our employees were doing and the work they wanted to be doing.

In light of this situation, from the fiscal year ended March 2023, we have held opinion exchange meetings with all employees (Mirai Meetings) to foster further awareness of our corporate principles, explain the management's thoughts and discuss measures for awareness of and solutions to our current issues.

In the fiscal year ended March 2023, a total of 650 employees participated in 17 opinion-exchange meetings attended by directors (including 10 meetings attended by the President) and 20 meetings attended by corporate officers and general managers.

Main opinions

- Details of transfers, salary reductions for employees selecting a specific area, etc. (human resources and wage system)
- Requests for more ticket machines to reduce crowds, handling of customers from overseas, transition to ticketless journeys, etc. (operational improvements)
- Measures to prevent resignations, anxiety about the future of the company, expectations of railways in the future, etc. (future of the company)



4 A system to promote employees with excellent soft and hard skills to roles such as senior management

With the amendment of our human resources and wage system, we have switched to a new promotion system that is not dependent on personnel's employment category. Through this system, we aim to consistently provide opportunities for new challenges to employees who want to become senior managers, and create an environment where employees can bring a higher level of motivation to their work.

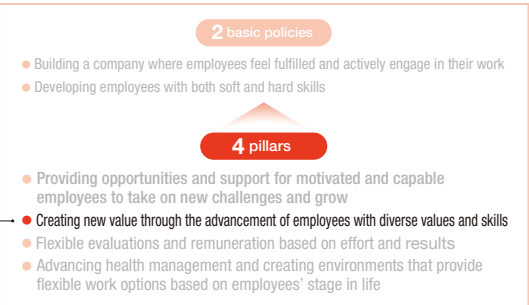
We have also revised our employment categories (General Roles and Specialist Roles) to ensure flexible human resources operations that allow employees to work toward the career they want.

5 Visualizing information such as employees' experience, career, education history, qualification and hopes to provide opportunities for advancement and growth

With the introduction of our Talent Management System, various information on personnel will be managed collectively to visualize the experience and skills of each employee. In doing so, we aim to provide more appropriate settings for each employee to advance by utilizing information such as employees' history, skills and hopes in operations such as staffing, and create environments for more active self-study so that employees can progress in their careers.

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

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



Issues and approaches

We are facing various changes in the labor market: the declining birthrate and aging population are causing a decline in the working population, changes in social structures have led to more flexible employment, and the upheaval caused by the pandemic has made the railway industry's job market less competitive. The needs of customers, communities, shareholders and employees have also changed. In order to respond flexibly to those changes and continue to grow and evolve as a company, we need to create new value by facilitating the advancement of employees with diverse values and skills.

By hiring diverse employees—women, elderly people, overseas nationals, people with disabilities and mid-career employees—and accepting the values that each of them bring, working together with them and facilitating their advancement, we will create new value. This will enable us to make work fulfilling, bring about growth in both individuals and the company, and fulfill our social mission as a company.

Related non-financial KPIs

Ratio of female employees among new employees (fiscal year ending March 2025)	30% or more
Ratio of female managers (fiscal year ending March 2031)	10% or more
Ratio of female employees selected for training (up to fiscal year ending March 2031)	30% or more every year
Ratio of experienced candidates among new hires (up to fiscal year ending March 2031)	15% or more every year

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

Specific initiatives

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

JR Kyushu actively welcomes employees with diverse values, regardless of attributes such as industry experience, age, religion, gender, sexual orientation or disability.

In terms of promoting women's participation and advancement in the workplace, the ratio of female employees among new employees is a non-financial KPI in our Medium-Term Business Plan. We utilize venues such as company presentations to tell prospective employees about initiatives such as helping employees to balance work with childcare to make it easy for men and women alike to work at JR Kyushu, so that we can attract excellent employees. JR Kyushu has also formulated an action plan for the promotion of women's participation and advancement in our company based on the Act on Promotion of Women's Participation and Advancement in the Workplace. We aim to increase our ratio of female managers to at least 7.5% by April 1, 2025. We have actively appointed women in positions such as site managers and officers of our group companies to give them management experience. To help our female employees to further their careers in future, we have set a target to increase the ratio of women selected for training to 30%. We are encouraging female employees to aim for senior management positions, and are working to provide more opportunities for them to gain the knowledge and skills required for management at an early stage. We will continue to listen to feedback from employees and take measures such as ascertaining and solving problems that our female employees face to create environments where women can continue working and build systems that facilitate their advancement.

In terms of employment of people with disabilities, we are expanding employment each year at our special subsidiary, JR Kyushu Palette Work Inc., including the opening of a new office in Moji. We aim to continue initiatives such as exploring new businesses to create new places of employment and provide workplaces that embrace the individuality of all of our workers.

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

From the fiscal year ending March 2025, we will establish a new system to evaluate workers with highly specialist skills and decide the terms of their employment. This will create an environment where promotions and advancement to senior positions will be offered not only to employees with management skills but those with specialist knowledge and skills.

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

At JR Kyushu, we believe that experience at other companies leads to the growth of our companies, so from the fiscal year ending March 2024 we will begin full-scale measures to hire candidates with experience in the railway business or business development. We announced a quota for experienced candidates for the first time in our hiring for 2024.

We have also established a return-to-work system for employees who have left for reasons such as childcare or caring for a family member, and we plan to expand the number of employees accepted under this system in future.

Through interactions between employees with diverse experience, skills and values, our employees will gain new insights and motivation and learn to think more flexibly, which will lead to new products, services and businesses. Making the maximum use of individual employees' strength will lead to sustainable growth of the company.

Flexible evaluations and remuneration based on effort and results

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



Issues and approaches

It has been 15 years since we amended our human resources and wage system. Among others, particular issues we have noticed in our existing system are that practices such as our evaluations are too one-size-fits-all for this company's wide range of businesses, there is too little feedback from evaluations and the feedback is not transparent enough, and conditions such as our wages are not as attractive as those at other local companies and organizations.

Based on these issues, we will amend our human resources and wage system from the fiscal year ending March 2025 to revise our wage levels, provide support for employees raising children and offer a variety of work formats. We will also expand opportunities for feedback related to evaluations and ensure greater transparency about evaluations so that employees can reflect on their past results and use that information to achieve future growth. The system will also enable excellent employees to be promoted early and provide flexibility in raises and bonuses, so that motivated and skilled employees can advance.

Specific initiatives

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

In employee evaluations thus far, supervisors have not provided their team with sufficient feedback about the content of their evaluations or the reasons. As a result, acceptance among team members has been low, and these evaluations have not fully contributed to further growth of team members.

To solve this issue, our new employee evaluation system will require supervisors to give their team plenty of feedback and tell them about the content of their evaluations and the reasons. This will lead to greater acceptance by team members and provide opportunities for more growth.

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

With the amendment of our human resources and wage system from the fiscal year ending March 2025, our promotion system will no longer be based on employment category, and a flexible system for raises and end-of-year bonuses will allow for larger lump-sum and percentage-based raises to provide greater rewards for individual effort and results.

Employees will be well informed about the amendments to our human resources and wage system so that they properly understand them. This will make JR Kyushu a company where employees feel fulfilled and actively engage in their work, leading to further development of employees' soft and hard skills.

Main amendments to human resources and wage system

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

Increase of base wages

- Increase of ¥20,000 to ¥30,000 depending on age

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

Human resources operations that are not dependent on employment category

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

Flexible raises and bonuses

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

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

Organization and revision of benefits, etc.

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

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

From the fiscal year ending March 2024, all managers will receive evaluator (communication) training. In addition to learning key methods for communicating with their team during employee evaluations, managers will learn how to improve their day-to-day management skills to fulfill their role of maximizing the organization's results. By improving managers' knowledge and skills, we will make work more fulfilling for our employees and facilitate growth, invigorating our organization.

Related non-financial KPIs

Results of employee attitude survey (up to fiscal year ending March 2025)	Continued YoY improvement
	A score of 3.5 or more each year for the metric of employees' sense of fulfillment in their current work
Employee retention (up to fiscal year ending March 2031)	Monitoring of annual figures (must not fall below 97%)

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

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

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



Issues and approaches

We are conscious that with various changes taking place, such as changes in society and diversification of values regarding work formats, it is important to create an environment where each employee can choose a flexible work format suited to their lifestyle.

We will revise our previous system, which was predicated on workplace transfers, and establish a new system under which employees can choose where they want to work to accommodate a variety of work formats based on each stage of life, such as raising children and caring for family members. Additionally, we have already established systems such as flex time, reduced hours and telecommuting and we will continue to work on building environments that are easy to work in based on the situations of society and our employees.

We also view health management for each of our employees as the foundation for their ability to continue to actively engage in their work and give their job their best. We think about our employees' health management from a management perspective and strategically implement health management initiatives.

Related non-financial KPIs

	Continued YoY improvement
Results of employee attitude survey (up to fiscal year ending March 2025)	A score of 3.5 or more each year for the metric of employees' sense of fulfillment in their current work
Ratio of male employees who take childcare leave (fiscal year ending March 2025)	50% or more
Employee retention rate (up to fiscal year ending March 2031)	Monitoring of annual figures (must not fall below 97%)
Ratio of special health guidance given to relevant employees (fiscal year ending March 2025)	80% or more

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

Specific initiatives

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

With the amendment of our human resources and wage system, we will establish a new system under which employees can choose the area where they work based on each stage of life, such as raising children and caring for family members. Our previous system was predicated on workplace transfers, but by switching to a system that provides employees with work formats suited to their career plan and lifestyle, we will make JR Kyushu a company where employees feel fulfilled and actively engage in their work.

2 Systems such as flex time, reduced hours and telecommuting

To help our employees balance work with childcare and improve productivity, we have established systems such as flex time and telecommuting, which provide flexible work options to accommodate factors such as employees' lifestyles.

In addition to systems such as reduced hours to provide support for employees handling life situations such as childraising, we amended our annual leave system in the fiscal year ended March 2023 so that annual leave can now be taken in 1-hour units, and expanded spousal childbirth leave from one day to three days.

We have also raised the maximum age to 70 for employees who wish to work past the age of 65 and increased leave days for employees aged 60 and over to provide easier working conditions.

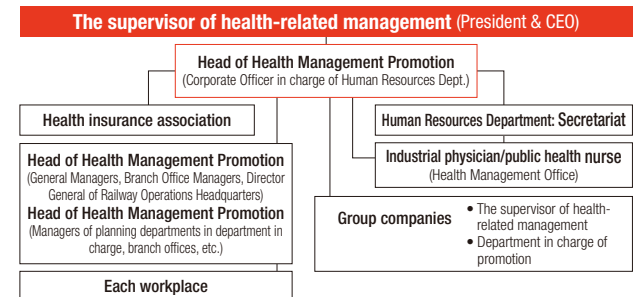
We will continue to respond to the situations of society and our employees to create comfortable environments that are easy and satisfying to work in.

3 Implementation of health management initiatives

We have published the JR Kyushu Group Health Declaration to further promote health-related management in the JR Kyushu Group. Based on this declaration, JR Kyushu will spend the fiscal year ending March 2024 carrying out a variety of activities to promote specific actions in which employees work more actively to improve their health, based on the slogan "Your health is everyone's happiness".

We treat this as an important measure in the company's management and engage in work such as establishing a framework for the promotion of health management, with our President & CEO as the supervisor of health-related management. We report on this to the Board of Directors. We have also established a Health Management Office within the company. The office's activities include workplace visits and health consultations, with a central role played by industrial physicians and public health nurses. In these ways, we are working to support employee health management.

We were recognized as "Health and Productivity Management: Outstanding Organization" for three years in a row as a result of our initiatives in health-related management thus far. We will carry out future health-related management with the aim of earning this certification again.



Implementation of management strategies through the establishment of new KPIs based on 2 basic policies for human resources strategies

To resolve issues we face in the implementation of our management strategies, we have formulated two human resources strategies: “Building a company where employees feel fulfilled and actively engage in their work” and “Developing employees with both soft and hard skills”. Based on these basic policies, we have added new metrics for the non-financial KPIs set in the JR Kyushu Group Medium-Term Business Plan 2022-2024.

The Human Resources Strategy Committee checks the status and progress of initiatives and makes improvements on specific measures based on the situation. Matters are also reported to the Board of Directors when necessary to improve the effectiveness of human resources strategies.

Personnel strategy

2 basic policies

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

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

	Metric	Period	Targets, etc.
Safety and service	● Attendance of safety education and training (training at the Safety Creation Center, etc.)	Up to fiscal year ending March 2031	100% every year * 100% attendance of training at the Safety Creation Center throughout designated training period
	● Acquisition of Service Care-Fitters qualifications	FY2026/3 (2023 - 2025)	All managers in the railway business
Employee engagement	● Results of employee attitude survey	Up to fiscal year ending March 2025	Continued YoY improvement
	● Exchanges of opinions between executives and employees	Up to fiscal year ending March 2025	A score of 3.5 or more each year for the metric of employees' sense of fulfillment in their current work 40 times per year or more
New challenges	● Registration in various proposal systems (Ideas, cost reduction, operational improvements, etc.)	Up to fiscal year ending March 2031	2.5 or more registrations per employee each year
	● Ratio of female employees among new employees	FY2025/3	30% or more
Diversity	● Ratio of female managers (end of FY2031/3)	FY2031/3	10% or more
	● Ratio of female employees selected for training	Up to fiscal year ending March 2031	More than 30% every year
	● Ratio of experienced candidates among new hires	Up to fiscal year ending March 2031	More than 15% every year
Comfortable environments that are easy and satisfying to work in	● Ratio of male employees who take childcare leave	FY2025/3	50% or more
	● Employee retention	Up to fiscal year ending March 2031	Monitoring of annual figures (must not fall below 97%)
Health management	● Ratio of special health guidance given to relevant employees	FY2025/3	80% or more
	● Development of employees skilled in digital technologies	FY2025/3	500 people or more
Re-skilling support	● Participation in external distance learning	Up to fiscal year ending March 2025	500 people or more per year
	Investment in human resources	Up to fiscal year ending March 2031	Monitoring of annual figures

What we aim to be and the JR Kyushu Group's three pillars

What we aim to be

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

P.4 What we aim to be

Forming the JR Kyushu Group's code of conduct

The three pillars

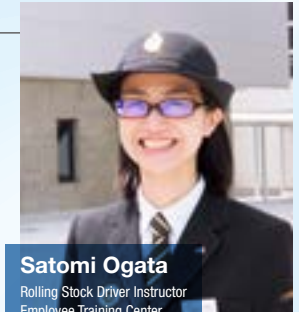
Integrity / Growth and Evolution / Local Community Invigoration

P.5 The three pillars

Our pillars are elements that must remain important to us in future, and which embody our corporate culture. Each and every one of us puts these pillars into practice and strives to realize what we aim to be.

Acting with integrity to ensure that our safety will continue in the future

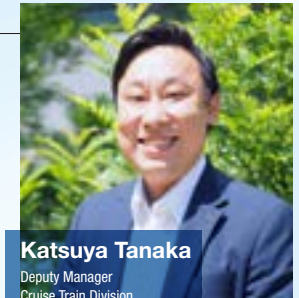
I have experience in many different railway operations: I have been a station worker, a conductor, a driver on our conventional and Shinkansen lines, a command center worker and more. I am now training drivers as an instructor at the Employee Training Center, and I feel that I am able to utilize the variety of experience I have gained in the training of our drivers. I have always considered it important to face what is in front of me with integrity. My experiences so far have given me a keen sense of how essential integrity is in the building of relationships of trust. Since I became an instructor, I have placed importance on communication with my trainees, and I strive to act with integrity toward each of them to encourage them in their endeavors. When my trainees grow into drivers and I see them taking on their work with integrity, that is a moment when I am conscious that I am a link in a chain that passes on the safety we have developed and ensures that it will continue in future.



Satomi Ogata
Rolling Stock Driver Instructor
Employee Training Center

The three pillars guided my judgment in the unfamiliar territory of the agriculture industry

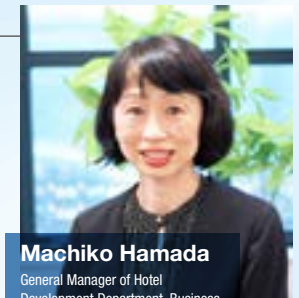
In my eighth year, after gaining experience in railways and working in our Planning Department, I was involved in starting JR Kyushu Farm Co., Ltd., an agricultural company. Through this endeavor, I gained business management experience such as expanding a business and running a company. I feel that this business is the embodiment of the three pillars. We act with integrity to work with vegetables, which yield results when you put in time and effort. We constantly work to achieve growth in a different field from our railway business and invigorate local communities by working together with communities to make up for the lack of manpower the agriculture industry is facing. For me, the three pillars that I put into practice through our agriculture business guide my judgments in my current job too.



Katsuya Tanaka
Deputy Manager
Cruise Train Division

Putting in time, effort and passion for a more attractive Kyushu

I have been involved in the development and operation of our commercial facilities and hotels ever since I began working for JR Kyushu. Kyushu has a smaller population and fewer passengers than the Tokyo metropolitan area, so it took trial and error to figure out how to convince tenants of the appeal of this location and the benefits of opening stores here, but I put in the time and effort and made well-thought-out, passionate proposals. The series of results I've achieved have made communities more attractive, and the effective planning and operation of the JR Kyushu Group's buildings have been praised not only by local customers but by tenants from all over Japan. In my current role in our hotel business, I aim to continue to invigorate local communities by providing facilities and services that reflect the appeal of this area, and achieve growth and evolution to make this hotel group one that will be chosen by staff and customers alike.

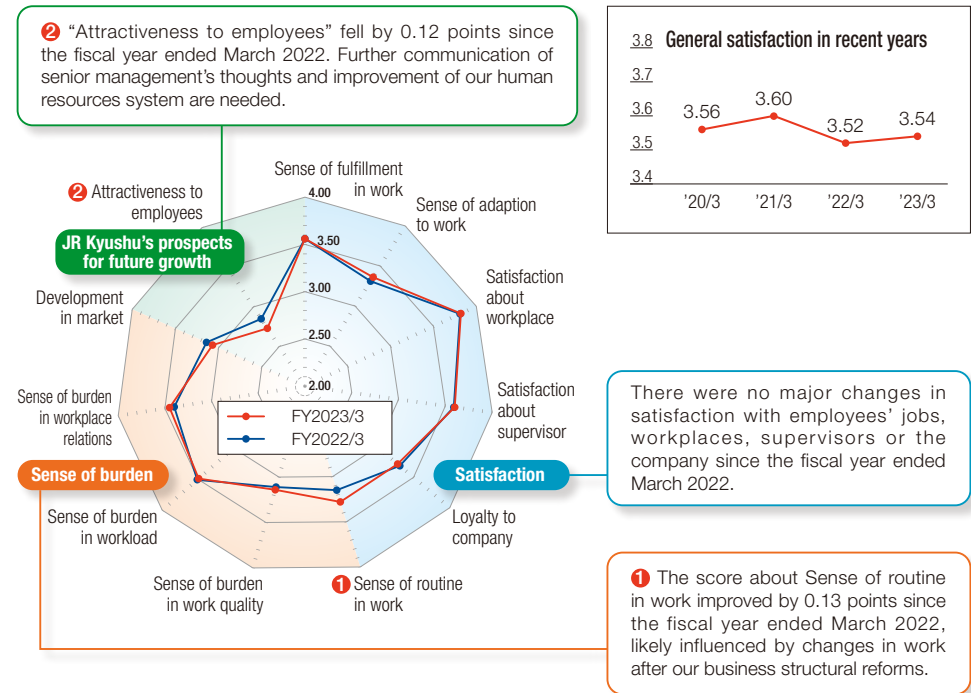


Machiko Hamada
General Manager of Hotel
Development Department, Business
Development Headquarters
Corporate Officer

Employee awareness survey

JR Kyushu conducts regular surveys to assess employees' awareness. The survey ascertains employees' awareness about their job and workplace. We analyze factors that influence employees' awareness according to their age and the nature of their work and apply this data to future measures to invigorate our organization and improve employee satisfaction.

	Survey results (main issues, etc.)	Initiatives based on the survey results
FY2022/3	<ul style="list-style-type: none"> ● Decrease in satisfaction regarding JR Kyushu's future prospects for growth in the market and attractiveness to employees ● Company loyalty remains an issue 	<ul style="list-style-type: none"> ● We are continuously holding opinion exchange sessions between management and employees to promote further awareness of our company principles among employees and facilitate dialog with management ● We promote initiatives to improve satisfaction such as sharing these results with each department and site manager and identifying specific issues
FY2023/3	<ul style="list-style-type: none"> ● General satisfaction has improved compared to the previous survey ● We are continuing to see issues in the areas of "Attractiveness to employees", "Development in market" and "Loyalty to company" ● Among items related to human resources measures, figures for "Satisfaction with evaluations and terms of employment" are low ● Satisfaction on sites remains lower than that in other workplaces, and the gap has widened since the last survey 	<ul style="list-style-type: none"> ● We are continuing to hold exchanges of opinions between executives and employees P.55 ● We will work to foster understanding and awareness of the amendments made to our personnel strategy and our human resources and wage system ● We will provide evaluator training for all managers to increase satisfaction with evaluations and terms of employment ● We will provide support for the site managers who are the link between management and site employees so that they can invigorate our organizations



About our numerical targets (KPI)

We have set KPIs with the aim of increasing employee engagement.

1 Continued YoY improvement of general satisfaction

This score increased by 0.02, from 3.52 in the fiscal year ended March 2022 to 3.54 in the fiscal year ended March 2023. We will continue working to increase satisfaction.

2 Score of 3.5 or higher for "I feel fulfilled in my current job" every year

This is an additional KPI set with the formulation of our new personnel strategy, and is linked to "Attractiveness to employees". We will focus on this metric in particular in the monitoring of our efforts to make work more fulfilling for our employees.

This score increased by 0.01, from 3.36 in the fiscal year ended March 2022 to 3.37 in the fiscal year ended March 2023, but it still falls short of the target of 3.5 or higher. We will continue steadily working on the above initiatives to make work more fulfilling for our employees so that we can achieve this KPI.

Initiatives in each division

The results of the employee awareness survey are shared with the managers of each division and site. The managers of each division meet for an exchange of opinions to gain an awareness of current issues and discuss future measures to solve them. In addition to company-wide initiatives, specific measures are being implemented based on the characteristics of each division to improve engagement.

Expansion throughout the JR Kyushu Group

Thus far, the employee awareness survey has only been conducted in JR Kyushu itself. In future, we plan to expand it throughout the JR Kyushu Group.

Assessing the current situation at each of the Group's companies and then formulating and executing measures to solve issues will improve engagement throughout the JR Kyushu Group.

Advancement of Efforts that Respect Human Rights

Fundamental approach

The JR Kyushu Group has established the JR Kyushu Group Basic Policy on Human Rights as a guideline for promoting efforts to respect human rights and fulfilling responsibilities tied to those efforts. This policy is positioned at the highest level of policy regarding human rights and is the basis for all business activities in the group. We will contribute to the creation of a sustainable society by working to respect human rights in accordance with this policy.

The JR Kyushu Group Basic Policy on Human Rights

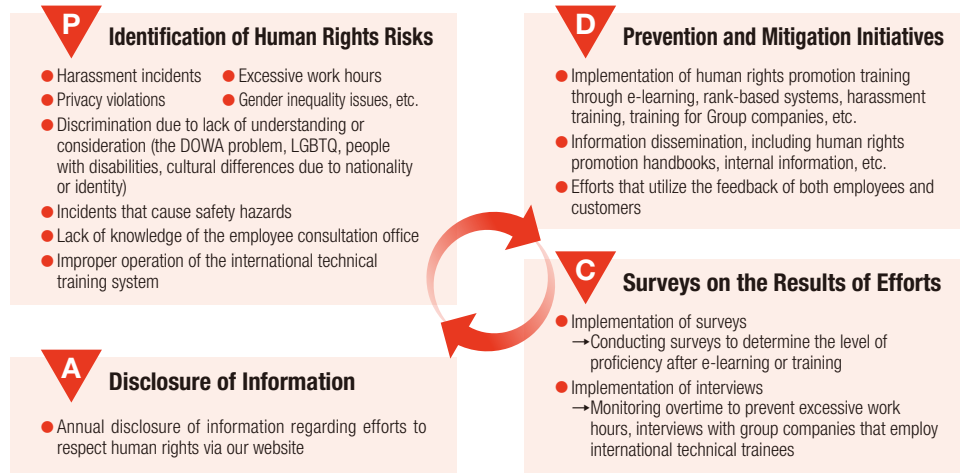
Aiming to realize the JR Kyushu Group’s vision of becoming a “corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation”, the JR Kyushu Group conducts sincere, fair and transparent business to contribute to the creation of a sustainable society.

We recognize that human rights may be impacted as a part of the process of conducting business. To express our intent to honor the human rights of all people involved in business operations, we have established the JR Kyushu Group Basic Policy on Human Rights.

Human rights due diligence efforts

The JR Kyushu Group promotes efforts in human rights due diligence based on the JR Kyushu Group Basic Policy on Human Rights. Human rights due diligence proceeds according to the following four steps: (1) identification of human rights risks, (2) prevention and mitigation initiatives, (3) surveys on the results of efforts, (4) disclosure of information.

Furthermore, the following efforts are regularly implemented for each.



See our website for details. https://www.jrkyushu.co.jp/company/esg/human_rights/ Respect for human rights

Building a remedial action mechanism (establishment of a consultation desk)

The JR Kyushu Group has established a whistleblowing desk to allow all employees, business partners, customers, and members of the community to consult about issues such as human rights. The desk accepts anonymous reports, and in the case that a report is not anonymous, details such as the reporter’s name will be kept strictly confidential. Due diligence will be conducted to fact check each report, and remedial action will be taken if an issue is found.

Human rights promotion system

The JR Kyushu Group has established the JR Kyushu Group Human Rights Promotion Committee to promote efforts related to the JR Kyushu Group Basic Policy on Human Rights. Matters determined by the committee are reported to the Board of Directors when necessary.

The JR Kyushu Group’s human rights promotion system

From April 1, 2023, we carried out a structural reform of the JR Kyushu Group and established the JR Kyushu Group Human Rights and Corporate Ethics Committee to conduct the discussions necessary for implementing human rights and corporate ethics initiatives.

We have also revised our organizational and personnel structure so that the Human Rights Promotion Office, which is in charge of promoting human rights, works together with the Legal Affairs Office, which is in charge of corporate ethics and our internal whistleblowing system, and have appointed Human Rights and Corporate Ethics Promotion Managers to facilitate unified human rights and corporate ethics initiatives in Group companies.

See this section for details **P.81** Corporate Ethics Initiatives in the JR Kyushu Group

Purpose of structural reform

We revised our organizational structure because we believed that in order to promote human rights, it is essential to work together with our Legal Affairs Division, which oversees corporate ethics and our internal whistleblowing system, to facilitate Group-wide measures, consultations, education, instruction, policies and improvements with regard to human rights as we create more in-depth human rights measures in response to greater interest in corporations’ promotion of human rights among customers and investors.

The JR Kyushu Group human rights promotion efforts (FY2023/3)

1 Implementation of human rights promotion training through e-learning, rank-based systems, etc.

	Details	JR Kyushu only	Group companies
E-learning	Promotion of human rights throughout the JR Kyushu Group	5,445	3,178
Training by position etc.	Training about the JR Kyushu Group’s human rights promotion system, etc. (group training)	557	1,000

2 Surveys on the results of efforts

- We conducted a survey at Group companies on topics such as the nature of human rights training, initiatives to address each risk, and elements expected to come with high human rights risks, and used the results as a reference to change our documentation on human rights risks.
- We conducted interviews and local surveys at Group companies that employ international technical trainees to check that their employment is being handled according to the international technical training system.



G Governance

Sound Corporate Management

- Our Officers
- Messages from Outside Directors
- Corporate governance
- Risk management, compliance
- Enhancing communication with stakeholders



Sound Corporate Management: Our Officers

- E** Realization of a De-carbonized Society
- S** Safety and Service, the Foundation for All of Our Businesses
Sustainable City-Building
Development of Human Resources, the Source of Value Creation
- G** Sound Corporate Management

Structure of the Board of Directors *As of June 23, 2023



Representative Director and Chairperson
Toshihiko Aoyagi
Chairperson of the Board of Directors

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned:
14,439 shares

Profile

Apr. 1977 Joined Japanese National Railways
Apr. 1987 Joined Kyushu Railway Company
Jun. 1988 General Manager of Transportation Department of Technology and Operations Headquarters, Kyushu Railway Company
Apr. 2001 General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2004 General Manager of Kagoshima Regional Office, Kyushu Railway Company
Jun. 2005 Director, General Manager of Kagoshima Regional Office, Kyushu Railway Company
May 2006 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Planning Department of Railway Operations Headquarters and General Manager of Transportation Safety Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2008 Director, Director General of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2008 Managing Director, Director General of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2010 Managing Director, Director General of Railway Operations Headquarters, General Manager of Planning Department of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Aug. 2010 Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2012 Senior Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2013 Senior Managing Director and Representative Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2014 Representative Director and President, Kyushu Railway Company
Jun. 2018 Representative Director, President and Corporate Officer, Kyushu Railway Company
Jun. 2019 Representative Director, President and Corporate Officer and Chief Executive Officer, Kyushu Railway Company
Apr. 2022 Representative Director and Chairperson, Corporate Officer, Kyushu Railway Company
Jun. 2023 Representative Director and Chairperson, Kyushu Railway Company (current)

Important information on concurrent posts:

Incorporated Chair of Fukuoka Association of Corporate Executives



Director, Managing Corporate Officer and Chief Financial Officer
Takuma Matsushita
Chief Financial Officer
Director General of Corporate Planning Headquarters
In charge of Public Relations Department and Finance & Accounting Department

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
10/10 (100%)
Number of shares in JR Kyushu owned: 2,492 shares

Profile

Apr. 1991 Joined Kyushu Railway Company
May 2011 Deputy General Manager of Administration Department, Kyushu Railway Company
Jun. 2011 General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
May 2014 President of JR KYUSHU DRUG ELEVEN CO., LTD.
Jun. 2017 Director, Deputy Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company
Jun. 2018 Senior Corporate Officer, Deputy Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company
Apr. 2022 Managing Corporate Officer, Chief Financial Officer, Director General of Corporate Planning Headquarters, Kyushu Railway Company
Jun. 2022 Director, Managing Corporate Officer, Chief Financial Officer, Director General of Corporate Planning Headquarters (current)

Important information on concurrent posts:

None

 Outside director

 Independent director



Representative Director, President, Corporate Officer, and Chief Executive Officer
Yoji Furumiya
Chief Executive Officer
In charge of Auditing Department

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned:
11,067 shares

Profile

Apr. 1985 Joined Japanese National Railways
Apr. 1987 Joined Kyushu Railway Company
May 2005 General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company
May 2006 General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2010 General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2011 General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2012 General Manager of Administration Department, Kyushu Railway Company
Jun. 2012 Director and General Manager of Administration Department, Kyushu Railway Company
Sep. 2012 Director, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Administration Department, Kyushu Railway Company
Jun. 2013 Director, General Manager of Administration Department, Kyushu Railway Company
Jun. 2016 Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2018 Director and Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2019 Director and Senior Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
Jun. 2020 Director and Senior Managing Corporate Officer, Director General of Corporate Planning Headquarters, Kyushu Railway Company
Apr. 2022 Representative Director, President and Corporate Officer and Chief Executive Officer, Kyushu Railway Company (current)

Important information on concurrent posts:

None



Director and Managing Corporate Officer
Yumi Akagi
Deputy Director General of Corporate Planning Headquarters
General Manager of Strategy Management Department of Corporate Planning Headquarters
In charge of IT Strategic Planning Department

Number of shares in JR Kyushu owned:
1,675 shares

Profile

Apr. 1991 Joined Kyushu Railway Company
Mar. 2012 Deputy General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
Jun. 2012 Representative Director and President, JR Kyushu Fast Foods Inc.
Jun. 2014 Deputy General Manager of Administration Department, Kyushu Railway Company
Jul. 2015 General Manager of Human Resources Department, Kyushu Railway Company
Jun. 2017 General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2018 Corporate Officer, General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2019 Corporate Officer, General Manager of Kumamoto Regional Office, Kyushu Railway Company
Apr. 2022 Senior Corporate Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
Jun. 2023 Director and Managing Corporate Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company (current)

Important information on concurrent posts:

None



Director and Senior Managing Corporate Officer
Toshihiro Mori
Director General of Business Development Headquarters


Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned:
2,858 shares

Profile

Apr. 1991 Joined Kyushu Railway Company
May 2007 Director, Drug Eleven Holdings Co., Ltd.
Jun. 2009 President, Drug Eleven Holdings Co., Ltd.
May 2011 General Manager of Fund Management Department, Kyushu Railway Company
Jun. 2013 General Manager of Finance & Accounting Department, Kyushu Railway Company
Jun. 2014 General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2015 General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2017 Director, General Manager of Travel Services Headquarters, Kyushu Railway Company
Apr. 2018 Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
Jun. 2018 Senior Corporate Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
Jun. 2019 Director, Managing Corporate Officer, Chief Financial Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
Apr. 2022 Director and Managing Corporate Officer, Director General of Business Development Headquarters, Kyushu Railway Company
Jun. 2023 Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters, Kyushu Railway Company (current)

Important information on concurrent posts:

None



Director
Toshihide Ichikawa

Part-time member
Chairman of Nomination and Compensation Advisory Committee

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned: —
Tenure as outside director of the Company:
4 years

Profile

Apr. 1977 Joined Mitsui Fudosan Co., Ltd.
Apr. 2003 General Manager of Roppongi-Project Development Planning Department, Mitsui Fudosan Co., Ltd.
Apr. 2005 Managing Officer, General Manager of Roppongi-Project Development Planning Department, Mitsui Fudosan Co., Ltd.
Aug. 2005 Managing Officer, General Manager of Tokyo Midtown Development Department, Mitsui Fudosan Co., Ltd.
Apr. 2008 Executive Managing Officer, General Manager of Tokyo Midtown Development Department, Mitsui Fudosan Co., Ltd.
Apr. 2009 Executive Managing Officer, Chief Operating Officer of Accommodations Business Division, Mitsui Fudosan Co., Ltd.
Jun. 2011 Executive Managing Director, Executive Managing Officer, Chief Operating Officer of Accommodations Business Division, Mitsui Fudosan Co., Ltd.
Apr. 2013 Managing Director, Mitsui Fudosan Co., Ltd.
Apr. 2013 Advisor, Mitsui Home Co., Ltd.
Jun. 2013 Specialty Appointed Advisor, Mitsui Fudosan Co., Ltd.
Jun. 2013 Representative Director and President, President and Executive Officer, Mitsui Home Co., Ltd.
Oct. 2018 Group Senior Officer, Mitsui Fudosan Co., Ltd.
Apr. 2019 Advisor, Mitsui Fudosan Co., Ltd. (retired June 2023)
Apr. 2019 Standing Advisor, Mitsui Home Co., Ltd. (retired June 2023)
Jun. 2019 Director, Kyushu Railway Company (current)

Important information on concurrent posts:

None



Director and Managing Corporate Officer
Hiroyuki Fukunaga
Director General of Railway Operations Headquarters, General Manager of Northern Kyushu Regional Head Office

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned:
2,990 shares

Profile

Apr. 1990 Joined Kyushu Railway Company
Jun. 2013 General Manager of Shinkansen Operational Management Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2015 General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2016 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2018 Senior Corporate Officer, Deputy Director General of Railway Operations Headquarters, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company
Jun. 2020 Director and Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company (current)

Important information on concurrent posts:

None



Director
Kuniko Muramatsu

Part-time member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023:
12/12 (100%)
Number of shares in JR Kyushu owned:
535 shares
Tenure as outside director of the Company:
3 years

Profile

Oct. 1983 Joined Texas Instruments Japan Limited
Jan. 1995 General Manager of Public Relations Department, Texas Instruments Japan Limited
Nov. 2003 Head of Corporate Ethics Office and Officer in charge of Diversity Promotion, Texas Instruments Japan Limited
Sep. 2009 Retired from Texas Instruments Japan Limited
Oct. 2009 Chief Researcher, Business Ethics Research Center
Jan. 2010 Representative Director, Wellness Systems Institute (current)
Jan. 2014 Director, Japan Professional Football League (JLEAGUE)
Apr. 2016 Representative Director, GENEL (retired March 2019)
Jun. 2016 Outside Director, C'RON COSMETICS Co., Ltd. (retired June 2019)
Jun. 2016 Outside Director, YOKOWO CO., LTD. (current)
Apr. 2018 Councillor, Japan Professional Football League (retired February 2021)
Apr. 2018 Senior Researcher, Business Ethics Research Center (current)
Jun. 2019 Outside Director, NEC Networks & System Integration Corporation (retired June 2023)
Jun. 2020 Director, Kyushu Railway Company (current)
Jun. 2022 Outside Director, ROHM Co., Ltd.
Jun. 2022 Member of the Board (Outside), ROHM Co., Ltd. (current)

Important information on concurrent posts:

Representative Director, Wellness Systems Institute
Outside Director, YOKOWO CO., LTD.,
Outside Director, ROHM Co., Ltd



Director
Hitomi Yamamoto O I

Part-time member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023: 10/10 (100%)
Number of shares in JR Kyushu owned: 538 shares
Tenure as outside director of the Company: 1 year

Profile

Apr. 1981 Joined ALL NIPPON AIRWAYS CO., LTD.
Apr. 2011 General Manager of Inflight Service Crew Department II, Inflight Services Division, ALL NIPPON AIRWAYS CO., LTD.
Nov. 2012 Deputy General Manager of OSC Quality Promotion Office, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2013 Leave of absence under Human Resources Department, ALL NIPPON AIRWAYS CO., LTD. (seconded to ALL NIPPON AIRWAYS TRADING CO., LTD.)
Apr. 2015 Executive Vice President, Deputy Manager in charge of Operations Division, and General Manager of Inflight Services Center, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2016 Executive Vice President, Manager in charge of ANA Brand Inflight Services Division, Deputy Manager in charge of Operations Division, and General Manager of Inflight Services Center, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2017 Member of the Board, Executive Vice President, Manager in charge of Promotion of Advancement of Women in the Group, Manager in charge of ANA Brand Inflight Services Division, Deputy Manager in charge of Operations Division, General Manager of Inflight Services Center, and Deputy General Manager of Tokyo Olympic and Paralympic Games Promotion Division, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2019 Member of the Board, Managing Executive Vice President, Manager in charge of Promotion of Advancement of Women in the Group, Manager in charge of ANA Brand Inflight Services Division, Deputy Manager in charge of Operations Division, General Manager of Inflight Services Center, and Deputy General Manager of Tokyo Olympic and Paralympic Games Promotion Division, ALL NIPPON AIRWAYS CO., LTD.
Apr. 2020 Member of the Board, Managing Executive Vice President, in charge of Group D&I Promotion Department, ANA Blue Base Integrated Training Center, and Office for Government Aircraft Operations, ALL NIPPON AIRWAYS CO., LTD. (retired March 2021)
Apr. 2021 Director and Vice President, ANA Strategic Research Institute Co., Ltd. (current)
Jun. 2022 Director, Kyushu Railway Company (current)
Jun. 2022 Outside Audit and Supervisory Board Member, West Nippon Expressway Company Limited (current)

Important information on concurrent posts:
Director and Vice President, ANA Strategic Research Institute Co., Ltd.
Outside Director, Audit & Supervisory Board Member, West Nippon Expressway Company Limited



Director
Takashi Tanaka O I

Part-time member

Number of shares in JR Kyushu owned: —
Tenure as outside director of the Company: —

Profile

Apr. 1975 Joined Daiwa Bank, Ltd. (now Resona Bank, Limited)
Oct. 2003 Executive Officer, General Manager of System Planning Department, Resona Holdings, Inc.
Oct. 2003 Director, THE NARA BANK, LTD.
Jun. 2006 President and Representative Director, Resona Trust & Banking Co., Ltd. (now Resona Bank, Limited) (retired April 2009)
Jun. 2009 Representative Director and Vice President, TOYO TEC CO., Ltd.
Jun. 2011 Representative Director and President, TOYO TEC CO., Ltd.
Jun. 2020 Representative Director and Chairman, TOYO TEC CO., Ltd.
Apr. 2021 Representative Director and Chairman, TOYO TEC CO., Ltd.; Director and Chairman, Tec Building Service Co., Ltd. (now Toyo Tec Building Service Co., Ltd.) (current)
Jun. 2023 Director, Kyushu Railway Company (current)

Important information on concurrent posts:
Representative Director and Chairman, TOYO TEC CO., Ltd.
Director and Chairman, Toyo Tec Building Service Co., Ltd.



Director
Hiroshi Ogasawara O I


Part-time member

Number of shares in JR Kyushu owned: —
Tenure as outside director of the Company: —

Profile

Mar. 1979 Joined YASKAWA Electric Mfg. Co., Ltd. (now YASKAWA Electric Corporation)
Jun. 2006 Director; Deputy General Manager, Motion Control Division, YASKAWA Electric Corporation
Mar. 2007 Director; General Manager, Drives Division, YASKAWA Electric Corporation
Mar. 2011 Director; General Manager, Motion Control Division, YASKAWA Electric Corporation
Jun. 2012 Managing Executive Officer; General Manager, Motion Control Division, YASKAWA Electric Corporation
Jun. 2013 Director; Managing Executive Officer; General Manager, Motion Control Division, YASKAWA Electric Corporation
Mar. 2014 Director; Managing Executive Officer; General Manager, Corporate Technology Division, YASKAWA Electric Corporation
Mar. 2015 Representative Director; Senior Managing Executive Officer; General Manager, Corporate Technology Division, YASKAWA Electric Corporation
Mar. 2016 Representative Director, President; General Manager, Corporate Technology Division, YASKAWA Electric Corporation
Mar. 2017 Representative Director, President; Manager, Diversity Management Division, YASKAWA Electric Corporation
Mar. 2018 Representative Director, President; Manager, ICT Strategy Division, YASKAWA Electric Corporation
Mar. 2022 Representative Director, Chairman of the Board; President, YASKAWA Electric Corporation
Mar. 2023 Representative Director, Chairman of the Board (current), YASKAWA Electric Corporation
Jun. 2023 Director, Kyushu Railway Company (current)

Important information on concurrent posts:
Representative Director and Chairman of the Board, YASKAWA Electric Corporation Chair, Fukuoka Association of Corporate Executives



Director, Audit and Supervisory Committee member
Koji Otabe O I

Full-time member
Chairperson of Audit and Supervisory Committee

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023: 10/10 (100%)
Number of shares in JR Kyushu owned: 80 shares
Tenure as outside director of the Company: 1 year

Profile

Apr. 1987 Joined National Police Agency
Aug. 2015 Director-General of Gunma Prefectural Police
Apr. 2017 Deputy Director-General of Policy Evaluation, Commissioner-General's Secretariat, and Deputy Director-General of Commissioner-General's Secretariat, National Police Agency (in charge of Community Safety Bureau)
Apr. 2018 Deputy Director-General of Commissioner-General's Secretariat, National Police Agency (in charge of Community Safety Bureau)
Aug. 2019 Vice President of National Police Agency and Deputy Director-General of Commissioner-General's Secretariat, National Police Agency (in charge of Community Safety Bureau)
Jan. 2020 Director-General of Community Safety Bureau, National Police Agency
Sep. 2021 Retired from National Police Agency
Feb. 2022 Advisor, Nippon Life Insurance Company (retired June 2022)
Jun. 2022 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:
None



Director, Audit and Supervisory Committee member
Koji Higashi

Full-time member
Audit & Supervisory Committee Member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023: 10/10 (100%)
Number of shares in JR Kyushu owned: 934 shares

Profile

Apr. 1990 Joined Kyushu Railway Company
Mar. 2009 Deputy General Manager of Administration Department, Kyushu Railway Company
Jun. 2009 Representative Director and President, Inc Train D'Or
Jun. 2013 General Manager of Fund Management Department, Kyushu Railway Company
Jun. 2014 General Manager of Finance & Accounting Department, Kyushu Railway Company
Jun. 2017 General Manager of Kumamoto Regional Office, Kyushu Railway Company
Jun. 2018 Corporate Officer, General Manager of Kumamoto Regional Office, Kyushu Railway Company
Jun. 2019 Senior Corporate Officer, General Manager of Administration Department, Kyushu Railway Company
Apr. 2022 Managing Corporate Officer, General Manager of Administration Department, Kyushu Railway Company
Jun. 2022 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:
None



Director, Audit and Supervisory Committee member
Yasunori Eto O I

Part-time member
Audit & Supervisory Committee Member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023: 12/12 (100%)
Number of shares in JR Kyushu owned: 1,021 shares
Tenure as outside director of the Company: 5 years

Profile

Apr. 1995 Appointed as a public prosecutor
Apr. 2009 Deputy Chief Prosecutor, Kagoshima District Public Prosecutors Office
Apr. 2011 Public prosecutor, Osaka District Public Prosecutors Office
Sep. 2011 Retired as public prosecutor
Oct. 2011 Registered as an attorney at law
Attorney at law, Bengoshi Hojin Hino Sogo Law Office (current)
Jun. 2018 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:
Attorney at Law, Bengoshi Hojin Hino Sogo Law Office



Director, Audit and Supervisory Committee member
Hiromi Fujita O I

Part-time member
Audit & Supervisory Committee Member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2023: 12/12 (100%)
Number of shares in JR Kyushu owned: 371 shares
Tenure as outside director of the Company: 2 years

Profile

Apr. 1980 Joined Nissho Iwai Corporation
Sep. 1985 Retired from Nissho Iwai Corporation
Jan. 1986 Part-time Lecturer, Daii Educational System Inc.
Jun. 1997 Joined Shiraishi Accounting Firm
Jun. 2000 Retired from Shiraishi Accounting Firm
Sep. 2000 Established Hiromi Fujita Tax Accountant Office
Oct. 2014 Yuva Partners Tax Accountants' Corporation
Oct. 2015 Representative Partner, Sakura Yuva Partners Tax Accountants' Corporation (current)
Jan. 2020 Outside Director, Audit and Supervisory Committee Member, IKK Inc. (now IKK Holdings Inc.) (current)
Jun. 2021 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:
Representative Partner, Sakura Yuva Partners Tax Accountants' Corporation
Outside Director, Audit & Supervisory Board Member, IKK Holdings Inc.

Policy and procedures for nominating Directors

Candidates for directorship are chosen by the Board of Directors on the basis of selection standards specified by the Board of Directors, which include a high level of ethics, personality, character, and management performance, based on a report by the Nomination and Compensation Advisory Committee. If a Director ceases to satisfy the selection standards, significantly impairs the corporate value of Kyushu Railway Company through negligence of their duties, or falls under any reason for disqualification, the Board of Directors will deliberate on the dismissal of the Director according to a report by the Nomination and Compensation Advisory Committee and propose dismissal to the General Meeting of Shareholders. When nominating candidates for Directors who will also be an Audit and Supervisory Committee member, consent must be obtained from the committee in advance.

- O Outside director
- I Independent director

Skillsets in the Board of Directors

The Company's Board of Directors is composed of inside Directors with sufficient knowledge and experience in the main businesses operated by the Group and outside Directors who conduct effective monitoring and oversight from an independent and objective standpoint, and from the perspective of the effectiveness of oversight functions, we believe it is appropriate that the Board of Directors be composed of a majority of independent outside Directors.

In addition, with respect to the knowledge and experience (skillset) necessary for the Company's Board of Directors, the Company had previously defined "railways/mobility services," "real estate/city-building," and "ESG/sustainability" as important fields from the perspective of sustainable business operations centered in the Kyushu region, and "corporate management," "legal affairs/risk management," "finance/M&A," and "human resources/remuneration" as important fields from the perspective of corporate management. However, in order to further pursue the 2030 Long-Term Vision and other management strategies and make greater enhancements to the supervisory function, the Company has revised these to "railways/mobility services," "real estate/city-building," "sustainability," "corporate management," "legal affairs/risk management/governance," "finance/M&A," "human resources strategies," and "IT/DX."

Name	Current positions, etc.	Areas of expertise that are particularly expected from each director							
		Railways/ mobility services	Real estate/ city-building	Sustainability	Corporate management	Legal affairs/ risk management/ governance	Finance/M&A	Human resources strategies	IT/DX
Toshihiko Aoyagi	Chairperson, Chairperson of the Board of Directors	●		●	●	●			
Yoji Furumiya	President Corporate Officer CEO, in charge of Auditing Department	●		●	●	●		●	
Toshihiro Mori	Senior Managing Corporate Officer Director General of Business Development Headquarters		●	●	●		●		
Hiroyuki Fukunaga	Managing Corporate Officer Director General of Railway Operations Headquarters, General Manager of Northern Kyushu Regional Head Office	●				●			●
Takuma Matsushita	Managing Corporate Officer CFO, Director General of Corporate Planning Headquarters, in charge of Public Relations Department and Finance & Accounting Department		●	●	●		●	●	
Yumi Akagi <small>Female</small>	Managing Corporate Officer Deputy Director General of Corporate Planning Headquarters, General Manager of Strategy Management, Department of Corporate Planning Headquarters, in charge of IT Strategic Planning Department	●		●	●			●	●
Toshihide Ichikawa <small>O I</small>	Chairman of Nomination and Compensation Advisory Committee		●		●	●			
Kuniko Muramatsu <small>O I Female</small>	Representative Director, Wellness Systems Institute			●	●	●		●	
Hitomi Yamamoto <small>O I Female</small>	Director and Vice President, ANA Strategic Research Institute Co., Ltd.	●		●				●	
Takashi Tanaka <small>O I</small>	Representative Director and Chairperson, TOYO TEC CO., Ltd.		●	●	●		●		●
Hiroshi Ogasawara <small>O I</small>	Representative Director and Chairman of the Board, YASKAWA Electric Corporation			●	●			●	●
Koji Otabe <small>A O I</small>	Chairperson of Audit and Supervisory Committee					●			●
Koji Higashi <small>A</small>					●	●	●	●	
Yasunori Eto <small>A O I</small>	Attorney at law, Bengoshi Hojin Hino Sogo Law Office					●		●	
Hiromi Fujita <small>A O I Female</small>	Senior Partner Tax Accountant, Sakura Yuwa Partners Tax Accountant Corporation			●			●		

O Outside I Independent Director A Audit and Supervisory Committee member

*As of June 23, 2023

Summary of skillset revisions

1 Revision from “ESG/sustainability” to “sustainability”

Based on the belief that the sustainability initiatives will lead to sustainable improvements in corporate value over the medium to long term, the skillset category name was revised to distinguish the governance, human resources strategies, and other skills that were previously classified under ESG. Furthermore, governance and human resources strategies have been specified as belonging to separate skillset categories.

2 Revision from “legal affairs/risk management” to “legal affairs/risk management/governance”

In addition to “legal affairs/risk management,” the Company also reviewed the skills that were previously classified under ESG and reclassified them to specify them as skills for governance.

3 Revision from “human resources/remuneration” to “human resources strategies”

The Company clarified that this skillset category is related to “employees,” and aims to create an environment in which diverse human resources can work in a dynamic and active manner. “Human resources strategies” is also a key measure in the Company’s Medium-Term Business Plan.

4 New establishment of “IT/DX”

By newly establishing this skillset category, the Company has clarified its intentions regarding its goals of enhancing cyber security, improving productivity through the promotion of DX, and creating value provided to customers.

5 Deletion of skillset category groupings

Although the previous skillset categories were grouped into “important fields for the Company’s sustainable business operations centered in the Kyushu region” and “knowledge and experience believed important from the perspective of corporate management,” the Company deleted the skillset category groupings based on its belief that, in a broad sense, each skillset category could be classified in either grouping.

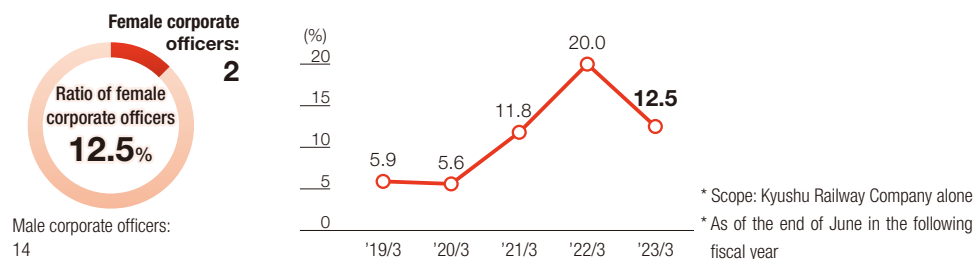
The current skillset		Revised skillset	Definition	Reasons for selection
Important fields for the Company’s sustainable business operations centered in the Kyushu region	Railways/mobility services	Railways/mobility services	Knowledge and experience necessary to provide mobile services centered on railway business in a safe, secure and sustainable manner	The railway business is the source of revenues and brands of the Group, and safe, secure and sustainable mobility services centered on the railway business are the foundation to promote city-building initiatives that leverage the distinctive characteristics of local communities.
	Real estate/city-building	Real estate/city-building	Knowledge and experience regarding real estate necessary to promote city-building initiatives that leverage the distinctive characteristics of local communities	The real estate business is the center of the promotion of city-building initiatives that leverage the distinctive characteristics of local communities. In order for the Group to contribute to the sustainable development of Kyushu, further growth and evolution of city-building initiatives centered on the real estate business are necessary in both software and hardware.
	ESG/sustainability	Sustainability	Knowledge and experience that contribute to the creation of non-financial value	The efforts to create non-financial value through proactive involvement in sustainability in consistency with management strategy will lead to improvements in sustainable corporate value over the medium to long term.
Knowledge and experience deemed important from the perspective of corporate management	Corporate management	Corporate management	Wide range of viewpoints and experience as a top management executive	Various skills, including organizational management mindsets that are not based on expertise, are necessary in order to make big-picture judgments.
	Legal affairs/risk management	Legal affairs/risk management/governance	Knowledge and experience regarding compliance, including corporate legal affairs, appropriate risk management and corporate governance	Knowledge and experience regarding corporate governance, etc. that contribute to improvements in the efficiency of management supervision are the foundation of sustainable improvements in corporate value.
	Finance/ M&A	Finance/ M&A	Knowledge and experience regarding corporate finance, including capital policy	Good knowledge and experience regarding corporate finance are necessary in order to formulate financial strategies to realize the promotion of M&As and growth investments, appropriate shareholder returns, and maintenance of financial soundness for improving sustainable corporate value.
	Human resources/remuneration	Human resources strategies	Knowledge and experience that contribute to the formulation of human resources strategies/development plan and the promotion of diversity	In pursuit of the realization of the 2030 Long-Term Vision, knowledge and experience regarding the development of employees, the actual players who implement the strategies, the improvement of employee engagement, and the management of diverse human resources are necessary.
Additional skills		IT/DX	Knowledge and experience to promote and supervise DX	Enhancing cyber security, improving productivity through the promotion of DX, and creating value provided to customers will lead to improvements in sustainable corporate value over the medium to long term.

Corporate Officers (excluding Corporate Officers who are also Directors)

Senior Corporate Officer	Michiya Sadakari	Deputy Director General of Railway Operations Headquarters, General Manager of Engineering Department
Senior Corporate Officer	Shinji Sawakame	Deputy Director General of Business Development Headquarters, General Manager of Condominium Development Department
Senior Corporate Officer	Hisashi Yamane	General Manager of Administration Department, in charge of Human Resources Department
Senior Corporate Officer	Hiroyuki Nakamura	Deputy Director General of Railway Operations Headquarters, General Manager of Planning & Transportation Safety Department
Corporate Officer	Tomonori Uwabu	General Manager of Regional Strategy Department, Corporate Planning Headquarters
Corporate Officer	Hidenori Matsuo	General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department
Corporate Officer	Motomichi Miura	General Manager of Customer Service Department and Marketing & Sales Department, Railway Operations Headquarters
Corporate Officer	Kozo Takeda	General Manager of Tokyo Regional Office
Corporate Officer	Mikiko Nakano Female	General Manager of Kumamoto Regional Office
Corporate Officer	Toshinari Yoshino	General Manager of Oita Regional Office
Corporate Officer	Machiko Hamada Female	General Manager of Hotel Business Department, Business Development Headquarters
Corporate Officer	Isamu Nakamura	General Manager of Development Department, Business Development Headquarters
Corporate Officer	Hiroki Koga	General Manager of Planning Department, Business Development Headquarters
Corporate Officer	Satoru Kishimoto	General Manager of Nagasaki Regional Office
Corporate Officer	Tsuyoshi Ebihara	General Manager of Kagoshima Regional Office
Corporate Officer	Tomohiro Takayama	General Manager of Railway Business Management and Administration Department, Railway Operations Headquarters

*As of June 23, 2023

Ratio of female corporate officers (excluding those in dual roles as directors and corporate officers)



Independence Evaluation Criteria for Outside Officers

Outside officers shall be deemed to be independent if they do not fall under any of the following items:

- 1 A current executive director, executive officer, corporate officer, or employee (hereinafter, "executive") of the Company or any of its subsidiaries (hereinafter, "Group companies"), or someone who has served in such a position in the past ten fiscal years
- 2 A spouse or relative by blood or marriage within the second degree of a current executive of a Group company (to the extent such a person is deemed to be an important party), or of someone who has served in such a position in the past three fiscal years
- 3 An entity of whom the Company is a major business partner (that is, a recipient of payment from the Company in excess of 2% of said recipient's average consolidated sales over the period of the previous three fiscal years), or, in the event such an entity is a corporation, an executive person of said corporation
- 4 A major business partner of the Company (that is, an entity that makes payments to the Company that account for over 2% of the Company's average consolidated sales over the period of the preceding three fiscal years), or, in the event such a business partner is a corporation, an executive person of said corporation
- 5 A major lender to the Company (that is, an entity that provides loans to the Company in excess of 2% of the Company's average consolidated assets over the period of the preceding three fiscal years), or, in the event such a lender is a corporation, an executive of said corporation
- 6 A legal expert, etc., whose remuneration received from the Company, other than officers' compensation, exceeds ¥10 million on average per annum over the period of the preceding three fiscal years, or, if such an expert belongs to a corporation, 2% of the consolidated sales of said corporation over the same period
- 7 A director or executive of an organization that receives donations in excess of ¥10 million on average per annum from the Company over the period of the preceding three fiscal years
- 8 A major shareholder of the Company (that is, a shareholder who holds 10% or more of the total number of voting rights of the Company), or, in the event such a shareholder is a corporation, an executive of said corporation
- 9 A spouse or relative by blood or marriage within the second degree of a person who falls under any of items 3 through 8 (to the extent such a person is deemed to be an important party)
- 10 In addition to the preceding items, a person who is unable to independently perform duties as an outside director or an outside corporate auditor due to a conflict of interest with the Company or to other exceptional circumstances

Messages from Outside Directors



Toshihide Ichikawa
Outside Director



Kuniko Muramatsu
Outside Director



Hitomi Yamamoto
Outside Director

In March 2023, we formulated a new personnel strategy to facilitate the development of human resources, the foundation for achieving the JR Kyushu Group Medium-Term Business Plan 2022-2024 and embodying the 2030 Long-Term Vision and “What we aim to be”.

We spoke to our Outside Directors about the discussions and evaluations for our new personnel strategy, issues they think should be tackled in future, and more.



Moderator
Yumi Akagi
Director and Managing
Corporate Officer
General Manager of Strategy
Management Dept.

Q We formulated a new personnel strategy. In this year’s round-table discussion, we want to focus on people as we seek opinions. To start, please give us your overall impressions, including the process through which we formulated our personnel strategy.

I Ichikawa I think that our employees being motivated in their work provides the base for management. Job-hopping has become common these days, marking a clear change in society. In what you could call the traditional Japanese company, there has thus far been a pyramid-shaped organizational structure, where if you don’t get promoted to management your pay does not increase, so career goals have been monolithic. I think that in itself creates a difficult situation for companies. In future, we will need to allow personnel with specialist knowledge and skills to advance and provide sufficient evaluation for those personnel. In a community-linked company like this, we could also develop personnel who are familiar with the area. Obviously we would also need to take measures to ensure that the organization does not become too rigid. I think this kind of flexibility of thought invigorates individuals, companies and societies. With that in mind, I think it is good that this personnel strategy has a system that makes it possible to utilize highly specialist personnel and allow employees to choose the area where they work.

I Muramatsu The Board of Directors discussed human capital from a long-term perspective with a view to how the company should handle the changes that are taking place in our business environment. A point I emphasized was that the company should define the kind of personnel and the kind of human resources management that are necessary to achieve “What we aim to be” and the 2030 Long-Term Vision and formulate its personnel strategy accordingly. I think it is good that the executive side thought carefully about tying its personnel strategy to its management strategies and incorporated various outside opinions during the creation of the strategy.

I Yamamoto I think it is good that the strategy encompasses two policies and four pillars underpinning them, and indicates an overall view of the company’s vision for its personnel. It

is good to have KPIs as metrics for observing processes, but achieving them is not the objective. In future, I want the company to get that across to each employee. I think the key is for each employee to be on board with the personnel strategy and follow through on it.

■ Muramatsu Firstly, this was the stage at which our personnel strategy was defined. Now the company needs to observe whether the strategies and measures it has set are actually accomplishing its business targets and improving the company's value. I want to listen to feedback from our sites about whether our working environments allow our employees to be themselves and show their skills, while monitoring KPIs.

■ Yamamoto When each employee thinks about their own individual career, it is important for them to consider what their role in the Group is and what the Group is here for—the “why”s. I feel that middle management like site managers are particularly key figures. I want site managers and department managers to have conversations about this personnel strategy in their own words to make every employee aware of it. This company has already facilitated exchanges of opinion between



management and employees, and I definitely want the company to continue these activities. When you go to the sites and listen to employees' real opinions, you sometimes notice subtle changes. It is important to check up on those changes and reflect them in the company's strategies if a change of course is needed.

■ Ichikawa Employees are also more motivated when management has a direct dialog with them. If we tell each employee all about the significance of the JR Kyushu Group and the role they play, they will take pride in their job and find it interesting, and that will lead to them taking initiative and acting autonomously.

Q Next we will move on to the execution phase of our new personnel strategy. Please tell us about issues you foresee in the implementation of our personnel strategy, and your expectations.

■ Muramatsu I think this company is dedicating itself to development of personnel and raising awareness of the company culture through the use of “the three pillars” as a metric for its business practices, and its safety and service initiatives. However, I feel that thus far this has not been viewed from the perspective of management strategies and coordinated development of human resources as an organization. Through this personnel strategy, the company has built a major pillar. It will be important to link this to what the company has done so far and execute it comprehensively.

For example, when it comes to promoting diversity, in addition to the surface-level diversity the company has worked on thus far like women's advancement, the company must seek to build workplaces that utilize personnel with diverse values by entrenching perspectives and measures on DEI (diversity, equity and inclusion) in its organizational management. I would like this group to be one where the management tells employees what we aim to be and what kind of personnel it needs, the employees think and act

autonomously to accomplish this, and the people who work here and the organization itself grow together.

I think that in some ways the company is doing this but it is not being verbalized. For example, the company has developed career Directors and Corporate Officers who are women, like Ms. Akagi, and they are active in various areas of our business. The company must continue to systematize its development of such personnel.

■ Ichikawa I agree. We have a wider age range among our staff now, so I would say that not many people in their 40s or so are having the experience of running a company, as we are seeing in our current management. This in itself is why it may be necessary to consciously seek out potential future Presidents and Directors.

■ Muramatsu Thus far, our management environment was one where managers developed their skills organically through tough assignments like serving as the president of a Group company. But these days the domain of our business is widening so in future it will be important to be conscious of succession plans and talent management.



Yamamoto I think another way is to expand entry points in each workplace for systems that encourage employees to take on new challenges, like HIRAMEKI, so that employees can act autonomously. Management is observing each employee close up and finding out about their situations. Companies need a management style that is supportive, not one that is top-down. Dialog is very important for this, and I think it is also necessary to change how managers are managing. At the same time, the employees must also autonomously take on challenges. It takes both sides. And it will be quite difficult for employees to be active and take on challenges if their workplaces do not have the psychological safety for them to do so. I want this company to be one that praises taking on challenges and allows for failure. I think that is management's job.

I think various training will be done under the personnel strategy, but I want this training to bring together various employees from different departments. When we hear opinions based on different experiences and different perspectives from our own, we have new realizations about our own way of thinking, which makes it easy for added value to be created. Learning about differences and noticing them is the first step of DEI.

Ichikawa Through measures such as “visualization of income and expenditure” under amoeba management, each employee will develop a manager's perspective and expand their view, and that experience will lead to further development of personnel.

Q What kind of issues do you think we need to tackle in order to achieve sustainable growth of the JR Kyushu Group in future? Please also tell us about your expectations.

Ichikawa With the population declining due to the declining birthrate and aging population, it will be important for the company to maintain its base as a railway operator while also considering how to grow its non-railway divisions. We have

various assets in Fukuoka, the center of Kyushu, and we earn income through those. I think we need to discuss what we should do with that portfolio as the asset holders. Real estate is our core non-railway business, but I think we need to develop another pillar too.

Yamamoto With that in mind, digital technology will probably be important in future. We could also make more use of our existing app, JR KYUPO, and expand that. However, utilizing digital technologies cannot just be about substituting existing operations with digital functions. We need to think about how we can change our operational processes. We could also think about providing services with new value that only the JR Kyushu Group can create, and taking on new challenges in that area.

Ichikawa It's about how we can create new markets. For example, Naoshima Island in the Seto Inland Sea uses art to attract tourists, and receives hundreds of thousands of visitors every year. Kyushu has appealing areas, like Yufuin and Aso, so we might be able to create new markets for those areas.



Yamamoto I think taking on new challenges is important for creating new markets. If we don't do anything, we won't get anywhere. I want this to be an organization where the employees take the initiative and act autonomously and the organization backs them up and supports them.

Muramatsu The JR Kyushu Group has survived the crisis created by the pandemic. It is with this in mind that the Group formulated this Medium-Term Business Plan to return to a growth track, but I think in future the company needs to take a more comprehensive view of our business portfolio and the Group's governance framework.

Ichikawa The Group has established JR Kyushu Construction Group Holdings Inc., but I'd like to see a synergy.

Yamamoto The Group has personnel who have strong soft skills, which makes them attractive as employees. I think they are capable of invigorating Kyushu, Japan and Greater Asia according to the Group's vision of “What we aim to be”.

Ichikawa Having personnel like that provides extremely important value to a company. It is a major strength. As job-hopping becomes more frequent, it will probably be important for the JR Kyushu Group to provide spaces and opportunities for employees to do things they want to do and try things they want to try.

Muramatsu Yes, that's true. I want to fulfill my role as an Independent Outside Director in a way that contributes to sustainable development of the JR Kyushu Group's employees and companies, and local communities.



Akagi Thank you for joining this discussion today. You've all given us a variety of opinions on development of human resources. The COVID-19 pandemic was completely unexpected and the JR Kyushu Group was seriously affected. As people's way of life and values have changed, this has become an opportunity for the JR Kyushu Group to consider what kind of value we need to provide in order to be chosen by customers. And so we went back to the starting point, the fact that each employee is the source of value creation in a company, thought about what we need to do in order for employees to feel fulfilled and actively engage in their work, and formulated a new personnel strategy.

The JR Kyushu Group has survived many crises of all kinds before. I think our driving force has been the motivation and challenge-seeking spirit of all of our employees, our strong will not to be defeated by any difficulties, and our proactive, bold approach. I want to continue in that way, with the JR Kyushu Group's employees approaching their work cheerfully and positively, working together to invigorate Kyushu, Japan and Greater Asia, and forging a new future.

Messages from New Outside Directors

Thus far, I have mainly worked in the finance industry, but I remember the privatization of JNR well, and I know that it brought immense difficulties as structural reforms took place and jobs were cut. However, the JR Kyushu Group has used that adversity as a springboard and not only developed the railway business at its core but significantly grown its non-railway businesses, diversifying at an impressive speed. When I heard that the company was publicly listed in 2016, as a manager myself I had immense respect for the company's efforts.

There is no doubt in my mind that the JR Kyushu Group has a culture of overcoming difficulties and reforming itself, and it has the results to prove it. In future, as a corporate group tasked with invigorating Kyushu, the company will need to accelerate its initiatives to achieve sound corporate management and build a sustainable society, while also properly adapting to various changes to achieve further growth and implementing strategies quickly.

As an Outside Director, I want to utilize the knowledge I have developed about capital policy and corporate finance and my experience overseeing the amendment of banking systems to contribute to improving the JR Kyushu Group's value from the perspectives of finance and the implementation of IT and DX.



Takashi Tanaka
Outside Director

This is my first time serving as a Director of a BtoC company, so this is all really new to me. At the General Meeting of Shareholders, most of the attendees were both shareholders and customers, and I was conscious of how that differs from BtoB companies. It left me with a strong impression that we need to deal with them not only as shareholders but as customers too, and it reaffirmed for me that this is the starting point of BtoC. I also realized that because of the highly public nature of the company's dealings, the employees are users too. For management, it is comparatively easy to figure out things like the needs of the customers we deal with, but I also felt that it will be difficult to coordinate things like growth strategies in future.

In order to invigorate Kyushu, Japan and Greater Asia, one element of "What we aim to be", I think the key will be to keep the railway business as the core of the company's businesses as it has overwhelming strengths in Kyushu, and develop related businesses. As an Outside Director I will do my best to contribute from the perspective of IT and DX, businesses that the company has high hopes for, and other industries (BtoB).



Hiroshi Ogasawara
Outside Director

Sound Corporate Management — Corporate governance

Fundamental approach

The JR Kyushu Group is involved in a variety of businesses based on safety and service born of our own strengths. From the base of our operations in Kyushu, we continue to take on the challenge of invigorating Kyushu, Japan as a whole, and the greater Asia area in a tireless and enthusiastic manner.

In order to realize this objective, JR Kyushu aims to be a corporation that earns lasting trust from customers, local community members, business partners, employees and their families, and shareholders. To this end, JR Kyushu is establishing and improving frameworks and systems for decisive and prompt decision-making, as well as for appropriate disclosure of information, while guaranteeing transparency and fairness in management. We are also further enhancing our efforts in corporate governance to realize continuous growth and improvement in corporate value over the medium to long-term.

Strengthening our corporate governance framework based on communication with investors and third-party evaluations

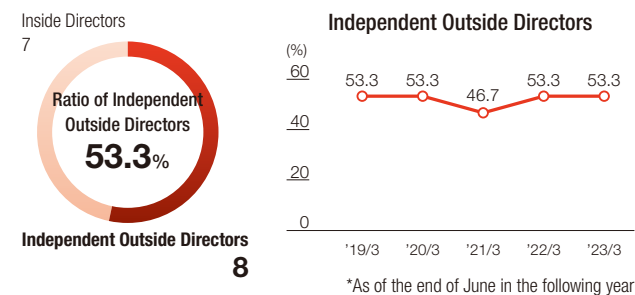
From June 2018, JR Kyushu transitioned to a company with an audit and supervisory committee and introduced a corporate officer system. The purpose of these changes was to strengthen the supervisory function of our Board of Directors, enable faster decision-making by management, and ensure efficient corporate management, in addition to

separating management's decision-making and supervision from the business operations of the company.

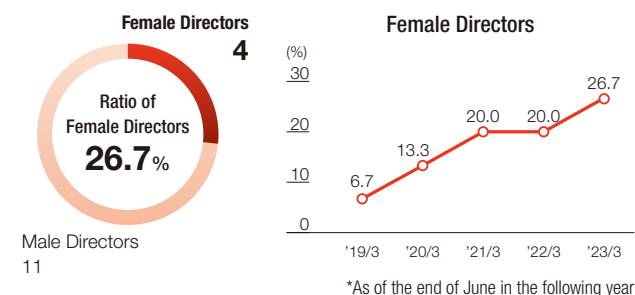
The current composition of the Board of Directors includes five Independent Outside Directors out of eleven Directors who are not Audit and Supervisory Committee members, and three Independent Outside Directors out of four Directors who are Audit and Supervisory Committee members, ensuring the effectiveness of management oversight by having eight Independent Outside Directors out of fifteen Directors. Furthermore, based on the diverse experience and expertise of Outside Directors with knowledge in each field, we held even deeper discussions at meetings of the Board of Directors.

Additionally, we have established a Nomination and Compensation Advisory Committee with an extremely high level of independence, composed of five Independent Outside Directors and one Inside Director and chaired by an Independent Outside Director. Furthermore, as part of our efforts to improve governance, we held exchanges of opinions among analysts, institutional investors, and Independent Outside Directors, working to improve the transparency of the Board of Directors. This issues awareness and these initiatives are based on evaluations and discussions at the Board of Directors effectiveness evaluation implemented every year. We confirm the effects of initiatives in the Board of Directors effectiveness evaluation and are holding discussions at meetings of the Board of Directors to further improve effectiveness.

Ratio of Independent Outside Directors



Ratio of female Directors



Governance transition

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3	
Governance	Organization	Shifted to a company with an Audit Committee					
	Committee	Established the Nomination and Compensation Advisory Committee (Assigned an outside director as Chairperson 9 members in total: 8 external and 1 internal)	Nomination and Compensation Advisory Committee (Total number of members streamlined to 6, 5 external and 1 internal)				
	Initiatives to Strengthen Governance	Introduced Corporate Officer system			Developed a succession plan		
Board of Directors	Number of Directors	13	15 Clarified the position of CFO				
	Independent Outside Directors (# of Directors/%)	6/46.2%	8/53.3%	8/53.3%	7/46.7%	8/53.3%	8/53.3%
	Female Directors (# of Directors/%)	2/15.4%	1/6.7%	2/13.3%	3/20.0%	3/20.0%	4/26.7%
Compensation	Performance-based compensation plan Introduced "Board Benefit Trust"				Added monetary remuneration to performance-based remuneration Set non-financial KPIs as criteria for share-based remuneration		
Board Effectiveness Evaluation	Introduced board effectiveness evaluations by a third-party organization			Implemented in-house		Effectiveness evaluation by third-party evaluation institutions (TBD)	

Board of Directors

The Board of Directors makes decisions on matters determined by law and important matters stipulated by the rules of the Board of Directors. The Board also supervises the business operations of directors, senior corporate officers, and corporate officers. The Board of Directors meets once a month, as a general rule, and comprises a total of 15 members, including 11 directors (excluding directors who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. Eight independent outside directors have been appointed in order to further strengthen the supervisory function over the Board of Directors.

Directors are appointed based on a report by the Nomination and Compensation Advisory Committee. The Board of Directors includes Audit and Supervisory Committee members who have

voting rights to strengthen our auditing and supervision.

In addition, JR Kyushu has established the Executive Committee, which in principle meets once a week. In accordance with the stipulations in the Articles of Incorporation, the committee deliberates items determined by the Board of Directors regarding the delegation of authority as well as important items pertaining to JR Kyushu's operation. Furthermore, JR Kyushu has set up the Group Executive Committee, which deliberates management strategies such as the JR Kyushu Group's management vision and the allocation of management resources as well as important items related to individual companies in the JR Kyushu Group. By overseeing the management of group companies, the Group Executive Committee works to enhance the JR Kyushu Group's comprehensive strengths.

Audit and Supervisory Committee

The Audit and Supervisory Committee receives reports on important matters related to audits, holds discussions, and passes resolutions. The Audit and Supervisory Committee meets once a month, as a general rule, and holds extraordinary meetings when necessary. Our Audit and Supervisory Committee comprises four members (three of whom are Independent Outside Directors), who perform duties such as auditing Directors' work.

Nomination and Compensation Advisory Committee

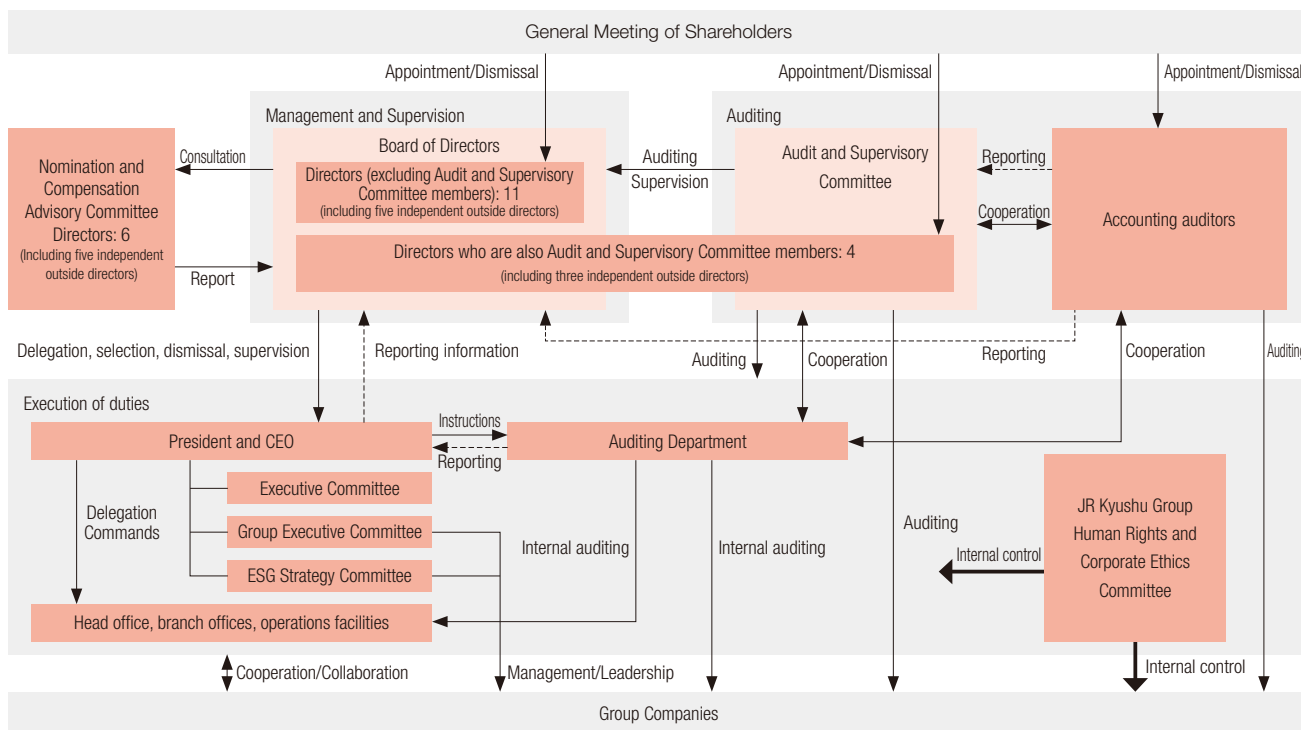
JR Kyushu has established the Nomination and Compensation Advisory Committee, which serves as an advisory body to the Board of Directors. The committee comprises five independent outside directors and one inside director, and is chaired by an independent outside director. In regard to the appointment and dismissal of directors and the compensation of corporate directors, decisions are made by the Board of Directors with consideration for reports from the Nomination and Compensation Advisory Committee. At this fiscal year's meetings of the Nomination and Compensation Advisory Committee, members discussed the appointment of Directors and Senior Executive Officers, as well as executive officer compensation and skill sets.

A total of five meetings of the Nomination and Compensation Advisory Committee were held during this fiscal year. Attendance was as follows.

Positions, etc.	Name	Meetings attended
Outside Director Chairperson of Nomination and Compensation Advisory Committee	Toshihide Ichikawa	5/5
Outside Director	Shinji Asatsuma	5/5
Outside Director	Kuniko Muramatsu	4/5
Outside Director	Michiaki Uriu	3/5
Outside Director	Hitomi Yamamoto	3/3
Representative Director, President, Corporate Officer, and Chief Executive Officer	Yoji Furumiya	5/5

* Hitomi Yamamoto was newly appointed at the 35th Annual General Meeting of Shareholders on June 23, 2022, so the number of meetings of the Nomination and Compensation Advisory Committee she was eligible to attend differs from that of the other Directors.

Corporate Governance Structure (as of July 1, 2023)



Remuneration for Directors
Policy, etc. concerning decisions on the details of remuneration, etc. for officers, etc.

The Board of Directors of the Group resolved the decision policy regarding the details of remuneration, etc. for individual officers at the meeting held on May 10, 2022. Upon the said resolution by the Board of Directors, the Board had consulted the Nomination and Compensation Advisory Committee regarding the content of the resolution and received the report of the latter's findings.

Basic policy concerning the determination of remuneration and the Company's view on remuneration level

This is how remuneration for Directors is determined. Basic remuneration, at the fixed amount, is determined at a level commensurate with their role and responsibilities, and remuneration linked to business performance (monetary compensation and stock compensation) has a structure that takes into account Directors' motivation for improving business performance and corporate value. The amount of remuneration is determined at an appropriate level in light of surveys conducted by external specialized organizations and other information.

Composition of remuneration

● **Directors (excluding outside directors and directors who are Audit and Supervisory Committee members)**

Remuneration for directors comprises basic remuneration at the fixed amount and performance-linked remuneration. Performance-linked remuneration consists of monetary remuneration that fluctuates according to corporate performance, etc. and share-based remuneration. Performance-linked remuneration functions as a short-term and long-term incentive for improving business performance and corporate value. For Directors (except Outside Directors and Directors who are Audit and Supervisory Committee members), performance-linked remuneration does not exceed roughly 20% of the total remuneration.

(i) Performance-linked remuneration (monetary remuneration)

Consolidated operating income for each fiscal year shall be set as a key performance indicator (KPI) for steadily improving results toward the goal of achieving targets set for each fiscal year.

(ii) Performance-linked remuneration (share-based remuneration)

Consolidated operating income for each fiscal year shall be set as a KPI for performance-linked remuneration (share-based) in the short term. In the medium to long term, an index based on a rank shall be set for share-based remuneration, comparing the Company's total shareholder return (TSR) with TSR of competitors in the period of the Medium-Term Business Plan (three fiscal years).

By further clarifying the way in which remuneration for corporate directors is linked to business performance and the value of Company shares, the objective is to ensure that both the benefits of higher share prices and the risks of falling share prices are shared with shareholders, thereby further strengthening the motivation for directors to contribute to improvements in business performance and corporate value over the medium to long term.

Furthermore, incentives adopting employee awareness survey findings as evaluation items shall be set to quantitatively assess the degree of personnel strategy realization.

Remuneration system for Directors (except Outside Directors and Directors who are Audit and Supervisory Committee members)

	Structure of system	
		Notes
Remuneration structure (annual short-term remuneration)	Basic remuneration: remuneration linked to business performance (monetary remuneration + share-based remuneration) = 8:2	Monetary remuneration is given to incentivize ongoing accomplishment of numerical targets for each business year

Linked to business performance

Monetary remuneration	Performance-linked KPIs (short-term incentives)	Annual consolidated operating income	Evaluation index of 0.0-2.0 based on accomplishment (standard score 1.0, maximum 10% of basic remuneration)	
	Time of payment	Paid monthly for duration of role	—	
Share-based remuneration	Fixed remuneration	Paid according to position (no change)	Fixed share-based remuneration also needed in order to share profits and losses with shareholders	
	Performance-linked KPIs	Short-term incentives	Annual consolidated operating income (no change)	Multiplied by evaluation index of 0.0-2.0 based on accomplishment (standard score 1.0)
		Long-term incentives	TSR for the period of the Medium-Term Business Plan (relative to industry competitors)	Multiplied by evaluation index of 0.0-2.0 based on ranking among competitors (standard score 1.0)
		Non-financial (long-term incentives)	Results of employee awareness survey during the period of the Medium-Term Business Plan	Maximum of 5% of the above long-term incentives added
Time of payment	On leaving role as director (no change)	—	—	

Basic remuneration and performance-linked remuneration (monetary remuneration) are paid monthly during a director's term of office. Performance-linked remuneration (share-based remuneration) is paid when a director retires.

● Outside Directors and Directors who are Audit and Supervisory Committee Members

In consideration of their responsibilities, the remuneration of Outside Directors and Directors who are Audit and Supervisory Committee Members consists of basic remuneration only.

Methods of calculating performance-linked remuneration

● Method of calculating performance-linked remuneration (monetary remuneration)

Remuneration shall be provided with 10% of basic remuneration at the fixed amount as the upper limit by varying the amount of remuneration by the index of 0.0 to 2.0 (1.0 set as a standard) according to the degree to which the consolidated operating income target for each fiscal year is achieved.

● Method of calculating performance-linked remuneration (share-based remuneration)

Short-term incentives in share-based remuneration are calculated with the use of a coefficient ranging from 0.0 to 2.0 (1.0 set as a standard) that corresponds to the degree to which the consolidated operating income target for each fiscal year is achieved. Long-term incentives are calculated with the use of an index ranging from 0.0 to 2.0 (1.0 set as a standard) that corresponds to a rank obtained by comparing the Company's TSR with TSR of competitors in the period of the Medium-Term Business Plan (three fiscal years).

Points up to 5% of the long-term incentives explained above are added, taking into consideration improvements in employee awareness survey findings in the three fiscal years from April 2022 to March 2025 (linked to the period of the Medium-Term Business Plan). Points will not be added or subtracted if no improvement is made.

The number of Company shares to be provided to each director is calculated by multiplying the number of points granted to a director by 1.0.

Limits on officers' remuneration

The amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) was approved to be up to ¥420 million annually (of which up to ¥60 million is for outside directors) at the 32nd Annual General Meeting of Shareholders held on June 21, 2019. As of the end

of the 32nd Annual General Meeting of Shareholders held on June 21, 2019, the number of directors will be 11 (including five outside directors). It was resolved at the 31st Annual General Meeting of Shareholders held on June 22, 2018 that the amount of remuneration for directors who are Audit and Supervisory Committee members be up to ¥120 million. As of the end of the 31st Annual General Meeting of Shareholders held on June 22, 2018, the number of directors who are Audit and Supervisory Committee Members is four (including three outside directors).

In addition, with regard to performance-linked share-based remuneration plan "Board Benefit Trust," it was resolved at the 35th Annual General Meeting of Shareholders held on June 23, 2022 that the Company contribute funds to the trust up to ¥600 million (¥390 million of which is for directors), apart from the above amount of remuneration, over three fiscal years as funds for the acquisition of shares to be provided in the future. As of the closing of the 35th Annual General Meeting of Shareholders on June 23, 2022, there are six Directors.

The Company shall grant directors (excluding outside directors and directors who are Audit and Supervisory Committee members) a specified number points determined upon having given consideration to factors relating to respective fiscal years such as their positions based on the Rules on Provision of Shares to Officers, and the extent to which business performance has achieved the targets stipulated by the Medium-term Business Plan. Each point granted to the directors shall be converted into one common share of the Company at the time of the provision of the Company's Shares, etc. (in cases where the Company's shares become the subject of a share split, allotment of shares without contribution, or consolidation of shares, etc., the maximum number of points, accumulated number of points granted or the conversion rate shall be adjusted in a reasonable manner in proportion to the relevant ratio, etc.). The total number of points granted to directors in each fiscal year shall be up to 43,000.

Procedure for determining remuneration

When deciding remuneration for Directors (excluding Directors who are Audit and Supervisory Committee members), the Nomination and Compensation Advisory Committee, a committee chaired by an Independent Outside Director and comprising five Independent Outside Directors and one internal Director, reports to the Board of Directors and remuneration within the scope of the total amount decided at the General Meeting of Shareholders is decided by the President and

CEO with approval from the Board of Directors. Authority is delegated to the President because the President is deemed the most suitable for evaluating each Director while taking a broad overview of the Company's business performance as a whole.

Remuneration for Directors who are Audit and Supervisory Committee members is determined through discussion among directors who are Audit and Supervisory Committee members, within the total value limits imposed by the resolution of the General Meeting of Shareholders.

The Nomination and Compensation Advisory Committee is chaired by an Outside Director, and at least half of its members are Outside Directors. The Committee engages in discussions with respect to policies on determining the specifics of remuneration for Directors, etc., and the remuneration specifics for individual Directors, etc., and accordingly plays a role in enhancing fairness and objectivity with respect to remuneration.

Total remuneration for directors in each category, total amount of remuneration by type, and number of directors receiving remuneration amount (FY2023/3)

Category	Total amount of remuneration (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)		Number of persons paid (persons)
		Basic remuneration	Share-based remuneration	
Directors (excluding Audit and Supervisory Committee members and outside directors)	275	262	12	7
Directors (Audit and Supervisory Committee members) (Excluding outside directors)	33	33	—	2
Outside directors	83	83	—	10
Total	391	379	12	19

Notes 1. Director compensation amounts do not include the employee portion of compensation for directors who double as employees.

2. The above amounts include compensation paid during the term of office of four directors who resigned at the conclusion of the 35th Annual General Meeting of Shareholders held on June 23, 2022.

3. "Share-based remuneration" indicated above includes provision for stock benefits based on the performance-linked share-based remuneration plan.

Effectiveness of the Board of Directors

Recognizing that securing the effectiveness of the Board of Directors leads to the medium to long term improvement of corporate value, the Company conducts hearings with the directors and gives questionnaires to them for the purpose of advancing analysis and evaluation related to said efficiency and then discloses an overview of the results in the Corporate Governance Report.

Between December 2022 and February 2023, we conducted a survey consisting of a questionnaire for all directors to complete. Thereafter, we analyzed and evaluated the effectiveness of the Board of Directors at a meeting of the Board of Directors. Below is an overview of the evaluation results.

Overview of results

1. Conclusion

The overall evaluation was that the Board of Directors is functioning effectively.

2. Evaluation process

- (i) Persons evaluated: All directors
- (ii) Evaluation method: The survey was conducted by administering an anonymous questionnaire.
- (iii) Evaluation items: The major categories of the questionnaire were as follows.

- I Composition and management of the Board of Directors
- II Management and business strategies
- III Corporate ethics and risk management
- IV Evaluation and remuneration of management
- V Dialog with shareholders, etc.

3. Progress, etc. in relation to issues recognized in the FY2021 effectiveness evaluation

Evaluation items	FY2021 issues P	FY2022 initiatives D	Evaluation C	Future initiatives A
I Composition and management of the Board of Directors	In order to fulfill the roles and responsibilities of the Board of Directors, a diverse range of director candidates with varying expertise and experience should be appointed while considering the notion of striking a balance in the Board of Directors overall, and the workforce should be optimized to ensure it is capable of effectively and efficiently carrying out such functions.	Appropriately appoint members to ensure the knowledge, experience, capabilities, and also diversity.	Consideration is being given to optimizing the workforce to ensure it is capable of effectively and efficiently carrying out functions, while considering the notion of striking a balance in the Board of Directors overall.	Consider optimizing the workforce, including a review of skill sets, at the Nomination and Compensation Advisory Committee to ensure that functions are being carried out effectively and efficiently while considering the notion of striking a balance in the Board of Directors overall.
II Management and business strategies	Efforts to improve corporate value through DX (digital transformation) should be confirmed.	Report to the Board of Directors on the “JR Kyushu Group DX Strategy 2022–2024” to become a company that maximizes the use of digital technology to create efficient, high-quality value.	Reports on the “JR Kyushu Group DX Strategy 2022–2024” were made, but reports regarding DX should be further enhanced to improve corporate value.	Make timely and appropriate reports regarding DX to the Board of Directors to improve corporate value.

* As shown in the table above, the Company will strive to improve corporate value by repeating the PDCA cycle every year.

4. Major issues recognized in the FY2022 effectiveness evaluation and initiatives for FY2023

Evaluation items	FY2022 issues P	FY2023 initiatives D
I Composition and management of the Board of Directors	Consideration should be given to reviewing the requirements for agenda items for the Board of Directors.	Hold discussions on agenda items for the Board of Directors so that items to be discussed are appropriately included in the agenda.
II Management and business strategies	Progress on the Medium-Term Business Plan should be reported. Reporting on initiatives to improve corporate value through DX should be further enhanced.	Report to the Board of Directors on the progress of the Medium-Term Business Plan in a timely and appropriate manner. Report to the Board of Directors on the progress of the “JR Kyushu Group DX Strategy 2022–2024” and other matters regarding DX promotion in a timely and appropriate manner.
IV Evaluation and remuneration of management	Further enhancement of reporting on matters such as decisions made by the Nomination and Compensation Advisory Committee.	Report to the Board of Directors on the agenda, etc. of the Nomination and Compensation Advisory Committee in a timely and appropriate manner.

Auditing

Auditing by the Audit and Supervisory Committee

Our Audit and Supervisory Committee has four members, three of whom are outside directors. In addition to members with legal expertise, we appoint members with sufficient expertise on finance and accounting. Below are details on the attendance of each member of the Audit and Supervisory Committee in the fiscal year ended March 2023.

	Name	Attendance rate (attendance/ total number of meetings)
Full-time member	Eiichi Kuga (outside)	5/5 (100%)
	Masaya Hirokawa	5/5 (100%)
	Koji Otabe (outside)	10/10 (100%)
	Koji Higashi	10/10 (100%)
Part-time member	Yasunori Eto (outside)	15/15 (100%)
	Hiromi Fujita (outside)	15/15 (100%)

* Eiichi Kuga and Masaya Hirokawa resigned upon the conclusion of the 35th Annual General Meeting of Shareholders held on June 23, 2022. Koji Otabe and Koji Higashi were appointed at the 35th Annual General Meeting of Shareholders held on June 23, 2022, so their total number of meetings differs from other directors who are Audit and Supervisory Committee members.

Our Audit and Supervisory Committee meetings are used for purposes such as formulating audit plans, creating audit reports, inquiring about the progress of directors' work, and facilitating discussion with the President and outside directors. The key elements of the audit for the fiscal year ended March 2022 were the Company's initiatives for business policy in the fiscal year ended March 2022, its safety initiatives and its personnel strategy.

Decisions were on matters such as audit plans, audit reports and the reappointment of accounting auditors. Reports were on matters such as the results of audits by the Audit and Supervisory Committee, plans and results for internal audits, and reports on activities by full-time members of the Audit and Supervisory Committee.

Each member audits our directors' work by attending key meetings such as those of the Board of Directors, reviewing key documentation about matters such as key decisions, and

visiting head office, branch offices, operations facilities, and group companies to assess the current state of operations and finances.

Our outside members are particularly instrumental in this, using their specialist knowledge and background to provide necessary advice and suggestions during discussions of proposals among the Audit and Supervisory Committee. Our full-time members gather information from our corporate department and work together with our internal auditing department to ensure the effectiveness of the auditing and supervision by the committee. We continued to take measures such as holding online meetings to prevent the spread of COVID-19. The key assessment matters (KAM) for our audits were discussed with our account auditors, who reported on the status of the audits and provided explanations where necessary.

The committee works from our Audit and Supervisory Committee Office. Four staff members carry out administrative work necessary for the running of the committee, such as calling committee meetings and creating minutes.

Internal auditing

JR Kyushu has established an Auditing Department at its head office to serve as an institution for conducting internal audits. The department consists of 12 members. Internal audits are carried out for the purpose of gaining an accurate understanding of the management activities of JR Kyushu and its group companies as well as for improving operational efficiency through appropriate advice and recommendations and contributing to sound business development. Specifically, the Auditing Department carries out audits of the head office, branch offices, on-site operations, and group companies based on auditing plans for each fiscal year. The results are reported to the President and CEO and twice a year (every 6 months) the results are compiled and reported to the Board of Directors by the President and CEO, as the Director in charge, and to the Audit and Supervisory Committee by the head of the Auditing Department.

Three meetings were held between the Audit and Supervisory Committee, internal auditors, and account auditors in the fiscal year ended March 2022 to facilitate a strong working relationship between the three parties and share information on audit plans, methods, and results. Additional communication also takes place as necessary between the

Audit and Supervisory Committee and the accounting auditor and between the Audit and Supervisory Committee and the internal auditing department to share the necessary information and discuss various matters, enabling more in-depth auditing by all parties involved.

Status of shareholding Standards and principles for classification of investment shares

Investment shares held for the purpose of pure investment are those held in order to receive gains from fluctuations in the value of the shares and dividends associated with the shares. Other shares are classified as investment shares held for purposes other than pure investment (cross-shareholdings policy). These are held according to the following shareholding policy.

Investment shares held for purposes other than pure investment (listed shares only)

Given its long-term vision of taking on challenges involving new mobility services (MaaS), the Company believes that the notion of achieving sustainable growth of the Group, beginning with the railway business, requires partner companies with which it is possible to maintain cooperative relationships in the long run without being susceptible to factors such as short-term economic developments. Based on this approach, in cases where it is judged that they contribute to increases in corporate value over the medium to long term from such perspectives as ongoing business operations, or the expansion of earnings through the strengthening of business alliances and relationships, the Company engages in cross-shareholdings, but works to reduce cross-shareholdings for which the rationale for holding is no longer sufficient.

On an annual basis, the Board of Directors assesses whether or not to hold individual cross-shareholdings, examining factors such as whether the purpose of maintaining the holdings is appropriate in terms of achieving the long-term vision, and also whether gains associated with the holdings cover the Company's cost of capital, or otherwise whether there are prospects for future improvement. As a result, transferee selection and specific consultation, etc. to prepare for sale will take place with regards to unnecessary cross-held shares.

Furthermore, in the fiscal year ended March 2023, at a meeting held in September 2022, the Board of Directors conducted assessments of whether to hold individual cross-shareholdings based on the above policy and decided to engage in initiatives to reduce those for which the rationale for continued holding is no longer sufficient.

With respect to exercising voting rights of its cross-shareholdings, the Company casts opposing votes when there are concerns regarding corporate governance, and otherwise exercises its voting rights upon giving consideration as to whether or not a proposal will contribute to enabling growth of the entity concerned, improving its corporate value, or otherwise.

Where a partner company holding the Company's shares as cross-shareholdings expresses a desire to sell those shares, the Company will not allow prevention of the sale of those shares, such as by implying that it will reduce trading with the partner company.

Investment shares held for purposes other than pure investment

	Number of issues	Total amounts in balance sheet (millions of yen)
Unlisted shares	28	2,216
Shares other than unlisted shares	13	21,276

(Reference) Ratio of net assets for the whole JR Kyushu Group: 5.77%

Issues for which the number of shares increased in FY2023/3

	Number of issues	Total acquisition cost related to the increase in the number of shares (millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	1	500	To improve the value of the company by maintaining and strengthening collaborative relationships for the sustainable growth of our railway business and other areas of the JR Kyushu Group.
Shares other than unlisted shares	—	—	—

Issues for which the number of shares decreased in FY2023/3

	Number of issues	Total sale value related to the decrease in the number of shares (millions of yen)
Unlisted shares	3	110
Shares other than unlisted shares	—	—

Number of shares per specified investment stock issue, total amounts in balance sheet, etc.

Issue	Fiscal year ended March 2023	Fiscal year ended March 2022
	Number of shares	Number of shares
	Total amounts in balance sheet (millions of yen)	Total amounts in balance sheet (millions of yen)
Central Japan Railway Company	338,200	338,200
	5,346	5,399
East Japan Railway Company	707,800	707,800
	5,191	5,032
West Japan Railway Company	810,400	810,400
	4,422	4,125
KYUDENKO CORPORATION	887,800	887,800
	2,987	2,544
Nishi-Nippon Railroad Co., Ltd.	813,300	813,300
	1,945	2,182
ANA HOLDINGS INC.	246,600	246,600
	709	632
Kyushu Electric Power Company, Incorporated	418,700	418,700
	316	342
SAIBU GAS HOLDINGS CO., LTD.	72,400	72,400
	125	144
T&D Holdings, Inc.	59,950	59,950
	98	100
Fukuoka Financial Group, Inc.	23,650	23,650
	60	56
Mizuho Financial Group, Inc.	21,200	21,200
	39	33
Dai-ichi Life Holdings, Inc.	9,700	9,700
	23	24
Nishi-Nippon Financial Holdings, Inc.	8,493	8,493
	9	6

Sound Corporate Management — Risk management, compliance

Initiatives to improve information security

We are conscious of the importance of addressing information security risks, and are taking various measures to address internal and external threats that are anticipated. For our Group companies, we are building a common security platform to integrate ICT infrastructure such as networks and servers, and are taking measures to address various security risks, including in our supply chain. We are also continuously providing education and training, including security education and training on targeted emails for our Group companies, to improve employees' awareness of information security.

Specific initiatives

- Blocking, detection and handling of suspicious communication from outside sources
- Safety checks of incoming emails
- Measures against vulnerabilities in IT devices such as computers and servers
- Collection of information through cooperations with external institutions, etc.

Handling of ransomware

Damage from unauthorized access by ransomware spiked around the world in the fiscal year ended March 2023. Because systems are often infected by ransomware via 1) e-mail, 2) VPN (Virtual Private Network) devices, or 3) sites disclosed to the public, we strive to improve our level of security and educate our employees so that unauthorized access can be prevented before it occurs.

1 Emails

From the fiscal year ended March 2023, we have discontinued the use of emails with password-protected attachments (PPAP). We also held multiple training sessions about targeted emails for all employees in the JR Kyushu Group to raise awareness about security among employees and ensure that they will not open suspicious emails.

2 VPN devices

We conduct vulnerability diagnostics and implement countermeasures for any issues that are found. Furthermore, we enhance our operation in terms of vulnerability response by applying security patches upon conducting a risk evaluation.

3 Sites disclosed to the public

We also periodically conduct vulnerability analyses on sites disclosed to the public and formulate guidelines for building public sites, which clarify the required security measures and ensure that the approval process is followed when publishing the sites.

We have also conducted incident training for our officers to improve our response should an incident occur. We will further enhance our security measures to enable the early detection of risks and rapid response to incidents, so that we can respond to the threat of more sophisticated cyberattacks.



Reports on completion of vulnerability diagnostics

Building of an information security framework

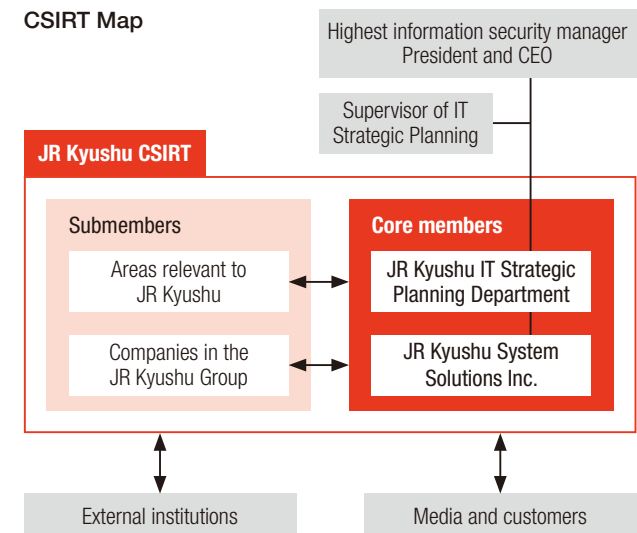
To strengthen security measures throughout the JR Kyushu Group, we set up a CSIRT in March 2019 to carry out systematic pre-emptive initiatives for information security incidents. Information is gathered and shared and training is conducted during normal operations so that our employees can respond quickly in the event of an incident.

Overview of CSIRT

CSIRT (Computer Security Incident Response Team)

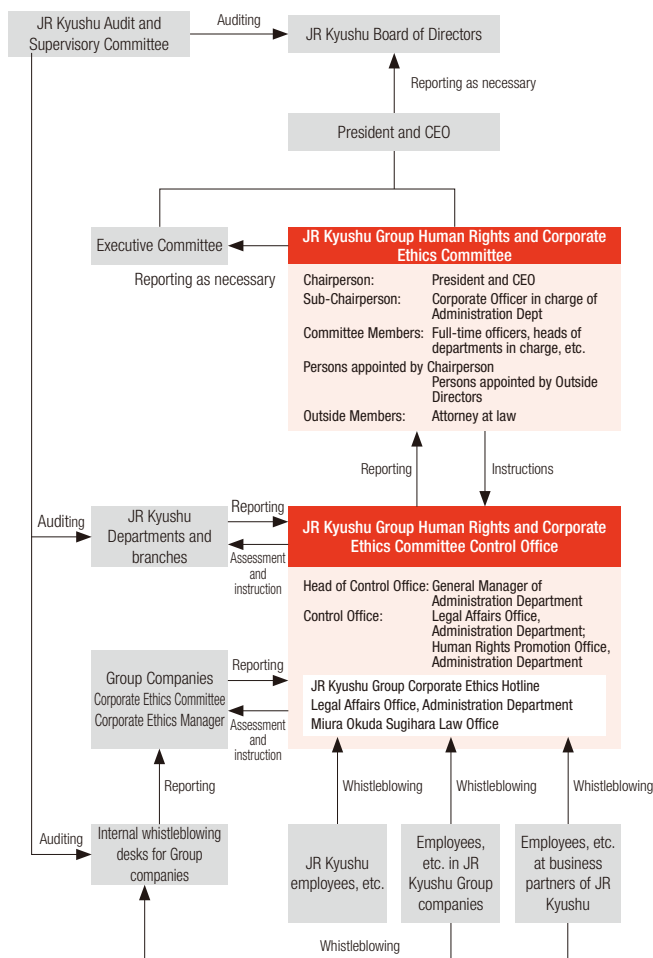
Name	JR Kyushu CSIRT (JRQ-CSIRT)
Scope	JR Kyushu and other companies in the JR Kyushu Group
Role	<ul style="list-style-type: none"> • Clear communication about incident report desk to ensure early notification of incidents • Rapid response and support in the event of an incident • Information gathering, timely warnings, and security training during normal operations

CSIRT Map



Corporate ethics initiatives

Human Rights and Corporate Ethics Framework Map (as of April 1, 2023)



JR Kyushu Group Human Rights Corporate Ethics Committee

The JR Kyushu Group Corporate Ethics Committee, chaired by the President of JR Kyushu, was formed in 2004 to establish the corporate ethics of the JR Kyushu Group and adjudicate on matters necessary to ensure full compliance with laws and regulations. Since the fiscal year ended March 2022, we have had outside directors with a high level of knowledge on corporate ethics participate as observers. Matters reported to the JR Kyushu Group Corporate Ethics Hotline will be reported to the JR Kyushu Group Human Rights and Corporate Ethics Committee within a scope that does not violate legal confidentiality requirements.

Additionally, with consciousness of human rights and corporate ethics growing among consumers and investors, we established the JR Kyushu Group Human Rights and Corporate Ethics Committee on April 1, 2023 to facilitate Group-wide measures, consultations, education, instruction, policies and improvements with regard to human rights and corporate ethics.

Internal Whistleblowing System

We have established the JR Kyushu Group Corporate Ethics Hotline in both JR Kyushu and an external law office to handle consultations in the Group according to the Whistleblower Protection Act. The hotline can be used by anyone in the JR Kyushu Group or its business partners to report any concerns about business operations or an individual's actions from a corporate ethics or legal perspective. Information provided by whistleblowers will be kept in strict confidence. Whistleblowers will not be treated unfairly on the basis of requesting a consultation.

Consultations have increased in recent years. These are handled appropriately by the consultation desk. Many consultations tend to be about harassment and labor issues.

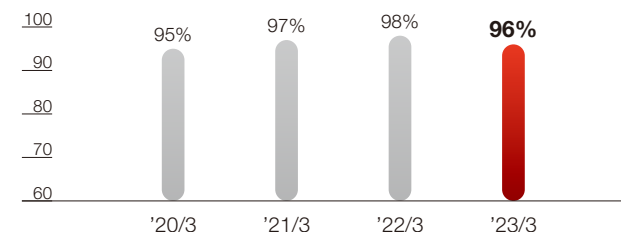
Number of reports through the hotline by year

Fiscal year	'19/3	'20/3	'21/3	'22/3	'23/3
Number of reports	39 cases	56 cases	65 cases	73 cases	74 cases

Results of corporate ethics awareness survey

The results of the awareness survey given to JR Kyushu employees in the fiscal year ended March 2023 showed that 96% of all JR Kyushu employees were aware of the JR Kyushu Group Corporate Ethics Hotline. There continues to be a high level of awareness about the JR Kyushu Group Corporate Ethics Hotline, but awareness has decreased in some age groups and departments. More thorough education and communication is taking place.

Ratio of employees who said that they knew about the JR Kyushu Group Corporate Ethics Hotline



Interviews with Group companies about corporate ethics

We have held interviews with Group companies since the fiscal year ended March 2019 to assess initiatives and issues related to corporate ethics in Group companies and reflect our findings in future measures. Interviews have been conducted with around half of our Group companies thus far, and improvements have been made to initiatives such as corporate ethics training in the Group based on our findings.

Education and training on corporate ethics

JR Kyushu Group Corporate Ethics Handbook

All employees, including those in group companies, receive a copy of the JR Kyushu Group Corporate Ethics Handbook. The handbook incorporates specific examples of corporate ethics initiatives, such as creating a workplace with ethical measures such as harassment prevention and running a fair business that prevents corruption and other ethical issues. Furthermore, in order to respond to the diversification of personnel in the JR Kyushu Group (elderly and foreign workers), we provide a simplified version of the Corporate Ethics Handbook and its English version as a simpler educational tool.

JR Kyushu Group Corporate Ethics Handbook



Japanese version

English version

A month for strengthening corporate ethics

Since the fiscal year ended March 2019, the JR Kyushu Group has designated October as a month for strengthening corporate ethics. As part of these efforts, every two years we hold the JR Kyushu Group Corporate Ethics Seminar and a seminar on compliance for directors, including those at JR Kyushu group companies, and in the fiscal year ended March 2023, we invited an external lecturer to conduct a seminar on key points for preventing compliance violations.

Employee training

Employees receive annual training on corporate ethics through methods such as e-learning based on the JR Kyushu Group Code of Ethics to ensure legal compliance by every employee. In the fiscal year ended March 2023, we conducted training on corporate ethics, which covered points such as specific corporate ethics violations that had happened, along with training on the Act on the Protection of Personal Information, which was amended.

Holding Seminars

In addition to e-learning for all employees, we also conduct training for specific individuals and themes.

(1) Harassment prevention seminar

We invited the attorney who advises JR Kyushu to train managers such as site managers and the heads of each branch on sexual harassment and abuse of power using specific examples, in response to recent factors such as a revision in the Act on the Comprehensive Promotion of Labour Policies and the recent increase in inquiries about these matters to the JR Kyushu Group Corporate Ethics Hotline.

(2) Theme-based presentation: The revised Act on the Protection of Personal Information

We conducted a seminar regarding the revised Act on the Protection of Personal Information enacted in April 2022 for the people in charge at JR Kyushu and its group companies. In this training, the attorney who advises JR Kyushu explained points such as the areas of the law that have been revised and points personnel should be aware of when using data that contains personal information.

(3) Theme-based training on the mechanisms that cause scandals to occur

In this training for management of Group companies in our real estate segment, we invited an external lecturer who specializes in corporate ethics and risk management to provide training on how to handle and prevent specific scandals that could occur in this segment. Attendees discussed these points through group work designed to facilitate deeper thought.

Training and seminars held in the fiscal year ended March 2023

Seminars by external lecturers (including consulting attorney)	<ul style="list-style-type: none"> ● Seminar for new directors ● JR Kyushu Group Corporate Ethics Seminar ● Theme-based training on the mechanisms that cause scandals to occur ● Harassment prevention seminar ● Theme-based presentation: The revised Act on the Protection of Personal Information
Seminars and workshops by Legal Affairs Office, Administration Department	<ul style="list-style-type: none"> ● Corporate ethics training during training by position ● Corporate ethics training for group companies ● Information security managers' meeting on personal information ● Training by e-learning (Act on the Protection of Personal Information, corporate ethics)



Theme-based training on the mechanisms that cause scandals to occur

Sound Corporate Management — Enhancing communication with stakeholders

Discussions with customers

We hold discussions with customers to find out their thoughts on the JR Kyushu Group. We hold two local meetings in eight regions around Kyushu, where customer advocates who are appointed for a year at a time share a variety of opinions. We also hold one central Discussion with Customers, where representatives from each region talk with our management. These activities allow us to gather valuable feedback that we can use to improve the JR Kyushu Group's services and products, as well as allowing us to give customers a more in-depth understanding of the JR Kyushu Group.

In the fiscal year ended March 2023, we held face-to-face meetings and gave committee members tours of features such as our Shinkansen, tourist trains and station buildings. These activities allow us to gather valuable feedback that we can use to improve the JR Kyushu Group's services and products, as well as allowing us to give customers a more in-depth understanding of the JR Kyushu Group.



Number of discussions with customers **17**

Exchanges of opinions between executives and employees

Number of feedback sessions **57**

For details, see **P.55**

Dialog with business partners

Our Basic Procurement Policy is disclosed on our website and elsewhere, and we receive the understanding and cooperation of all of our trading partners about our policies.

In the fiscal year ended March 2023, procurement of some resources was affected by factors such as COVID-19 restrictions and the semiconductor shortage, but we were able to continue steady procurement with the cooperation of our trading partners. We are actively pursuing communication with our trading partners via measures such as interviews about quality control and providing feedback on ESG questionnaire results by means such as direct visits to trading partners.

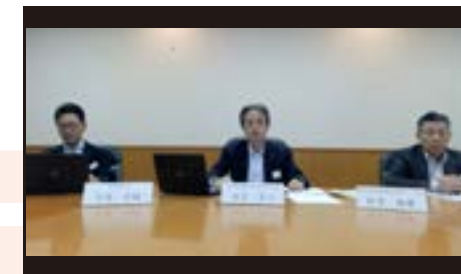


Answers to the ESG questionnaire **302**

Dialog with shareholders and investors

JR Kyushu actively creates opportunities for dialog with shareholders and investors through venues such as the General Meeting of Shareholders, presentations of financial results, individual meetings between management and institutional investors, facility tours, and presentations for individual investors.

Presentations of financial results and presentations for individual investors took the form of online meetings in the fiscal year ended March 2023 due to COVID-19, but we were able to facilitate mutual communication by answering questions from shareholders and investors. These activities allow us to provide information on the JR Kyushu Group's businesses and growth strategies and hear various feedback. The feedback we receive is shared at meetings of our management team and Board of Directors and used to improve our management.



Number of discussions between management and institutional investors **92**

Number of discussions between management and individual investors **4**



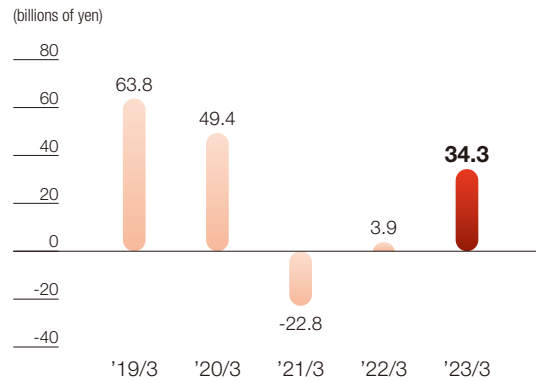
Data Section

- Financial Highlights
- Non-financial Highlights
- Financial Information
- Investor Information
- Consolidated Subsidiary Information

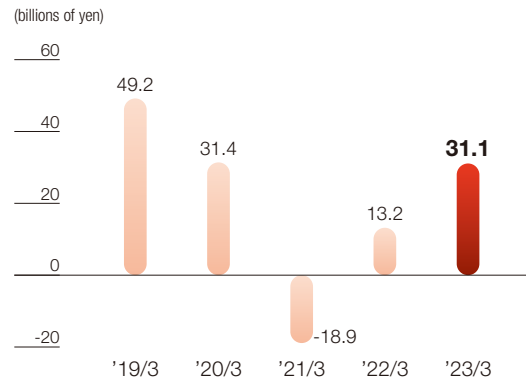


Financial Highlights

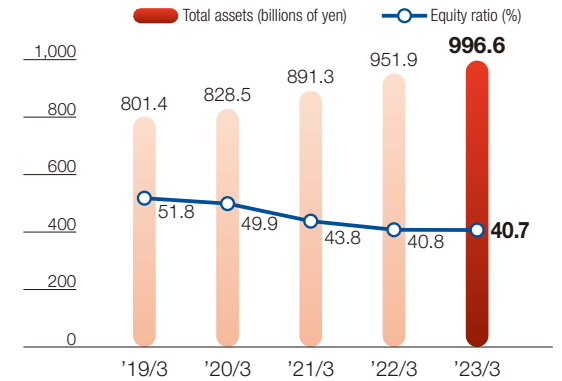
Operating Income (Loss)



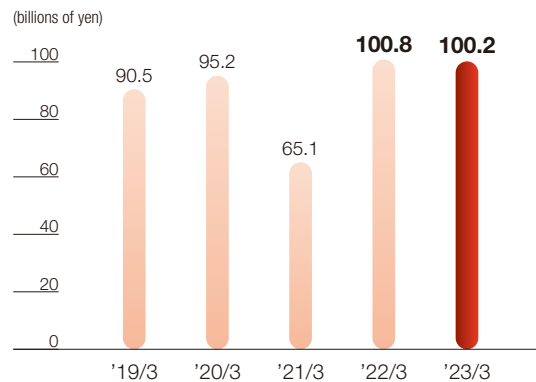
Net Income (Loss) Attributable to Owners of the Parent



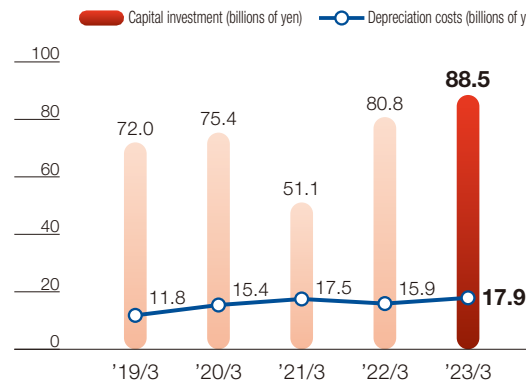
Total Assets/Equity Ratio



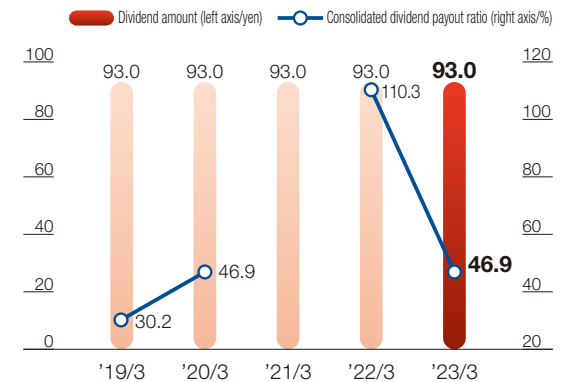
Capital Investment Amounts



Capital Investment Amounts/Depreciation Costs (Non-Consolidated)



Dividends per Share/Consolidated Dividend Payout Ratio



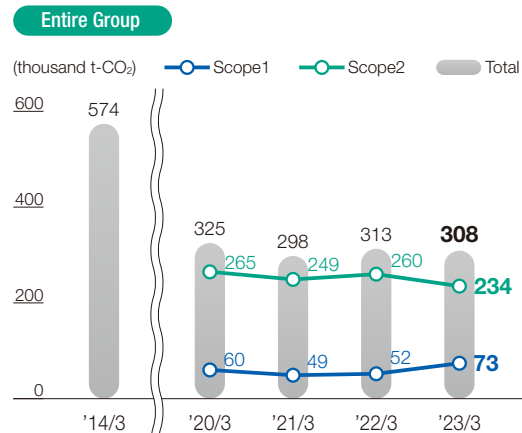
*In FY '20/3, shares in JR Kyushu (total of 2,698,400 shares with a total value of ¥9.9 billion) were acquired and canceled.

Non-financial Highlights

See our website for details.

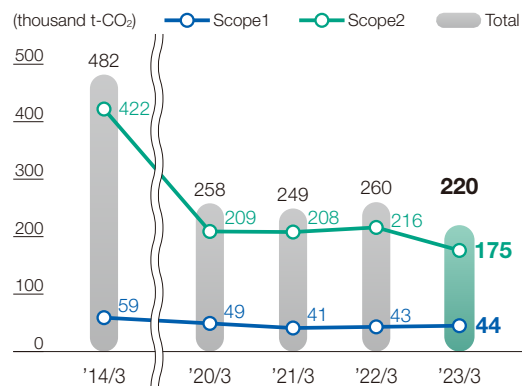
<https://www.jrkyushu.co.jp/company/esg/> ESG Data Book

CO₂ Emissions



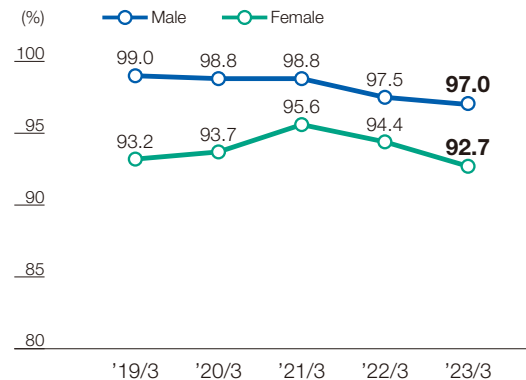
*The figures for '14/3 are the total CO₂ emissions
 *From '23/3, the scope has been expanded to include all Japanese entities in the Group

JR Kyushu only



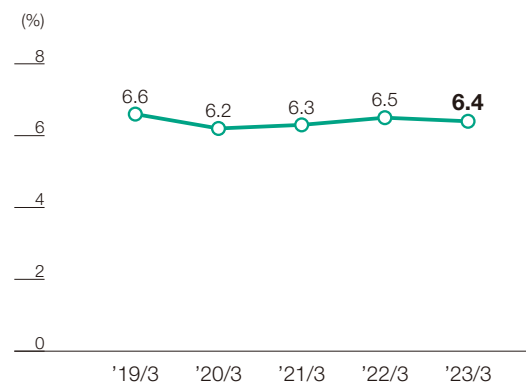
*Independent third-party verified by SOCOTEC Certification Japan in '23/3.

Employee Retention Rate



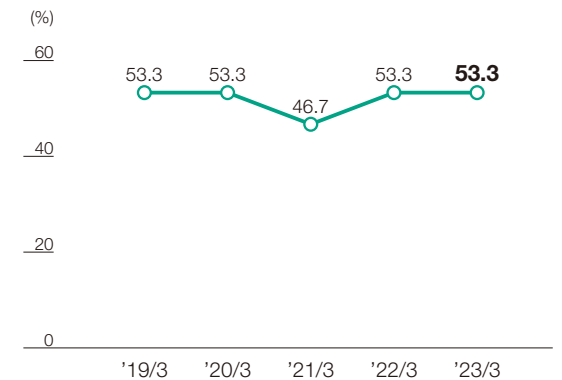
*Scope: Kyushu Railway Company alone
 *Employee retention rate = 1 - (employee turnover rate)

Ratio of Female Managers



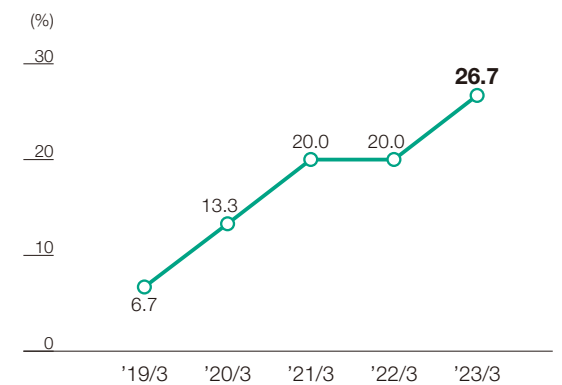
*Scope: Kyushu Railway Company alone
 *As of April 1st in the following fiscal year

Ratio of Independent Outside Directors



*Scope: Kyushu Railway Company alone
 *As of the end of June in the following fiscal year

Ratio of Female Directors



*Scope: Kyushu Railway Company alone
 *As of the end of June in the following fiscal year

Financial Information

CONSOLIDATED SUMMARY

	Former Segments				Current Segments		(billions of yen)
	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2022/3	FY2023/3	
OPERATING REVENUES	440.3	432.6	293.9	329.5	329.5	383.2	
Transportation Segment	181.8	173.7	95.2	108.9	104.2	138.3	
Real Estate and Hotels Segment	90.0	90.7	80.1	110.5	113.7	123.1	
Retail and Restaurant Segment	104.0	104.6	51.4	43.6	43.6	54.7	
Construction Segment	93.8	99.3	96.5	95.7	92.9	88.3	
Business Services Segment	72.6	72.1	63.6	60.0	69.5	73.4	
OPERATING INCOME (LOSS)	63.8	49.4	(22.8)	3.9	3.9	34.3	
Transportation Segment	27.4	19.8	(37.6)	(22.2)	(22.7)	2.5	
Real Estate and Hotels Segment	25.4	19.1	9.9	17.9	18.0	22.1	
Retail and Restaurant Segment	3.4	2.8	(2.5)	(1.2)	(1.2)	1.4	
Construction Segment	6.2	6.5	6.9	7.0	7.0	5.4	
Business Services Segment	2.2	2.2	1.7	2.8	3.3	3.4	
EBITDA	85.4	75.0	4.6	30.7	30.7	63.8	
Transportation Segment	34.3	29.5	(26.5)	(13.6)	(14.1)	13.1	
Real Estate and Hotels Segment	35.6	30.5	22.2	31.8	31.9	36.2	
Retail and Restaurant Segment	5.0	4.4	(1.1)	0	0	2.7	
Construction Segment	7.2	7.6	8.0	8.0	8.0	6.5	
Business Services Segment	4.1	4.3	3.7	5.2	5.7	6.2	
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	49.2	31.4	(18.9)	13.2		31.1	
CAPITAL INVESTMENT AMOUNTS (NON-CONSOLIDATED)	72.0	75.4	51.1	80.8		88.5	
DEPRECIATION COSTS (NON-CONSOLIDATED)	11.8	15.4	17.5	15.9		17.9	
NET CASH PROVIDED BY OPERATING ACTIVITIES	41.4	60.4	(10.3)	56.4		62.0	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(74.6)	(76.9)	(53.9)	(95.7)		(97.5)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	5.6	3.3	105.8	52.5		8.9	
TOTAL ASSETS	801.4	828.5	891.3	951.9		996.6	
TOTAL LIABILITIES	380.7	410.2	495.9	562.9		589.8	
TOTAL EQUITY	420.7	418.2	395.4	389.0		406.8	
PER SHARE FIGURES (YEN)							
Net Income (Loss)	307.75	198.16	(120.83)	84.34		198.36	
Net Assets	2,592.83	2,630.51	2,483.43	2,471.60		2,584.35	
Dividends	93.00	93.00	93.00	93.00		93.00	
FINANCIAL RATIO (%)							
Equity Ratio	51.8	49.9	43.8	40.8		40.7	
Operating Income to Operating Revenues	14.5	11.4	(7.8)	1.2		9.0	
Payout Ratio	30.2	46.9	—	110.3		46.9	
OTHERS							
Number of Passengers (Million)	338	337	251	267		296	
Number of Employees	17,765	17,450	15,661	14,872		14,269	
Number of Shares Outstanding (Thousand)	160,000	157,301	157,301	157,301		157,301	

*1 Operating revenues, operating income or losses, and EBITDA for each segment are before cancellation of transactions between segments.

*2 EBITDA for each segment consists of operating income plus depreciation costs (prior to elimination of inter-segment transactions, excluding depreciation costs associated with assets leased for the purpose of subleasing).

*3 Our Board Benefit Trust (BBT) was introduced from the fiscal year ended March 2020. When calculating the net assets per share from the fiscal year ended March 2020, common shares in JR Kyushu that were held in trust and recorded as treasury stock are included in the treasury stock deducted from the total issued shares at the end of the fiscal year. When calculating the net income or loss per share from the fiscal year ended March 2020, common shares in JR Kyushu that were held in trust and recorded as treasury stock are included in the treasury stock deducted from the average number of shares throughout the fiscal year.

*4 A dividend payout ratio is not indicated for the fiscal year ended March 2021, as there was a net loss that year.

*5 Standards such as our Accounting Standards for Revenue Recognition (Company Accounting Standard 29, March 31, 2020) were enacted from the beginning of the fiscal year ended March 2022. These accounting standards have been applied to key management indexes for the fiscal year ended March 2022 and beyond.

Analysis of results of operations

Operating revenue

Operating revenue increased 16.3% from the previous fiscal year to ¥383.242 billion, marking two consecutive years of increases. This is due to factors such as an increase in operating revenue from railway transportation and increases in retail and hotel revenue.

Operating expenses

Operating expenses increased 7.2% from the previous fiscal year to ¥348.918 billion.

Transportation, other services, and operating expenses increased 5.5% from the previous fiscal year to ¥245.253 billion. This is due to factors such as increases in power costs.

Selling, general, and administrative expenses increased 11.4% from the previous fiscal year to ¥103.665 billion. This is due to factors such as increased costs due to the opening of hotels.

Operating income (loss)

Operating income increased 770.2% from the previous fiscal year to ¥34.323 billion.

The ratio of operating income to operating revenues increased from 1.2% last year to 9.0% this year.

Non-operating income

Non-operating income decreased 44.4% from the previous fiscal year to ¥4.226 billion. This is due to factors such as a decrease in subsidies for employment adjustment.

Non-operating expenses increased 23.5% from the previous fiscal year to ¥2.849 billion. This is due to factors such as an increase in derivative appraisal loss.

Ordinary income

Ordinary income increased 286.5% from the previous fiscal year to ¥35.700 billion.

The ratio of ordinary income to operating revenues increased from 2.8% last year to 9.3% at the end of the fiscal year ended March 2023.

Extraordinary gains and losses

Extraordinary gains increased 88.7% from the previous fiscal year to ¥18.079 billion. This is due to factors such as a decrease in proceeds from construction grants received.

Extraordinary losses increased 10.6% from the previous fiscal year to ¥13.481 billion. This is due to factors such as an increase in losses from provision for cost reduction of fixed assets.

Net income (loss) attributable to owners of the parent

Net income attributable to owners of the parent increased 135.2% from the previous fiscal year to ¥31.166 billion.

Segment overview (operating revenue)

Transportation segment

Operating revenue in the transportation segment increased 32.6% from the previous fiscal year to ¥138.318 billion. This is due to factors such as revenue from railway transportation, which rose 35.9% to ¥121.451 billion from the previous fiscal year.

Passenger-kilometers on Shinkansen trains rose 54.8% year-on-year to 1,552 million. Commuter pass revenue increased 10.4% from the previous fiscal year to ¥2.732 billion and noncommuter pass revenue increased 65.3% to ¥41.308 billion. Overall revenue rose 60.4% to ¥44.041 billion.

Passenger-kilometers on conventional lines rose 14.5% from the previous fiscal year to 5.871 billion. Commuter pass revenue increased 3.6% from the previous fiscal year to ¥26.361 billion and noncommuter pass revenue increased 39.9% to ¥51.042 billion. Overall revenue rose 25.0% to ¥77.403 billion.

Real estate and hotels segment

Operating revenue in the real estate and hotels segment increased 8.3% from the previous fiscal year to ¥123.110 billion. This is due to factors such as increases in hotel revenue.

Retail and restaurant segment

Operating revenue in the retail and restaurant segment increased 25.5% from the previous fiscal year to ¥54.781 billion. This is due to factors such as increases in retail revenue.

Construction segment

Operating revenue in the construction segment decreased 4.9% from the previous fiscal year to ¥88.370 billion. This is due to a decrease in construction.

Business Services Segment

Operating revenue in business services segment increased 5.7% from the previous fiscal year to ¥73.488 billion. This is due to factors such as increases in orders received.

Financial status analysis

Total assets as of the end of the fiscal year ended March 2023 increased 4.7% compared to the previous fiscal year-end, to ¥996,699 million. Current assets were down 4.6% to ¥197,145 million due to factors such as redemption of securities.

Non-current assets increased 7.3% to ¥799,554 million due to factors such as increases in tangible fixed assets.

Meanwhile, total liabilities increased 4.8% compared to the previous fiscal year-end, to ¥589,849 million. Current liabilities were up 7.3% to ¥195.418 billion as a result of factors such as increases in debt scheduled for repayment within 1 year. Non-current liabilities were up 3.6% to ¥394,431 million due to factors such as an increase in long-term debts.

Furthermore, total net assets increased 4.6% compared to the previous fiscal year-end, to ¥406,850 million. This is due to factors such as increases in retained earnings.

Cash flows

Cash and cash equivalents at the end of the fiscal year ended March 2023 decreased ¥26.426 billion year-on-year to ¥52.283 billion.

Net cash provided in operating activities before income taxes increased by ¥5.624 billion year-on-year to ¥62.084 billion due to factors such as the increase of income before income taxes.

Net cash used in investment activities was ¥97.581 billion, up ¥1.851 billion year-on-year, due to an increase in spending on fixed assets and other factors.

Net cash provided by financing activities came to ¥8.963 billion, down ¥43.576 billion year-on-year as a result of factors such as a reduction in fund-raising.

Dividend policy

We consider the return of profits to shareholders to be an important component of our business, and we place importance on the provision of stable shareholder returns over the long term. Over the period to the fiscal year ending March 2025, we are aiming for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0. In addition, we are implementing treasury stock repurchases as the situation requires in order to increase capital efficiency.

While our business results are still recovering, dividends of ¥93.0 per share were paid at the end of the fiscal year ended March 2023 according to this policy.

In addition, the Articles of Incorporation state that JR Kyushu may, by resolution of the Board of Directors, distribute interim dividends with a record date of September 30 of each year. The decision-making bodies for the payment of dividends from retained earnings is the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

With regard to internal reserve, 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, by investing in maintenance, upgrades and growth of our railway and other facilities.

For the fiscal year ended March 2023, we chose to pay one dividend at the end of the fiscal year instead of including an interim dividend based on overall deliberations about our business results and financial situation.

Risk factors

Our railway network connects Kyushu's major cities through services such as the Kyushu Shinkansen. In addition to the railway business, we are developing businesses centered around Kyushu in fields that are highly compatible with the

railway business, including our real estate (station building commercial facilities, condominiums, hotels, etc.), retail and restaurant, and construction businesses.

Of the items included in our annual securities report relating to factors such as the current business and financial situation, those that may have a significant impact on the judgment of investors are indicated in this section.

However, it should be noted that this is not a comprehensive list of all risks related to JR Kyushu Group and its contents are based on the assessment of the JR Kyushu Group as of the end of the fiscal year ended March 2023.

Risk factors

- 1 Risks related to infectious diseases
- 2 Risks related to population trends such as declining birthrate and aging population
- 3 Risks related to natural disasters
- 4 Risks related to economic trends and international affairs
- 5 Risks related to the Medium-Term Business Plan
- 6 Risks related to information technology (IT)
- 7 Risks related to protection of personal data
- 8 Risks related to competition
- 9 Risks related to the value of the group's assets
- 10 Risks related to third-party service providers and business partners
- 11 Risks related to corporate acquisitions, etc.
- 12 Risks related to environmental regulations and climate change
- 13 Risks related to the Transportation Group
- 14 Risks related to the Real Estate and Hotels Group

Refer to our Risk Factors for details:

https://www.jrkyushu.co.jp/company/ir_eng/library/integrated_report/

CONSOLIDATED BALANCE SHEETS

Kyushu Railway Company and Consolidated Subsidiaries

(millions of yen)

	FY2022/3	FY2023/3
ASSETS		
Current assets		
Cash and time deposits	39,709	37,283
Notes and accounts receivable–trade, and contract assets	45,536	49,960
Fares receivable	2,224	2,761
Securities	39,027	15,022
Merchandise and finished goods	19,757	17,723
Work in process	19,630	38,136
Raw materials and supplies	8,058	9,274
Other	32,821	27,047
Allowance for doubtful accounts	(42)	(63)
Total current assets	206,722	197,145
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	312,746	324,158
Machinery, rolling stock and vehicles (net)	44,001	66,416
Land	147,142	165,060
Leased assets (net)	19,668	20,787
Construction in progress	44,040	48,111
Other (net)	7,708	7,671
Total property, plant and equipment	575,308	632,205
Intangible assets	5,735	6,203
Investments and other assets		
Investment securities	45,086	50,381
Deferred tax assets	62,996	55,512
Net defined benefit assets	1,007	967
Other	56,191	55,476
Allowance for doubtful accounts	(1,067)	(1,192)
Total investments and other assets	164,214	161,145
Total non-current assets	745,257	799,554
Total assets	951,980	996,699

(millions of yen)

	FY2022/3	FY2023/3
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable trade	28,908	27,292
Short-term loans	6,070	1,996
Commercial papers	35,000	20,000
Current portion of bonds	—	20,000
Current portion of long-term debt	8,780	18,392
Payables	46,564	50,234
Accrued income taxes	1,693	1,224
Fare deposits received with regard to railway connecting services	1,705	2,275
Railway fares received in advance	4,818	5,410
Accrued bonuses	7,066	8,107
Other	41,466	40,484
Total current liabilities	182,074	195,418
Non-current liabilities		
Bonds	120,000	125,000
Long-term debt	153,336	166,225
Lease obligations	11,584	10,452
Allowance for safety and environmental measures	854	230
Provision for loss on disaster	2,115	809
Liability for retirement benefits	48,890	46,729
Asset retirement obligations	1,448	1,828
Other	42,649	43,154
Total noncurrent liabilities	380,881	394,431
Total liabilities	562,955	589,849
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,847	225,814
Retained earnings (Deficit)	147,941	164,479
Treasury stock	(591)	(584)
Total common stock	389,198	405,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,781	4,562
Foreign currency translation adjustments	(441)	(201)
Defined retirement benefit plans	(5,206)	(4,017)
Total accumulated other comprehensive income	(866)	343
Non-controlling interests	692	797
Total net assets	389,024	406,850
TOTAL LIABILITIES AND NET ASSETS	951,980	996,699

CONSOLIDATED STATEMENTS OF INCOME

Kyushu Railway Company and Consolidated Subsidiaries

(millions of yen)

	FY2022/3	FY2023/3
OPERATING REVENUES	329,527	383,242
OPERATING EXPENSES		
Transportation, other services and cost of sales	232,566	245,253
Selling, general and administrative expenses	93,016	103,665
Total operating expenses	325,583	348,918
OPERATING INCOME	3,944	34,323
NON-OPERATING INCOME		
Interest income	96	96
Dividend income	578	633
Gain on assets held in trust	2,033	1,632
Gain on investment securities	533	603
Gain on foreign exchange	324	515
Other	4,033	744
Total non-operating income	7,600	4,226
NON-OPERATING EXPENSES		
Interest expense	1,515	1,685
Loss on valuation of derivatives	192	385
Other	598	778
Total non-operating expenses	2,307	2,849
ORDINARY INCOME	9,237	35,700
EXTRAORDINARY GAINS		
Construction grants received	6,216	13,579
Gain on sales of investment securities	—	2,822
Disaster recovery expense subsidy	1,106	—
Other	2,258	1,677
Total extraordinary gains	9,581	18,079
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	6,006	8,314
Impairment loss	3,196	3,322
Provision for loss on disaster	408	—
Disaster-damage losses	329	—
Other	2,246	1,845
Total extraordinary losses	12,186	13,481
INCOME (LOSS) BEFORE INCOME TAXES	6,633	40,298
INCOME TAXES Current	2,045	1,655
Deferred	(8,299)	7,367
TOTAL INCOME TAXES	(6,253)	9,022
NET INCOME (LOSS)	12,886	31,275
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(364)	108
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	13,250	31,166

Consolidated Comprehensive Income Statements

(millions of yen)

	FY2022/3	FY2023/3
NET INCOME	12,886	31,275
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(2,301)	(222)
Foreign currency translation adjustments	(254)	239
Defined retirement benefit plans	913	1,189
Total other comprehensive income	(1,641)	1,205
COMPREHENSIVE INCOME	11,244	32,480
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	11,640	32,376
Non-controlling interests	(395)	104

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyushu Railway Company and Consolidated Subsidiaries

(millions of yen)

	FY2022/3	FY2023/3
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (loss) before income taxes	6,633	40,298
Depreciation costs	29,027	31,836
Losses from provision for cost reduction of fixed assets	6,006	8,314
Impairment loss	3,196	3,322
Increase in provision for loss on disaster	408	—
Loss on disaster	329	—
Increase (decrease) in allowance for doubtful accounts	221	146
Increase (decrease) in liability for retirement benefits	(466)	(392)
Increase (decrease) in allowance for safety and environmental measures	(557)	(623)
Interest and dividends income	(675)	(730)
Interest expense	1,515	1,685
Foreign exchange losses (gains)	(324)	(515)
Losses (Gains) on valuation of derivatives	192	385
Construction grants received	(6,216)	(13,579)
Losses (Gains) on sales of investment securities	—	(2,822)
Disaster recovery expense subsidy	(1,106)	—
(Increase) Decrease in trade receivables	4,157	(4,957)
(Increase) Decrease in inventories	20,179	(8,235)
Increase (Decrease) in trade payables	(4,308)	(455)
Gains on assets held in trust	(2,033)	(1,632)
Gain on investment securities	(533)	(603)
Other	4,610	9,503
Subtotal	60,254	60,942
Interest and dividends income received	638	681
Interest expense paid	(1,419)	(1,570)
Gain on assets held in trust received	2,021	1,646
Loss on disaster paid	(3,151)	(1,165)
Income taxes refunded (paid)	(1,884)	391
Amount received as disaster recovery expense subsidy	0	1,158
Net cash provided by operating activities	56,460	62,084

(millions of yen)

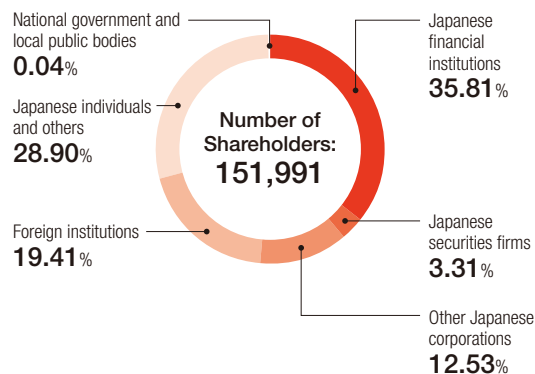
	FY2022/3	FY2023/3
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, and intangible assets	(101,475)	(104,795)
Purchases of investment securities	(4,108)	(5,212)
Proceeds from sales of investment securities	3	2,933
Proceeds from construction grants	8,498	5,498
Other	1,353	3,994
Net cash provided by (used in) investing activities	(95,729)	(97,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(798)	(4,613)
Net increase (decrease) in commercial papers	35,000	(15,000)
Proceeds from long-term loans payable	2,751	30,401
Repayment of long-term loans payable	(4,673)	(8,698)
Payments for long-term accounts payable	(262)	(264)
Proceeds from issuance of bonds	40,000	25,000
Proceeds from lease and guarantee deposits received	1,712	3,188
Repayments of lease and guarantee deposits received	(1,366)	(3,587)
Cash dividends paid	(14,629)	(14,629)
Cash dividends paid to non-controlling shareholders	(7)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,296)	(33)
Other	(2,889)	(2,798)
Net cash used in financing activities	52,539	8,963
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	419	106
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,690	(26,426)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	65,019	78,709
CASH AND CASH EQUIVALENTS, END OF YEAR	78,709	52,283

Investor Information

Stock Exchange Listings	Tokyo Stock Exchange, First Section Fukuoka Stock Exchange
Securities code	9142
Business year	April 1 to March 31 of the following year
Record Date for Voting Rights	Every March 31
Ordinary General Meeting of Shareholders	Meeting held every June of Shareholders
Record Date for Dividends	Year-end: Every March 31 Interim: Every September 30 (Record date in case of dividend payment)
Share Unit Number	100 shares
Total Number of Authorized Shares	640,000,000 shares
Total Number of Issued Shares	157,301,600 shares

(as of March 31, 2023)

Distribution of Share Ownership by Type of Shareholder (as of March 31, 2023)



Major Shareholders (as of March 31, 2023)	Shares held	% Voting rights
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,789,700	14.49
Custody Bank of Japan, Ltd. (Trust Account)	10,831,800	6.89
RAILWAY HOLDINGS, L.L.C.	7,162,200	4.55
TAIYO LIFE INSURANCE COMPANY	3,200,000	2.03
Nippon Life Insurance Company	3,128,000	1.99
Meiji Yasuda Life Insurance Company	2,296,000	1.46
Central Japan Railway Company	2,077,900	1.32
East Japan Railway Company	1,974,100	1.25
West Japan Railway Company	1,972,100	1.25
JR Kyushu Employee Shareholders Association	1,877,757	1.19

1. Shareholding ratio is calculated by deducting treasury stock (87 shares).

2. Treasury stock does not include 181,400 shares of the Company's stock owned by the Trust Account of the Board Benefit Trust.

Consolidated Subsidiary Information

Transportation Group

JR Kyushu Bus Company
JR Kyushu Jet Ferry Inc.
Holding Company for Houhi Main Line*¹

JR Kagoshima City Inc.
JR Miyazaki City Co., Ltd.
JR Kyushu Building Management Co., Ltd.
JR Kyushu Housing Company
JR Kyushu-Rent-A-Car & Parking Co., Ltd.
JR Kyushu Senior Life Support, Inc.
JR Kyushu Resort Development Co., Ltd.
JR Kyushu Asset Management Co., Ltd.
JR Kyushu Capital Management (Thailand) Co., Ltd.*¹
JR Kyushu Regional Design Co., Ltd.
JR Kyushu Hotels Inc.
JR Kyushu Huis Ten Bosch Hotel Co., Ltd.
JR Kyushu Station Hotel Kokura Inc.

Oyama Yumekobo, Inc.
JR Kyushu Business Development (Thailand) Co., Ltd.
JR Kyushu Hotel Management Co., Ltd.
AHJ Ekkamai Company Limited*²
AJ Charoen Nakhon Company Limited*²
Hakata Station Building Co., Ltd.*²

Retail and Restaurant Group

JR Kyushu Retail, Inc.
JR Kyushu Fast Foods Inc.
JR Kyushu Food Service Inc.
JR Kyushu Farm Co., Ltd.*¹

Manbou Corp.
Nurubou Inc.
FUJIBAMBI Co., Ltd.

Construction Group

JR Kyushu Construction Group Holdings inc.
KYUTETSU CORPORATION
JR Kyushu Engineering, Ltd.
Sanki Construction Co., Ltd.
JR Kyushu Electric System Company
JR Kyushu Consultants Company

Business Services Group

Caterpillar Kyushu Ltd.
JR Kyushu Trading Co., Ltd.
JR Kyushu Service Support Co., Ltd.
JR Kyushu Agency Co., Ltd.
JR Kyushu System Solutions Inc.
JR Kyushu Secom Inc.*²
JR Kyushu Linen Co., Ltd.
JR Kyushu Business Partners Company
JR Kyushu Life Service Co., Ltd.
JR Kyushu Insurance Consulting Co., Ltd.
JR Kyushu Corporate Investment LLC
Battery Station Kyushu LLC*²

*¹ While we own less than 50% of the voting rights, this is still considered a consolidated subsidiary as we control the company to all intents and purposes.*² Company accounted for using the equity method

(as of July 31, 2023)



For More Information

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