



JR KYUSHU IR DAY



ESG Initiatives

~ Toward the realization of the “What we aim to be”

December 11, 2020

Kyushu Railway Company

Yoji Furumiya

Director and Senior Managing Corporate Officer



- I am Yoji Furumiya, and I would like to begin by sincerely thanking all of you for taking time out of your busy schedules to participate in today's event.
- I intend to provide an overview of our ESG initiatives.

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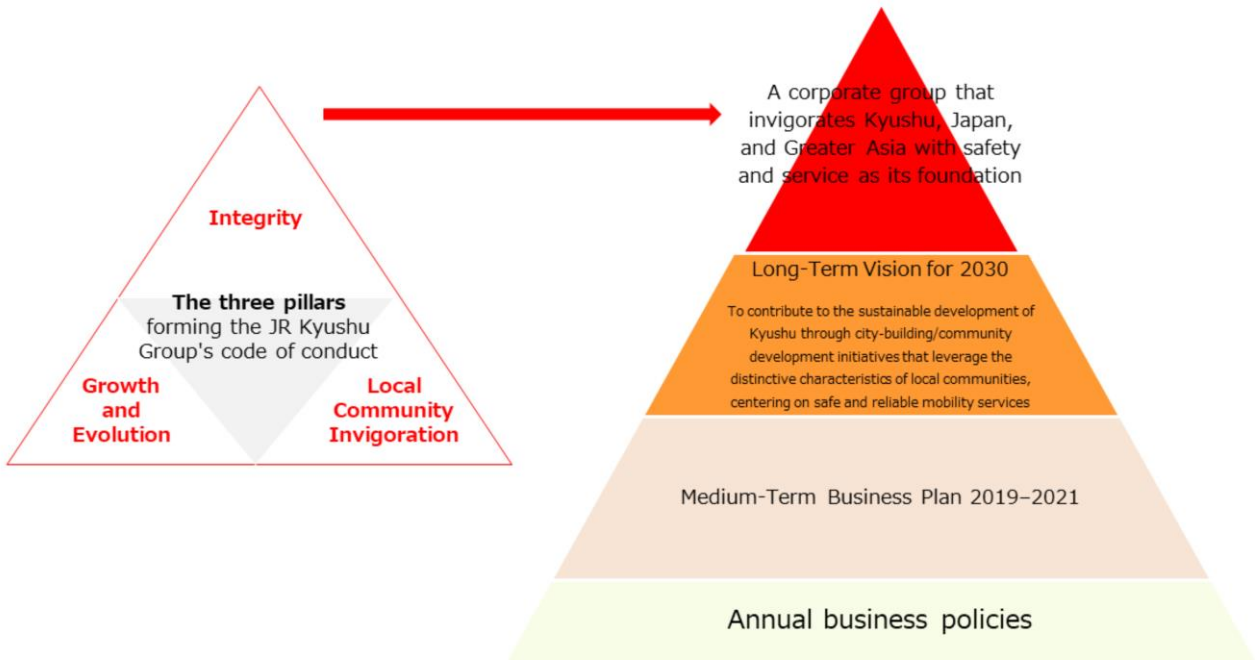
- I will cover four points. The first will focus on our story of value creation. The remaining points will be explanations of our ESG initiatives in accordance with the Group's materiality.

1 The Story of Value Creation



Management Philosophy System

What we aim to be



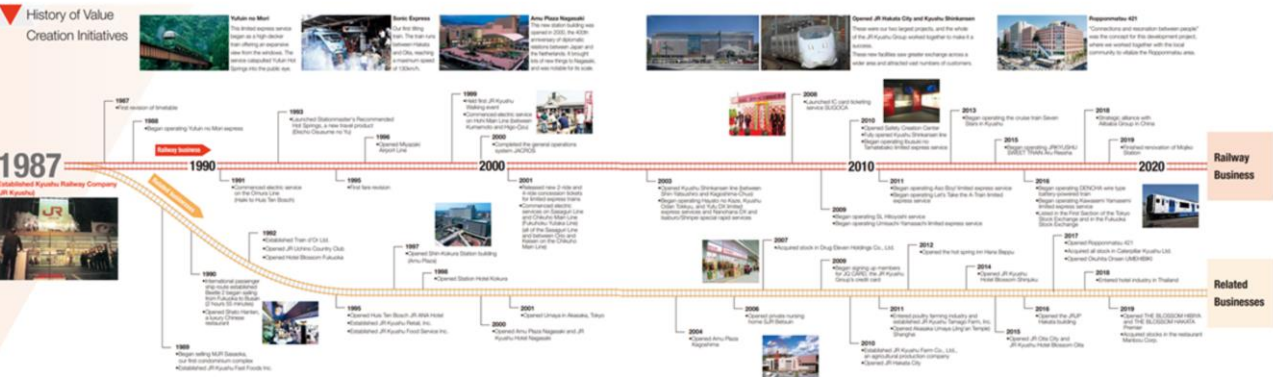
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- Let me begin by outlining the Company's management philosophy system.
- In all of the JR Kyushu Group's businesses, safety and service are always paramount. Safety and service created by using the Group's capabilities provide a foundation upon which the Group has built an array of different businesses.
- Furthermore, we have established three pillars that each and every employee of the JR Kyushu Group can keep in mind and rely on for guidance in everything that they do.
- Based on the three pillars of Integrity, Growth and Evolution, and Local Community Invigoration, we will tirelessly and enthusiastically continue to take on ambitious initiatives for the realization of What We Aim to Be, namely a corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation.

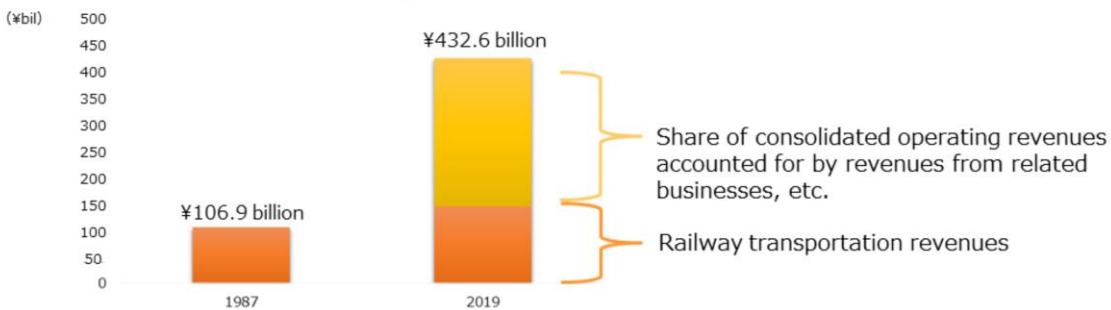
1 The Story of Value Creation



History of JR Kyushu



Changes in Operating Revenue

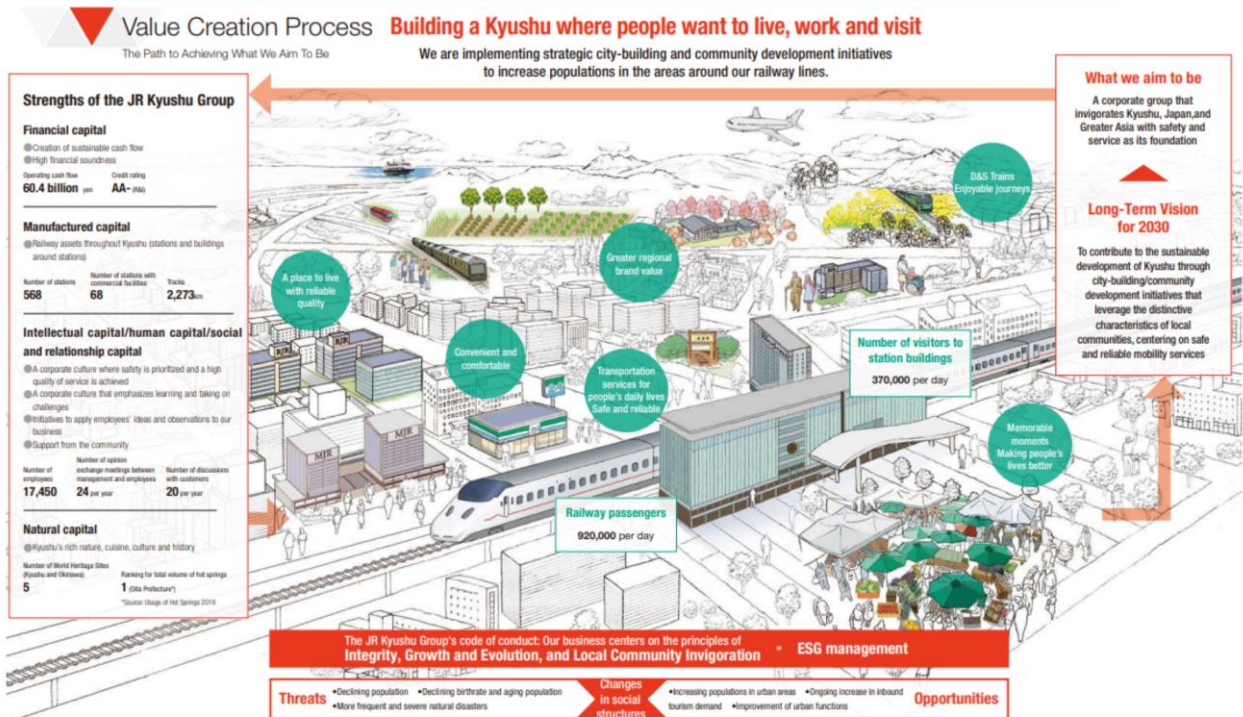


- Next, I would like to turn to the history of JR Kyushu.
- JR Kyushu was established following the breakup and privatization of Japanese National Railways in 1987. Since our establishment, we have improved the income and expenditure of railway operations, which were in the red. At the same time, we have grown and evolved continuously while constantly developing the Group's comprehensive capabilities. For example, we have taken on initiatives in a variety of businesses, including the station building business, the real estate business, and the retail business.
- Today, non-railway transportation revenues account for more than 60% of operating revenues.

1 The Story of Value Creation



Value Creation Process ~The Path to Realization of "What we aim to be"



- Moving on, I will explain our value creation process.
- With Kyushu's population contracting more rapidly than the average rate of contraction for Japan's population as a whole, the JR Kyushu Group will contribute to the sustained development of the region by leveraging the Group's advantages in initiatives aimed at increasing (maintaining) the population of line-side areas.
- Given the increased frequency and severity of natural disasters in recent years, we must build safe, reassuring mobility services by taking measures to make railways more resilient, among other measures.
- The Group will conduct railway-centered city-building; create value with a focus on building a Kyushu where people want to live, work, and visit; and manage businesses with a view to achieving our Long-Term Vision for 2030 and What We Aim to Be.

1 The Story of Value Creation



Materiality: Points that the JR Kyushu Group focuses on at all times

Sound Corporate Management

- Strengthening risk management
 - Rigorous compliance
- Ensuring transparent and fair management
- Extensive communication with stakeholders

Building a Sustainable Society

- Addressing environmental issues (climate change and resource conservation)
- Contribution to local communities

Source of Value Creation

- Safety
- Service
- Development of Human Resources (Effective use of employees and making work fulfilling)

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- Next, I will focus on materiality.
- We defined materiality as points that the JR Kyushu Group must focus on at all times. In discussing the key ESG themes that are set out in our Medium-Term Business Plan 2019–2021, we took into consideration both importance to the JR Kyushu Group and importance to society.
- Further, having categorized the identified materiality items under the three headings of “source of value creation,” “sound corporate management,” and “building a sustainable society,” we are moving forward with ESG management.

2 Source of Value Creation



What should remain unchanged and important in all our businesses



Safety



Service



Development of Human Resources

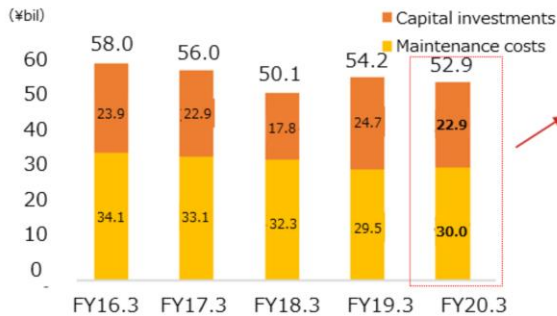


- From this point, I will provide some details on our ESG initiatives. First of all, let's look at source of value creation.
- The importance of safety and service must remain unchanged in all of the JR Kyushu Group's businesses.
- Since our establishment, we have endeavored to ensure safety—the most significant mission of railway transportation. In other businesses, we have also made safety our first priority while continuing to pursue customer satisfaction by listening to customer feedback and enhancing service.
- In addition, safety and service, as well as the development of personnel to inherit this DNA, are at the core of all of the diverse businesses currently under our management.

2 Source of Value Creation -Safety-



Changes in investment in railway safety



- Replacement of obsolete facilities
 - Replacement of obsolete Shinkansen operation management systems
 - Improvement of track circuit devices
- Safety and disaster-damage prevention measures
 - Installation of automatic platform gates and elevation of the area around Nagasaki Station on the Nagasaki Main Line
- Measures for reliable transportation
 - Transitioning to TPC railroad ties and improvement of roadbeds
- Rolling stock projects
 - New production of YC1 and 821 series rolling stock

Disaster-damage prevention measures

In the fiscal year ended March 2020, we carried out work in 29 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



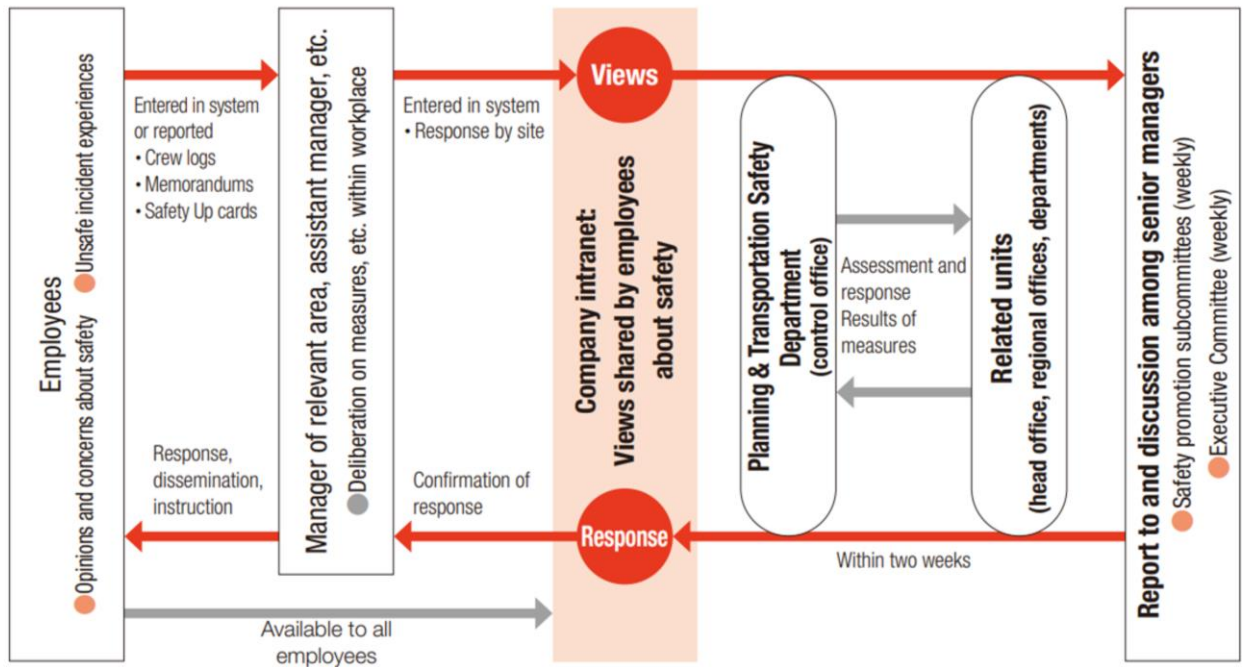
After the measures were carried out

- First of all, I will introduce our safety-related measures.
- Based on the mindset that “safety is something you have to make,” the Company is taking measures in both tangible and intangible areas.
- With respect to measures in tangible areas, we undertake planned investment in safety facilities every year.
- Also, in light of the increasing frequency and severity of natural disasters, there is a growing need for construction work to prevent heavy rain and typhoons from causing damage. In the fiscal year ended March 2020, we carried out construction work to reinforce slopes at 29 locations.

2 Source of Value Creation -Safety-



Process for views shared by employees about safety



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- As for intangible areas, we have established a system for views shared by employees about safety.
- Our system for views shared by employees about safety enables the sharing of employees' opinions, concerns, and unsafe incident experiences as well as the prevention of the seeds of accidents or dangers.
- The details of and measures in response to views shared by employees about safety are reported to the Executive Committee within two weeks and shared with all employees via our intranet.

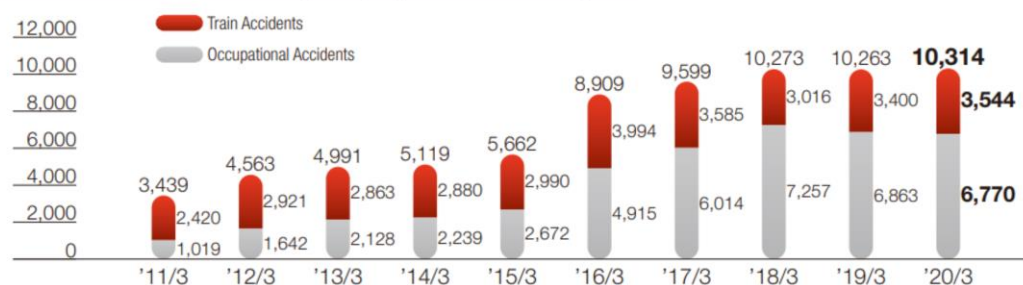
2 Source of Value Creation -Safety-



Award system for Initiatives to ensure safety Views shared by employees about safety

Safety creation grand prize	Commends workplaces that have proactively provided insightful suggestions or outstanding feedback and thereby helped advance safety creation campaigns and employees who have been conspicuously successful in the creation of safety
Safety creation award	Commends those who have provided outstanding safety-related feedback that reflects a strong awareness of safety issues
Award for advances related to unsafe incidents	Commends those who have provided feedback and suggestions that have significantly contributed to the prevention of accidents or transportation reliability
Open award related to unsafe incidents	Commends those who have provided feedback that has significantly contributed to the prevention of accidents, the safety and reliability of transportation, or the prevention of occupational accidents by actively explaining personal experiences of unsafe incidents
Award for anticipation of unsafe incidents	Commends those who have provided feedback that has significantly contributed to the enhancement of safety or transportation reliability by anticipating unsafe incidents

Number of Views Shared by Employees about Safety



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- Generally, people are reluctant to share their unsafe incident experiences. However, we actively undertake lateral dissemination of information on unsafe incidents in an effort to avoid the occurrence of accidents. Further, we revise in-house rules and change equipment and facilities as required.
- To encourage even greater use of the system for views shared by employees about safety, we have established various awards and developed workplace environments that are conducive to raising issues.
- As a result, the system for views shared by employees about safety received 10,314 contributions related to opinions, concerns, unsafe incident experiences, and other matters in the fiscal year ended March 2020.

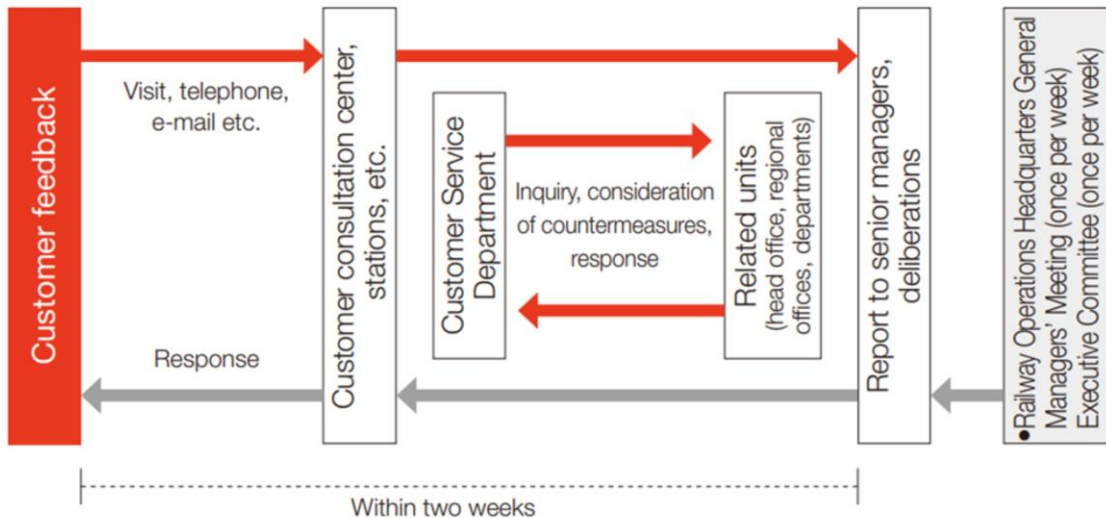
2 Source of Value Creation -Services-



Flow of Customer Feedback

Topics of positive feedback : 1,675 messages (FY20.3)

Topics of feedback and requests : 7,495 messages (FY20.3)

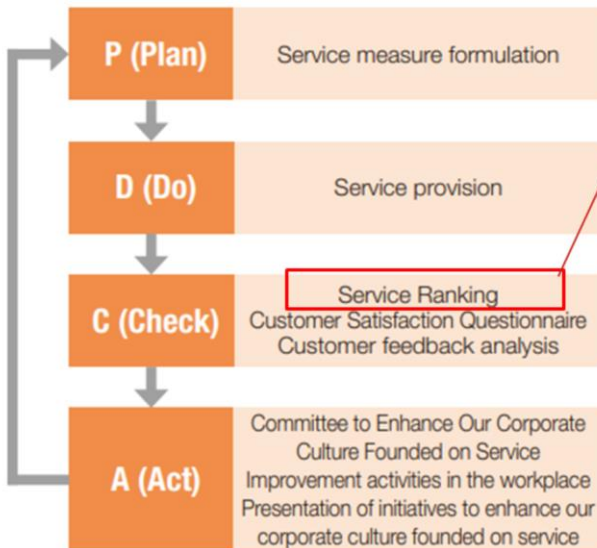


- To continue, I will now give an overview of our service-related initiatives.
- The Company collects day-to-day customer feedback through a variety of tools, such as the internet and telephones.
- In the fiscal year ended March 2020, we received approximately 9,200 messages from customers, including compliments, feedback, and requests.
- The details of and measures in response to feedback and requests are reported to the Executive Committee, and we reply to customers within two weeks. Also, we enhance both the tangible and intangible aspects of service by sharing these details in-house, issuing directives to employees, and improving equipment and facilities as required.

2 Source of Value Creation -Services-



PDCA cycle for services



Service Ranking

Services ranking to be evaluated using external surveys.

Survey targets: Station and travel, and train crew units

Survey frequency: Semiannual (in principle)

Survey details: Quantifying and ranking the results of service surveys



Service Ranking entails surveys conducted anonymously by external researchers.

- In taking steps to improve service, we follow a plan–do–check–act (PDCA) cycle.
- Our measures in the check phase of the PDCA cycle include the utilization of external research to realize Service Ranking.
- Service Ranking is a survey conducted by external researchers that encompasses our station, travel, and train crew units. Our aim is to use the survey results to improve service at workplaces and achieve even higher levels of service.

2 Source of Value Creation -Development of Human Resources -



Proactive use of young employees



Manbou Corp., which became a Group company in FY20.3

A Challenge for the JR Kyushu Group



Seven Stars in Kyushu, which celebrated its seventh anniversary

Future Creation Program "HIRAMEKI"



Future Creation Program "HIRAMEKI"

Activities in diverse fields



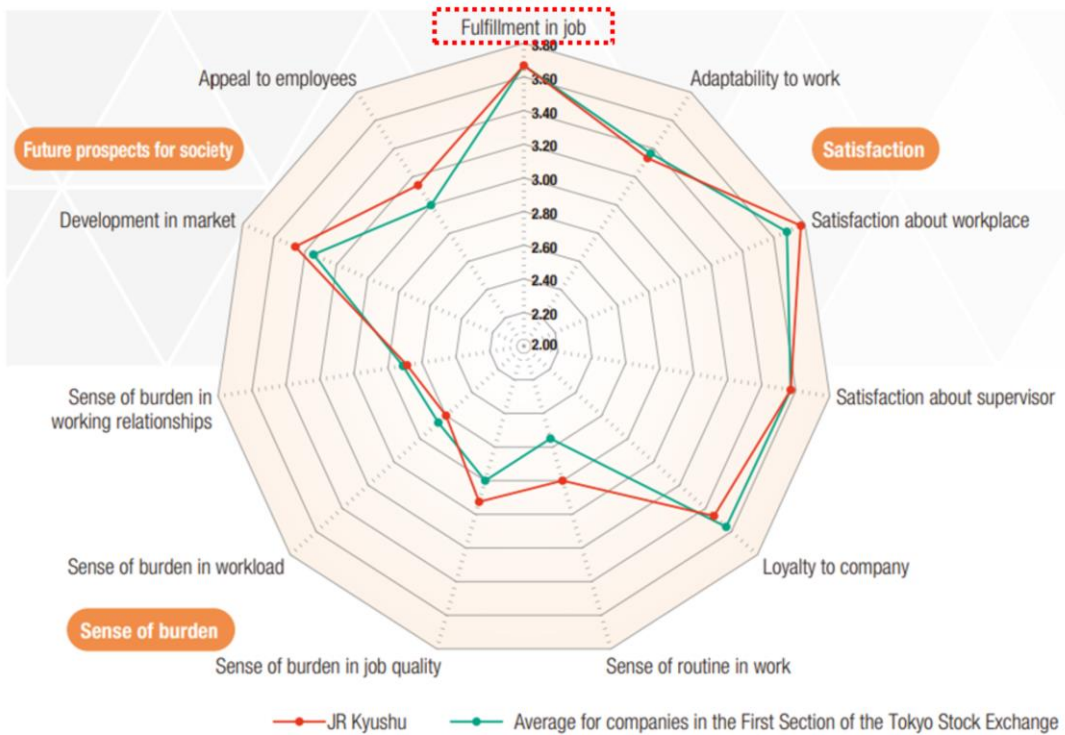
Hakata Station's first female stationmaster

- Regarding the next topic, I would like to discuss our human resources development initiatives.
- The Group is advancing initiatives to enhance the sense of fulfillment, pride, and satisfaction that employees obtain from their work. We have a corporate culture that facilitates lively communication, the uninhibited statement of opinions, and ambitious projects. Moreover, we provide opportunities to take on challenges in many different business fields. We believe that it is precisely such opportunities that drive the development of human resources.
- To provide opportunities for growth and career advancement, we use secondment inside and outside the Group. For example, we are assigning some junior employees to work at Manbou Corp., which recently became a Group company.
- In addition, our business proposal system, the Future Creation Program HIRAMEKI, includes personnel reassignment, thereby providing employees with opportunities to realize their own ideas for new businesses.
- Further, we are devoting efforts to the promotion of work-life balance so that employees are able to work with vitality.

2 Source of Value Creation -Development of Human Resources -



Employee awareness survey (FY20.3)



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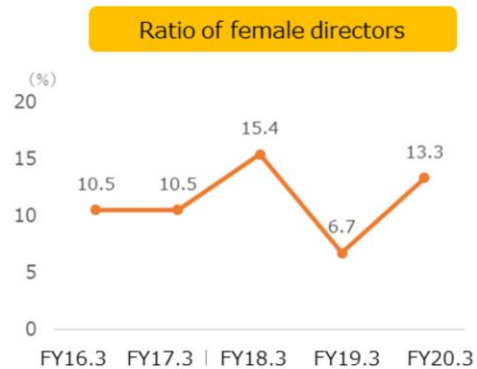
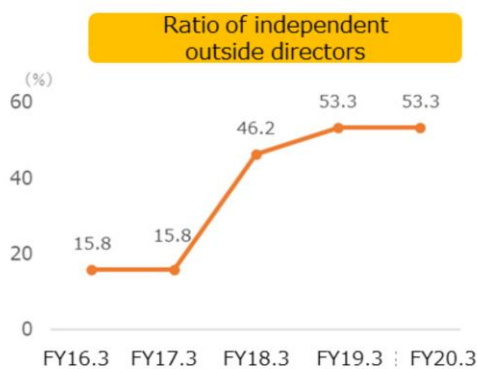
- We conducted an employee awareness survey with a view to analyzing employees' attitudes to their jobs and workplaces—and the factors influencing these attitudes—by age group and organization and then utilizing this analysis in future measures to invigorate our organization and heighten employee satisfaction.
- For example, we believe the “fulfillment in job” of our employees is above the average for listed companies because we have a corporate culture that enables employees to take on challenges.
- Meanwhile, the survey enabled us to identify issues, such as the need to improve duties and enhance the skill sets of managers. Going forward, we will seek improvement in relation to such issues by reflecting them in a range of measures, including various types of training and roundtable discussions.

3 Sound corporate management - Establish transparency and fairness in management -



Main initiatives to strengthen our governance

FY2019/3	FY2020/3	FY2021/3
<ul style="list-style-type: none"> ● Transitioned to a company with an audit and supervisory committee ● Introduced an executive officer system in conjunction with the change in supervisory committee structure ● Introduced third-party evaluation in evaluating the effectiveness of the Board of Directors ● Established the Nomination and Compensation Advisory Committee (with an Outside Director appointed as chairman) 	<ul style="list-style-type: none"> ● Established the position of Chief Financial Officer (CFO) ● Appointed two additional Outside Directors with expertise on real estate, IR and finance ● Raised the percentage of outside directors to 53.3% (8/15) ● Introduced the performance-linked share-based remuneration plan "Board Benefit Trust" ● Revision of the amount of remuneration for directors ● Reinforcement of the management of business segments (the establishment of holding companies in station building and hotel businesses and a change in segment classification) 	<ul style="list-style-type: none"> ● Appoint a female outside director familiar with ESG management for greater diversity ● Disclose skill sets of directors ● Decrease the size of our Nomination and Compensation Advisory Committee for more efficient operations



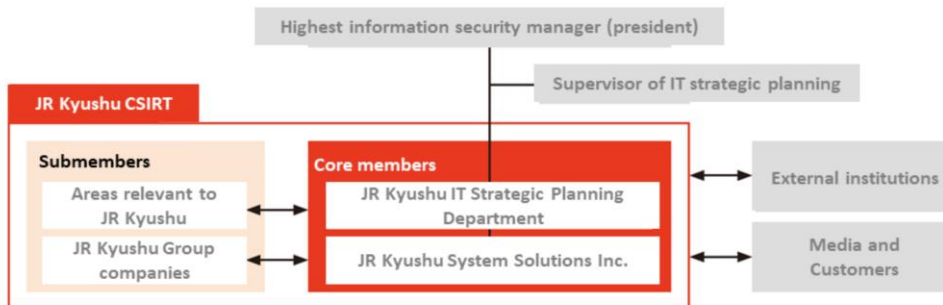
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- Next, I will outline our initiatives for sound corporate management.
- The Company is strengthening governance to establish transparency and fairness in business management.
- For example, in June 2018 we transitioned to a company with an audit and supervisory committee and introduced an executive officer system with the aims of strengthening the supervisory function of the Board of Directors, expediting business management-related decision-making, realizing efficient corporate management, and separating the execution of operations from business management-related decision-making and supervision.
- We have ensured effective business management-related supervision that reflects a variety of viewpoints by making independent outside directors who have diverse professional backgrounds and expertise a majority on the Board of Directors and by increasing the number of female directors to two.

3 Sound corporate management - Strengthen risk management -



Management structure for strengthening information security



<Role of JR Kyushu CSIRT>

- 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



Incident response training



Vulnerability Diagnosis Business Completion Report

- The next area I would like to highlight is our strengthening of risk management.
- An online store in the JR Kyushu Group was accessed by an unauthorized party, which resulted in customers' personal information and credit card details being leaked. We responded by taking measures to strengthen security throughout the JR Kyushu Group. In conjunction with these measures, we formed the Computer Security Incident Report Team (CSIRT), which carries out systematic initiatives to increase readiness for information security incidents.
- Moreover, we conduct incident-response training, which is based on scenarios in which internal systems are accessed without authorization, as well as training on targeted email. Also, we task an external agency with the identification and remediation of any vulnerabilities.

3 Sound corporate management - Enhance communication with stakeholders -



Discussions with Customers



Number of discussions with customer **20**

Opinion Exchange Meetings between Management and Employees



Number of feedback sessions **24**

Dialog with Business Partners



Questionnaires **205** companies

Dialog with Shareholders and Investors



Number of discussions between management and institutional investors **108**
management and individual investors **7**

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- Next, I would like to describe our efforts to increase and enhance communication with stakeholders.
- In conducting sound corporate management, we believe that increasing and enhancing communication with stakeholders is important.
- We hold discussions with various customers. As well as providing us with diverse opinions about the Group's products and services, these discussions with customers give us an opportunity to deepen their understanding of the Group.
- Members of our senior management team visit to workplaces throughout Kyushu to hold roundtable discussions with employees. At these meetings, senior management team members provide updates on the Company and its policies and encourage employees to share how they feel about daily work, ask questions, and make suggestions. Further, to ensure the safety of railways, senior management team members visit workplaces and discuss various matters with employees during periods when many customers use our services. We believe that such measures help create an open organizational culture.
- Other initiatives include striving to ensure that we have appropriate dialogues with all stakeholders, including business partners, shareholders, and investors. And, we want to increase and enhance such dialogues even further.

4 Building a Sustainable Society - Addressing the issue of climate change -



More severe natural disasters

Fiscal year	2017	2018	2019
Main disasters	• Heavy rain in northern Kyushu in July 2017 • Typhoon No. 18 in 2017	Heavy rain in July 2018	Heavy rain during the rainy season in 2019
Loss amount*	¥3.8 billion	¥1.2 billion	¥1.3 billion

* The total of disaster-damage losses and provision for loss on disaster, which are recognized in extraordinary losses

Disclosure of information on climate change

- Included as a member of the "Fiscal 2020 Project for Supporting the Scenario Analysis of Climate Risks and Opportunities in Accordance with TCFD," organized by the Ministry of the Environment
- Will advance disclosure in accordance with TCFD going forward

Initiatives to reduce CO₂ emissions

- Consider setting CO₂ emission reduction targets.

<JR Kyushu's Setting Numerical Targets>

In the railway division, we intend to achieve the following two targets by the fiscal year ending March 2031

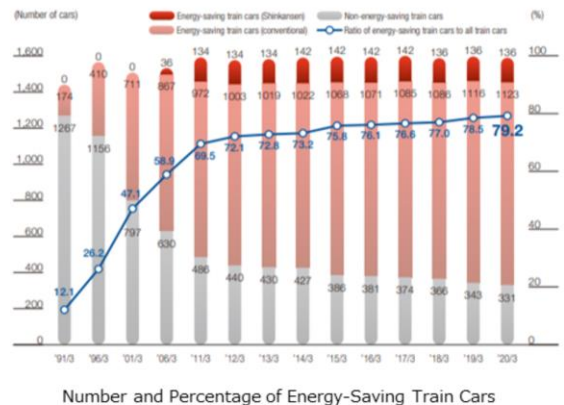
- 1) Increase the rate of introduction of energy-saving train cars to 83%.
- 2) Reduce unit energy consumption to 2.5% below the level in the fiscal year ended March 2012.



821 series :
Electricity consumption has been reduced by about 70%.



YC1 series :
Fuel consumption has been reduced by about 20%.



Number and Percentage of Energy-Saving Train Cars

- To continue, I will touch on our initiatives for building the realization of a sustainable society.
- In recent years, we have recognized significant losses due to natural disasters. We have already seen the actualization of risks that are associated with an increase in the frequency and severity of natural disasters, which is said to be caused by climate change.
- In response to this situation, the Group will conduct deliberations on the risks and opportunities arising from climate change and proceed with disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).
- Also, as a railway operator the Company conducts train operations that produce CO₂, which is a greenhouse gas. Going forward, as well as advancing disclosure in accordance with TCFD, we will discuss the setting of reduction targets for CO₂ emissions and step up our environmental measures even further.

4 Building a Sustainable Society - Local Community Invigoration -



JR Kyushu's D&S train



Yufuin no Mori limited express service



Aso Boy! limited express service



Let's Take the A-Train limited express service



SL Hitoyoshi service



Ibusuki no Tamatebako limited express service



JR Kyushu Sweet Train ARU Ressha service

2 for WEST JAPAN RAILWAY



Kawasemi Yamasemi limited express service



Kyushu Odan Tokkyu limited express service



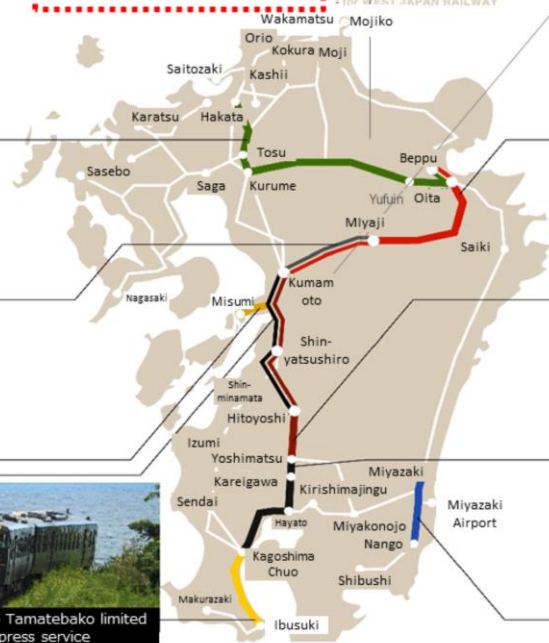
Isaburo/Shinpei limited express service



Hayato no Kaze limited express service



Uminsachi-Yamasachi limited express service



- Next, I would like to turn to our D&S (Design & Story) trains, which symbolize our local community invigoration initiatives.
- Kyushu has an abundance of delicious cuisine, hot springs, rich natural environments, history, and hospitality. Packed with such Kyushu attractions, our D&S trains are operated to invigorate Kyushu.
- To date, we have operated many D&S trains, these operations center on Seven Stars, which operates on a loop around Kyushu. In the current fiscal year, we began operating a new D&S train named 36+3.

4 Building a Sustainable Society - Local Community Invigoration -



36 Plus 3, a “Kyushu on wheels” train full of all things Kyushu



“Kyushu on wheels”① Kyushu’s cuisine, flavors, and experiences

- Offering lunch boxes and dinner plans featuring cuisine painstakingly prepared using local ingredients
- Selling alcoholic beverages and specialties from around Kyushu at the buffet to realize “Kyushu on wheels”
- Holding Kyushu tea experiences, Japanese apricot experiences, and other events onboard to impart a deeper sense of Kyushu



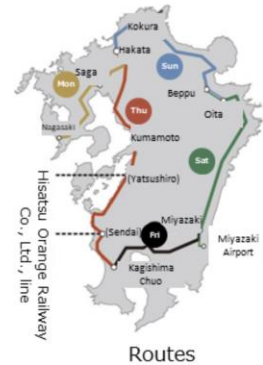
“Kyushu on wheels”② Having fun at railway stations

- Including stops at railway stations along each route so that passengers can enjoy the local atmosphere
- Enabling passengers to enjoy each region’s scenery and selling distinctive products at stops
- Publicizing regional cultures and traditions by organizing receptions in which local residents provide folk entertainments (held irregularly)



“Kyushu on wheels”③ 35 episodes and onboard videos

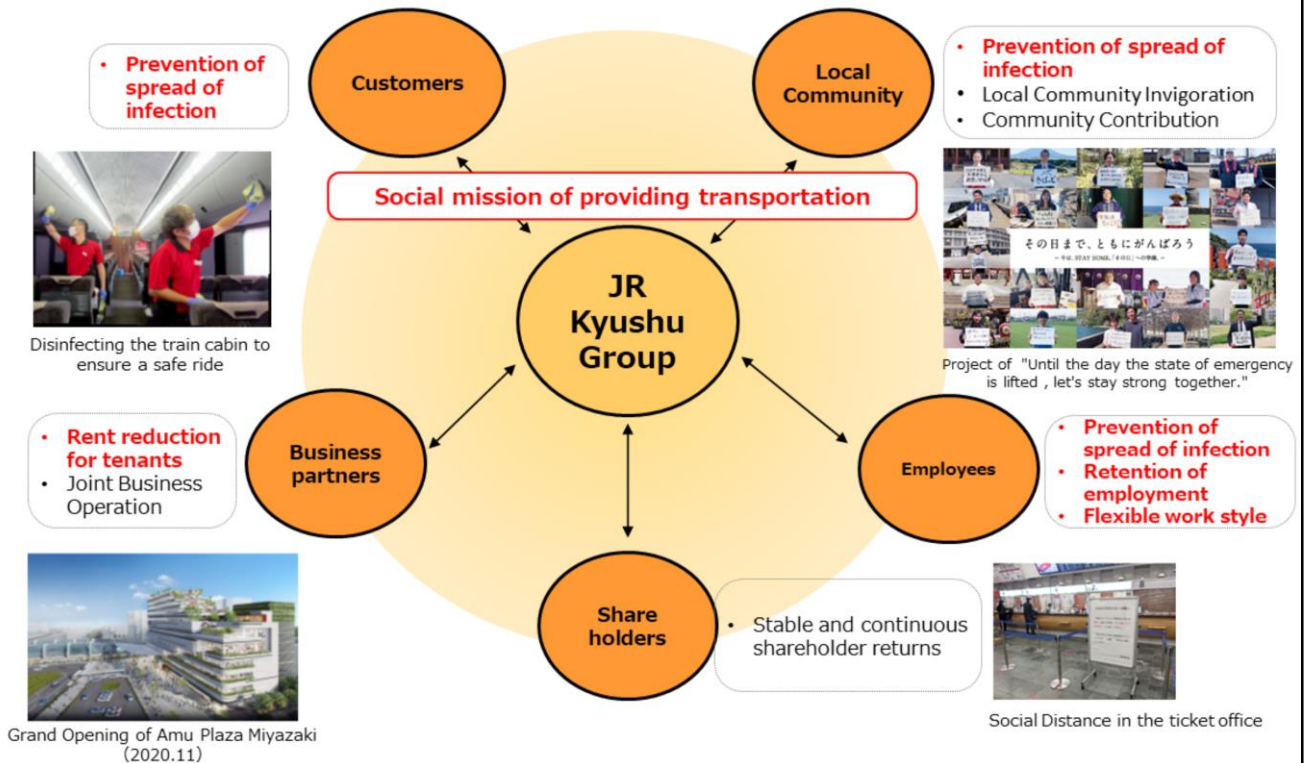
- Using leaflets distributed online and on board to introduce episodes compiled under the “color” category of each day’s route
- Encouraging customers to visit the surrounding areas by including episodes gathered from all over Kyushu, not just line-side areas
- Showing original onboard videos that feature alcoholic beverages sold at the onboard buffet and the attractions of each stop



Hospitality provided by local residents

- The recently launched 36+3 is also brimming with the Kyushu attractions that I just mentioned, and we will operate the train with the aim of invigorating Kyushu.
- The 36+3 D&S train incorporates 35 episodes that suggest ways of enjoying Kyushu on the five routes along which the train operates. Also, we are raising the profile of each region’s attractions by offering meals and souvenir lineups that feature local specialties.
- In addition, receptions and sales events conducted by local residents at stops publicize Kyushu’s regions and allow passengers to experience local hospitality.
- In such ways, we will use the operation of D&S trains to work with local communities in the advancement of initiatives that invigorate Kyushu as a whole.

4 Building a Sustainable Society - The Group's initiatives in the COVID-19 disaster -



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- Next, I will outline the Group's measures in response to the COVID-19 disaster.
- Until now, in the conduct of business management we have sought to achieve a balance between our priorities and those of diverse stakeholders. However, the COVID-19 disaster has reminded us of how critically important employees are. Without employees, the future continuation of our businesses would not be possible. From the viewpoint of infection prevention and with respect to employment protection, we will conduct business management in a manner that places even greater emphasis on protecting employees.
- Also, as a railway operator, providing means of transportation is our social mission. We will fulfil this mission while taking appropriate measures to prevent the spread of infection. Meanwhile, in response to an expansion of the state of emergency declaration in April, we decided to suspend the operations of all conventional-line limited-express trains during the Golden Week holiday period. We believe that in times of emergency it is especially important to respond promptly and flexibly while giving first priority to safety.
- Further, surveying our business partners, the issuance of the state of emergency declaration triggered a dramatic decrease in the number of customers using station buildings. Mindful of this, we decided to lower the rents of our store tenants. Tough times are precisely the times when we must strengthen the relationships of trust that we have built with stakeholders.
- Although the Group continues to face a challenging environment, we have begun operating the 36+3 D&S train. Further, the station building business opened Amu Plaza Miyazaki in November and plans to open Amu Plaza Kumamoto next year. We believe that advancing new businesses in this way—even though the environment is challenging—will help keep the regional economy moving and invigorate the region.
- Thus, rather than becoming overly focused on near-term conditions, we will tackle a wide range of initiatives so that, together with our stakeholders, we can overcome this challenging situation and sustain value creation.
- That brings us to the end of my presentation. I would like to thank you all for your kind attention.



THANK YOU



KYUSHU RAILWAY COMPANY

Forward-Looking Statements



These materials contain forward-looking statements concerning business forecasts, targets, etc. of the JR Kyushu Group.

The Company decided on these forward-looking statements based on the available information, as well as Company estimates and assumptions, at the time these materials were created. Please note that actual performance may vary greatly depending on the impact of various factors such as the economic environment in Kyushu as well as greater Japan and overseas, the condition of the real estate market, the progress of each individual project, changes in laws and regulations, and a wide range of other risks.

IR materials can be viewed on our corporate website:
http://www.jrkyushu.co.jp/company/ir_eng/library/earnings/