

Establishing the Nishitetsu Group 16th Medium-term Management Plan
(FY 2023–FY 2025)

The Nishitetsu Group is delighted to announce that it has established its 16th Medium-term Management Plan (FY 2023–FY 2025) as the first step towards realizing its long-term vision “NNR Group CYD Vision 2035” announced in November 2022.

The theme of the revised 15th Medium-term Management Plan (FY 2019–FY 2022), which concludes this year, is “Transformation into a Lean and Sustainable Corporate Group: Pursuing Value in the Nishitetsu Brand under the New Normal.” Under this theme, we have been steadily promoting structural reform without any limit, as well as growth strategies under the new normal, including reforming our business model based on the assumption that conventional demand will not return and promoting a major development project in central Fukuoka.

The theme of the 16th Medium-term Management Plan is “Challenge for Sustainable Growth,” and we will work to build a sustainable public transportation business for the future, complete the Fukuoka Building Block Development Project, build a foundation for a business model that does not rely on fixed assets by utilizing our expertise, challenge ourselves with new business areas, and review our wages and working conditions to secure diverse human resources.

Our priority strategies are as follows:

1. Continue Our Structural Reform and Develop/Restructure the Business Foundation

We will build a sustainable public transportation business by securing human resources and improving profitability, change the management structure of the hotel business, and enhance profitability by strengthening the property management business in the real estate sector.

2. Promote Sustainable and Lively Community Development

We will steadily promote the construction of a MaaS covering the wide area of Kyushu, capture domestic and international tourism and MICE demand, complete the Fukuoka Building Block Development Project, and promote large-scale projects that will drive urban development in Fukuoka and Tenjin.

3. Expand Growth Businesses and Create New Earning Power

We will take on the challenge of contributing to the sustained and accelerated involvement in Tenjin's urban development through the real estate liquidation scheme, strategic business development in the international logistics business and business expansion in Kyushu, and new business areas that are expected to have synergy with our existing business with an eye to the future.

4. Strengthen Sustainable Management

We will review working conditions, including wages, to secure diverse human resources, and we will formulate a roadmap based on a TCFD scenario analysis to achieve carbon neutrality in 2050, and work on specific measures.

5. Pursue Safety and Security

We will pursue and thoroughly implement safety, which is the foundation of all our businesses.

The Nishitetsu Group will steadily promote the 16th Medium-term Management Plan in order to continue to be a corporate group that grows sustainably together with the community in the post-COVID-19 era.

For more details, please see the appendix.

Outline of the 16th Medium-term Management Plan

[Positioning]



[Basic Philosophy] The NNR Group will keep providing confidence, comfort, and enjoyment through our businesses, which connect people and carry their expectations, walk hand in hand with communities, and develop together.

[Message] **Connecting Your Dreams**

[Theme of CYD Vision 2035] **Grow in Harmony with You**

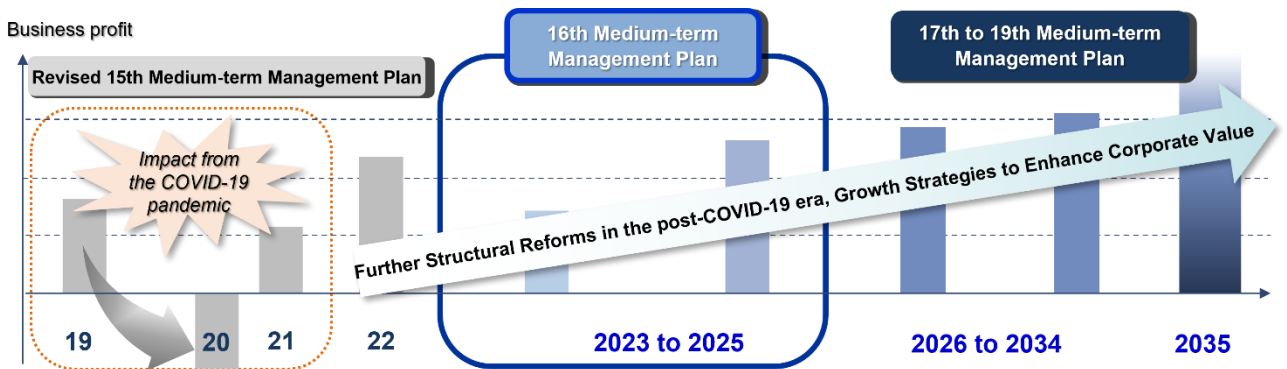
[Theme of the 16th Medium-term Management Plan] **Challenge for Sustainable Growth**

[Theme of the revised 15th Medium-term Management Plan] Transformation into a Lean and Sustainable Corporate Group: Pursuing Value in the Nishitetsu Brand under the New Normal

[Theme] Challenge for Sustainable Growth

[Basic Philosophy]

Further structural reforms in the post-COVID-19 era and growth strategies to enhance corporate value as the foundation to achieve the new long-term vision “NNR Group CYD Vision 2035”



[Specific measures for each priority strategy in each business area]

CYD Vision 2035		16th Medium-term Management Plan [Keyword]
Mobility Services Railway Buses Taxis	Create safe, secure, and sustainable next-generation mobility networks	<ul style="list-style-type: none"> Secure human resources Improve profitability and reduce operating costs TCFD scenario analysis, etc.
Services to Provide “Real-world Spaces” Offices SC Homes Hotels Leisure	Build a community development solution that proposes the creation of a place to promote wellbeing	<ul style="list-style-type: none"> Promote large-scale projects that drive the Tenjin Big Bang Strengthen non-asset businesses Promote community development along the railway, etc.
B-to-C Sales Services Stores Household goods	Provide new encounters and purchasing experiences by serving as a hub for the local community	<ul style="list-style-type: none"> Reduce costs by streamlining logistics Increase operational efficiency through digitalization TCFD scenario analysis, etc.
B-to-B Distribution Services International logistics Domestic distribution	Secure a business scale that can compete globally and build compassionate logistics with a high level of expertise	<ul style="list-style-type: none"> Agile bidding and procurement strategies Expand product lineup and international network Expand logistics, expand business in Kyushu, etc.
Entering New Areas Environmental resources Agriculture and fisheries Wellness Community solutions	Utilize renewable energy, build a circular economy, revitalize and brand local industries through the food business, and realize a society where people can live healthy lives in their own way	<ul style="list-style-type: none"> Renewable energy power source development business Agriculture and fisheries area, regional branding Create businesses through M&A, etc.
Human Resources	Aim to become a company and organization with highly engaged employees	<ul style="list-style-type: none"> Secure diverse human resources in anticipation of business expansion Strengthen human resources to support sustainable growth, etc. (human capital management)
Financial	Accumulate quality assets with an emphasis on capital efficiency and allocate to strategic investments, human resource investments, and shareholder returns Manage BS and CF properly	<ul style="list-style-type: none"> Manage portfolios Strengthen governance in international operations, etc.



Continue Our Structural Reform and Develop/Restructure the Business Foundation

- Secure human resources to serve as the foundation of our business
 - ✓ Strengthen recruitment of crew members and improve retention rate
- Establish a sustainable organizational and management structure
 - ✓ Investigate the reorganization of bus sales office and maintenance center locations
- Improve profitability and reduce operating costs
 - ✓ Restructure bus station operations
 - ✓ Consider fare revision

Promote Sustainable and Lively Community Development

- Provide attentive and seamless mobility services customized to the customer's usage scenario
 - ✓ Build a MaaS covering the wide area of Kyushu
 - ✓ Sell digital tickets in cooperation with other companies
- Capture domestic and international tourism and MICE demand and improve the environment for receiving such demand
 - ✓ Expand payment methods by introducing touch payment and QR code payment
 - ✓ Create new special tickets (destination linked tickets, etc.)
 - ✓ Increase transportation capacity and use new bus terminals to meet increased demand at Fukuoka Airport
- Rebuild the transportation network in collaboration with various stakeholders (e.g., linkage with other modes, including the Knowroute)

Expand Growth Businesses and Create New Earning Power

- Capture demand in areas undergoing further development
 - ✓ Respond to the redevelopment of the Tenjin area and the increased demand for Island City (linkage with facilities attracting customers and other modes, route reorganization)
- Challenge ourselves with new services and businesses by utilizing new technologies
 - ✓ Actively participate in and promote demonstration tests of automated buses
 - ✓ Introduce a new cab dispatch system and expand the introduction of cab dispatch apps
 - ✓ Metaverse Museum of Railways and Buses "Nishitetsu-verse"
- Expand the acquisition of new sources of income and create new schemes by utilizing our expertise, etc.
 - ✓ Expand direct sales of AI-based on-demand bus "Knowroute"
 - ✓ Direct sales of "nimoca" bus system

Strengthen Sustainable Management

- Initiatives to achieve carbon neutrality in 2050
 - ✓ Implement measures based on a TCFD scenario analysis (introduction of retrofit electric buses, study of hydrogen buses, etc.)

Pursue Safety and Security

- Initiatives to ensure safety
 - ✓ Maintain platform doors at Nishitetsu Fukuoka (Tenjin) Station
 - ✓ Review the bus crew improvement standards notice
 - ✓ Prevent accidents caused by crew health



Services to Provide “Real-world Spaces”

Offices

SC

Homes

Hotels

Leisure



Entering New Areas

Community solutions

Continue Our Structural Reform and Develop/Restructure the Business Foundation

- Promote structural reforms
 - ✓ Change the management structure of the hotel business (transfer of management entity to Nishitetsu Hotels Co., Ltd.) [from April 2023]
 - ✓ Reorganize group companies (consolidation of building management and construction work through the integration of Nishitetsu Building Management Co., Ltd. and Nishitetsu Densetsu Kogyo Co., Ltd.) [from April 2023]
- Improve profitability
 - ✓ Strengthen the property management business in the leasing business
 - ✓ Promote mixed-use development in Hirano, Yahatahigashi Ward, Kitakyushu City

Promote Sustainable and Lively Community Development

- Complete the Fukuoka Building Block Development Project
 - ✓ Promote construction work to complete the New Fukuoka Building (scheduled to be completed in December 2024)
 - ✓ Attract tenants to provide “Intersection of creation”
 - ✓ Develop a management plan to continue to enhance the value of Tenjin
- Promote development projects, etc., in collaboration with landowners in Tenjin and other central Fukuoka areas
 - ✓ (Temporary name) Tenjin 2-chome South Block East-West Area Ekimae Project (joined the Urban Planning Promotion Council)
 - ✓ (Temporary name) Tenjin 1-chome 15–16 Area Project (joined the redevelopment preparatory association)
 - ✓ Investigate the redevelopment of owned properties in central Fukuoka
- Develop areas along rail lines and develop communities centered on regional hubs
 - ✓ Develop the peripheral areas and stores through consecutive elevated projects (under the elevating structures of Sakuranamiki Station, Kasugabaru Station, Shirakibaru Station)
 - ✓ Promote tourism and community development in Dazaifu and Yanagawa (creation of tourist exchange centers)
 - ✓ Formulate a development plan for the former Kashiikaen site
- Capture domestic and international tourism and MICE demand
 - ✓ Sustainably attract customers to Tenjin (collaboration with commercial facilities, area management, etc.)
 - ✓ Create exchanges in cooperation with local communities (attracting visitors to the rail line, creating contents, planning products utilizing local resources, etc.)

Expand Growth Businesses and Create New Earning Power

- Expand business areas and operations in Japan
 - ✓ Expand the condominium development business in the Tokyo metropolitan area, Kansai region, etc.
 - ✓ Expand the logistics real estate business for lease
 - ✓ Participate in the real estate solutions business with Nishitetsu Group companies
 - ✓ Steadily promote plans to open new hotels in Japan (Nishitetsu Hotel Croom Hakata Gion Kushida Jinja-mae [April 2023], etc.)
- Expand projects for international community development
 - ✓ Steadily promote business in countries where we have already established a presence by collaborating with partners (Southeast Asia and the U.S.)
 - ✓ Deepen initiatives for housing projects in Southeast Asia

- ✓ Steadily promote plans to open new international hotels
(Solaria Nishitetsu Hotel Taipei Northwest Gate (temporary name) [summer 2023], Bangkok No. 2 [summer 2024])
- Remain involved in Tenjin's community development and contribute to the acceleration of community development
 - ✓ Utilize securitization schemes for real estate projects
 - ✓ Create stable development profits and opportunities to manage properties and buildings

Strengthen Sustainable Management

- Initiatives to achieve carbon neutrality in 2050
 - ✓ Develop a roadmap based on a TCFD scenario analysis
 - ✓ Renew existing facilities to be energy efficient, and study the adoption of renewable energy for newly developed properties
 - ✓ Promote environmentally-friendly development (Housing: introduction of ZEH, etc.)



B-to-C Sales Services

Stores

Household goods

Continue Our Structural Reform and Develop/Restructure the Business Foundation

- Increase and improve profitability
 - ✓ Reduce food loss by introducing an ordering support system that uses AI to predict the demand for the store business, etc.
 - ✓ Reduce delivery costs by streamlining logistics in the store business
 - ✓ Renew InCube Tenjin, a general merchandise store

Promote Sustainable and Lively Community Development

- Open new stores along Nishitetsu lines, etc. (e.g., new Kasugabarū store)

Expand Growth Businesses and Create New Earning Power

- Expand business through M&A in the store business
- Strengthen the food business (home meal and restaurant food)

Strengthen Sustainable Management

- Initiatives to achieve carbon neutrality in 2050
 - ✓ Develop a roadmap based on a TCFD scenario analysis



B-to-B Distribution Services

International logistics

Domestic distribution

Continue Our Structural Reform and Develop/Restructure the Business Foundation

- Study the establishment of a management and supervisory organization for the international logistics business group for overall optimization
- Strengthen sales and improve operational efficiency by promoting DX (promote digitalization of marketing and management)

Expand Growth Businesses and Create New Earning Power

- Expand the forwarding business (gain economies of scale)
 - ✓ Respond flexibly to increase the volume of goods
 - ✓ Strengthen procurement strategies aimed at cost reduction
 - ✓ Strengthen the highly specialized areas of hazardous goods, foodstuffs, and pharmaceuticals and medical devices
- Strengthen business in Kyushu
 - ✓ Enhance transportation services within Kyushu by utilizing Fukuoka Logistics Center
 - ✓ Expand business in Kumamoto, where the semiconductor industry is concentrated

- Expand the Logistics Center
 - ✓ Establish Kanto Logistics Center to strengthen logistics in the Kanto region
- Expand the international network (target at the end of FY 2025: 135 cities in 35 countries/regions worldwide)
- Consider M&A and alliances

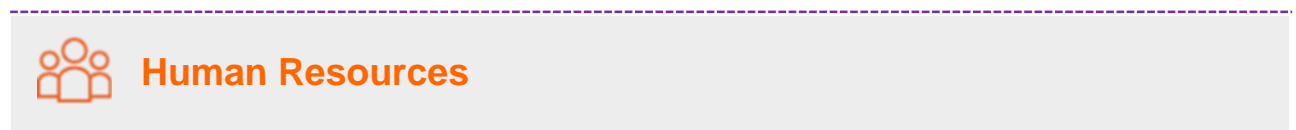
Strengthen Sustainable Management

- Initiatives to achieve carbon neutrality in 2050
 - ✓ Develop a roadmap based on a TCFD scenario analysis
 - ✓ Implement initiatives for green logistics (promotion of container round use and modal shift)
 - ✓ Monitor scope 3 CO₂ emissions and implement reduction initiatives

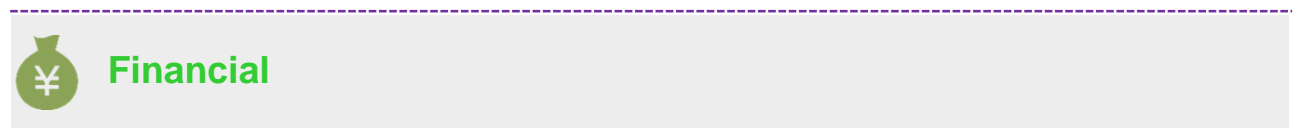


Expand Growth Businesses and Create New Earning Power

- Expand business in the energy field
 - ✓ Expand projects to develop the power source for renewable energy (including collaboration with municipalities along rail lines)
- Create new businesses and services
 - ✓ Increase the number of agricultural products and expand business in the area of agricultural and fishery products
 - ✓ Create business through M&A and alliances
 - ✓ Create business with digital platforms



- Secure diverse human resources in anticipation of business expansion
 - ✓ Review working conditions, including wages
 - ✓ Expand measures that cater to diverse values and life stages
 - ✓ Acquire and develop highly specialized human resources by implementing a job-based system, etc.
- Strengthen human resources to support sustainable growth (human capital management)
 - ✓ Support for self-development and introduction of talent management, etc.
 - ✓ Secure and develop global human resources
 - ✓ Communicate actively to promote and achieve CYD Vision 2035 (launched “Future Lab,” a cross-sectional organization of young employees)
- Build an organizational structure appropriate to the characteristics of each business to enhance employee engagement



- Portfolio management initiatives (optimal balance between sustainability and capital efficiency)
- Strengthen governance in international operations
- Enhance disclosure to investors and shareholders
- Ensure stable return of profits to shareholders

Management Targets (Consolidated)

	FY 2022 (Estimated)*1	FY 2025 (Plan)	FY 2035 (Target)
Consolidated Business Profit*2	23 billion yen	25 billion yen	37 billion yen
Consolidated EBITDA	41.9 billion yen	50 billion yen	66 billion yen
NET interest-bearing debt /EBITDA multiples	6.8 times	6.8 times	5 times level
Return on Assets (ROA)	3.4%	3.5%	—
Return on Equity (ROE)	8.5%	7.0%	Approx. 8%
(Reference) Consolidated operating revenue	497.5 billion yen	500 billion yen	—
(Reference) Consolidated operating income	24 billion yen	22 billion yen	—

*1: Projected figures as of the third quarter of FY 2022

*2: Consolidated business profit = Consolidated operating income + Dividends received from business investments, equity in earnings of affiliates, etc.

Investment Plan (Consolidated)

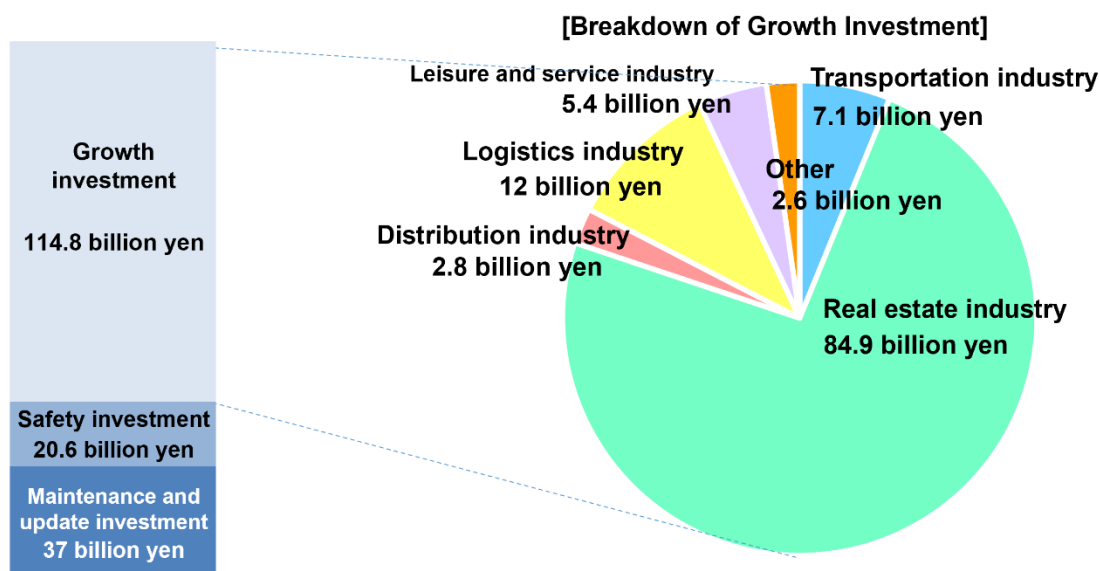
	Revised 15th Medium-term Plan (2019–2022)	16th Medium-term Management Plan			
		FY 2023 (Plan)	FY 2024 (Plan)	FY 2025 (Plan)	Total for 3 years
Capital Investment	106.1 billion yen	71.2 billion yen	67.5 billion yen	33.6 billion yen	172.3 billion yen
Growth	65.2 billion yen	51.6 billion yen	47.9 billion yen	15.3 billion yen	114.8 billion yen
Safety	16.1 billion yen	8 billion yen	7.1 billion yen	5.4 billion yen	20.6 billion yen
Maintenance/Renewals	24.8 billion yen	11.6 billion yen	12.5 billion yen	12.9 billion yen	37 billion yen
Real Estate Lot Investment*1	122.7 billion yen (16.7 billion yen)	42.3 billion yen (7.7 billion yen)	43.4 billion yen (9.8 billion yen)	34.1 billion yen (△5 billion yen)	119.8 billion yen (12.5 billion yen)
Investment and Loan	30.9 billion yen	15.9 billion yen	7.2 billion yen	14.4 billion yen	37.5 billion yen
Of which, international development projects*2	21.4 billion yen (15.1 billion yen)	8.9 billion yen (1.2 billion yen)	3.8 billion yen (500 million yen)	8.3 billion yen (400 million yen)	21 billion yen (2.1 billion yen)
Total Investment Amount	259.6 billion yen	129.5 billion yen	118 billion yen	82.1 billion yen	329.6 billion yen

• Simple aggregate, rounded to the nearest 100 million yen

*1: Figures in parentheses represent the net investment after taking into account the recovery of the cost of real estate lot.

*2: The international development business is residential and income-producing real estate, and figures in parentheses represent the net investment after taking into account capital recovery.

(Breakdown of Capital Investment: 3 years [2023–2025] Total amount: 172.3 billion yen)



* Cautionary Statement Concerning Forward-Looking Statements

Plans, forecasts, strategies, and other statements contained in this document include forward-looking statements that are based on our judgment in accordance with information available at the time the document was prepared. Please be aware that a variety of factors may cause actual results to differ materially from the projected values.

Some of the risks and uncertainties that may affect our performance include economic conditions surrounding the Nishitetsu Group's business environment, market competition, exchange rates, or other systems.

For inquiries regarding this matter, please contact the Nishitetsu Customer Center (TEL: 0570-00-1010).

Related articles are introduced in the Nishitetsu online magazine “N× Erukakeru”!

The Nishitetsu Medium-term Management Plan reveals the exciting future ahead of us.
For more information, click here → <https://nnr-nx.jp/article/detail/62>