

(Translation)

December 15, 2021

Kyushu Railway Company

Main Questions and Answers from JR Kyushu IR Day 2021

Part 1: The JR Kyushu Group's ESG Initiatives

Participants: Yoji Furumiya (Director and Senior Managing Corporate Officer), Tomonori Uwabu (Corporate Officer and General Manager of the Marketing & Sales Department), Motomichi Miura (Corporate Officer and General Manager of the Human Resources Department)

Q: Targeting net zero CO₂ emissions in 2050, the Company has implemented four main initiatives — introducing energy-saving train cars, introducing power interchanging devices, implementing thorough conservation of energy, and using renewable energy. Would you provide an overview of the status of these initiatives and the amount of capital investment that will be necessary to implement them?

A: (Furumiya) We are introducing energy-saving train cars in conjunction with the replacement of train cars that has been in use since the Japanese National Railways era. This has the effect of reducing maintenance expenses and energy expenses. We will introduce additional power interchanging devices in situations where we expect them to be effective. In regard to thorough conservation of energy, we are promoting the use of LEDs, such as on station platforms. Looking at the use of renewable energy, in certain areas we are implementing solar power generation. Going forward, we will step up consideration of whether or not these initiatives will lead to the start of an environmental-issue-resolution business and to reductions in CO₂ emissions. It is difficult to provide a monetary figure, but a certain level of capital investment will be required for these initiatives.

Q. The presentation included information about initiatives to enhance the management participation mindset of employees through BPR. What approach is the Company taking toward a balance between initiatives to enhance the management participation mindset of employees and initiatives to raise the morale of employees, such as through monetary measures?

A. (Furumiya) Up to this point, front-line employees have proposed many ideas linked to BPR. Through the realization of actual cost reduction measures, this has led to the cultivation of a management participation mindset. In addition, the restoration of profitability in the railway business is required in order to increase the level of compensation, including bonuses, and we believe that this requirement has become a factor in increasing the morale of employees.

Q. In regard to determining the compensation of officers, is the Company considering the inclusion of ESG KPIs?

A: (Furumiya) Officer compensation comprises fixed-amount basic remuneration and remuneration linked to business performance, which is generally not more than 20% of total remuneration. The Company recognizes that one issue to be addressed will be the establishment of non-financial KPIs and a plan for such matters as linking those KPIs to officer compensation. Going forward, the Company will continue to consider this issue.

Q: The extent to which the Company can enhance employee motivation will be important. Currently, employee bonuses have a strong fixed-rate aspect. From the perspective of providing an appropriate bonus to employees who have taken on risks and challenges, is there room for reconsideration of the bonus system?

A: (Miura) At this point, we are not considering the revision of the bonus system. Bonuses are paid in accordance with payment-months based on monthly wages. Rather than a narrow approach focused on the bonus system, we believe the issue is the need to consider the present state of monthly wages, including the current wage system, which is strongly oriented toward the seniority system. These considerations will include the COVID-19 situation.

Part 2: Meetings for exchanges of opinions, including outside directors

Participants: Kuniko Muramatsu (Outside Director), Yoji Furumiya (Director and Senior Managing Corporate Officer), Toshihiro Mori (Director and Managing Corporate Officer)

Q: This question is for Director Kuniko Muramatsu. At last year's JR Kyushu IR Day 2020, you indicated that you had given advice to executives recommending the rapid implementation of measures. In comparison with a year ago, has there been a change in the speed of action taken by executives? Also, what types of deliberations are generally held with executives?

A: (Muramatsu) With COVID-19 continuing, at meetings of the Board of Directors we are actively discussing how the business structure will be changed. My impression is that the Board is rapidly proposing / considering multiple measures. In addition, as an observer I attend meetings of the ESG Strategy Committee and other important in-house committees. I believe that JR Kyushu is in a position to be a leader from the perspective of the Kyushu economic sphere, and we are discussing with the corporate officers such issues as the Company's ability to advance those types of initiatives and if they can be promoted in collaboration with other companies.

Q: This question is for Director Kuniko Muramatsu, who has abundant experience, including as an outside director at other companies. With that experience at a variety of companies, is there anything that you can tell us regarding JR Kyushu's strong points, areas where the Company has room for improvement, and points where you can leverage your knowledge as an outside director?

A: (Muramatsu) I think that one of the strengths of the JR Kyushu Group is the permeation of the philosophy of contributing to the invigoration of Kyushu. If the Company can leverage this

strength, then I believe that the Company can achieve more sustainable growth, even with the values of society changing in the midst of COVID-19. From the perspective of enhancing corporate value by strengthening ESG management, I think that my opinions, which reflect my global viewpoint and experience to date, could be useful. The establishment of a governance structure, including Group companies, is advancing, but I think that there is room to further strengthen the risk management system.

Q: I would like to ask about Director Muramatsu's experience related to the Japan Professional Football League. The soccer league has also been heavily influenced by the decline in the flow of people. In considering the development of businesses in the post COVID-19 period, are there any areas that overlap with the issues faced by JR Kyushu?

A: (Muramatsu) In the soccer league, with spectators not attending, teams are again reviewing their own resources and considering how they can contribute to city-building and local communities. The key phrase here is "social collaboration." I think that my experience in the start-up of social collaboration projects, etc., can be leveraged in JR Kyushu's city-building and community contribution initiatives.

Projects such as JR Kyushu Walking are also connected with the building of local communities and well-being. Through impact evaluation, etc., I think that we should be able to measure and visualize the value of these initiatives.

Q: In the post COVID-19 period, when a decline in going outside/mobility is anticipated, if there is no content that customers can experience, it will not be possible to increase the value of infrastructure. Would you describe JR Kyushu's approach to the need for such content?

A: (Muramatsu) JR Kyushu has content such as D&S trains, but an issue is how the Company can implement branding for these initiatives and link them to the pride of local residents. Railways also have environmental superiority, and with the values of society changing, it is possible that real mobility will undergo an increase in value. Going forward, it will likely be necessary for JR Kyushu to take steps to communicate social value outside the Company.

(Furumiya) We started the D&S trains with the objective of ridership itself. For example, we envisioned that passengers would travel to Kagoshima in order to ride the Ibusuki No Tamatebako limited express. Going forward, we will also consider a new train framework.

Q: The skill matrix indicates that the outside directors do not have expertise in railway and mobility services. With consideration for the distinctive difficulties of the railway business, from a governance perspective, are there factors that the Company is paying attention to in order to avoid business risks?

A:(Mori) We do not have any outside directors from the railway industry, but Director Michiaki Uriu is from Kyushu Electric Power Company, and he is providing opinions from the perspective not

only of electricity costs but also the infrastructure business, such as safety, service, etc. In addition, the number of female directors has been increased, and we are receiving opinions related to service from the customer's perspective. Executives promptly make reports to the Board of Directors, including about small risks, and through these initiatives, etc., we will work to avoid major risks.

(Muramatsu) Through site visits, etc., the outside directors are taking steps to deepen their knowledge of the railway business. There is a need for a balance among relationships with local communities, public interest factors, and profits for the Company. The outside directors have diverse backgrounds and provide opinions from a variety of perspectives. In this way, the Board has dynamic discussions.

Q: The approach of local community invigoration is excellent, but there are also situations in which the interests of the Company conflict with the requests of local communities. For example, when there are conflicting interests, such as with the Kyushu Shinkansen (Nishi-Kyushu route) and disaster recovery, how is the Company achieving a balance among the interests of Company profits, public interest factors, and local community invigoration?

A: (Furumiya) Looking at the communities and the courses of action of the JR Kyushu Group, there are situations in which they are aligned as well as situations in which they are not aligned. For the Kyushu Shinkansen (Nishi-Kyushu route), in the end we believe that local communities are aligned with our course of action. In regard to disaster recovery, the Hitahikosan Line, which has been converted to bus rapid transit, is a representative example. We will strive to secure modes of transportation, such as BRT and bus transportation, and to communicate to local communities how the Group fulfills its duty. In this way, we will work to foster understanding among local communities. This is our mission, and our greatest issue.

(Mori) The status of discussions with local communities in regard to the Kyushu Shinkansen (Nishi-Kyushu route), the requests of local communities regarding disaster recovery, discussions with local communities about the disclosure of profitability on regional routes, etc., are all reported to the Board of Directors and discussed by the Board in a dynamic manner.

Q: The spread of COVID-19 has begun to stabilize, and gradually there will be calls for the Company to increase the speed of proactive management and new business creation. Director Muramatsu, from your perspective, what points do you believe have potential? Also, what measures do you think are possible in order to change the corporate culture?

A: (Muramatsu) A variety of new businesses are being considered. I think that city-building centered on stations will continue to have potential in the future. Currently, the Board of Directors is moving forward with discussions about a variety of measures. Please look forward to the next Medium-Term Business Plan, which is currently being formulated.

As an outside director, I have observed the corporate culture for a year and a half. This is a business with a strong public element, and accordingly it is also important to have a conservative

perspective. In this environment, a corporate culture in which employees think, act, and take on challenges on their own initiative has been firmly established. This can be seen in a variety of measures, and proposals and ideas are also often received from employees on the front lines. I believe that if the Company can work together with local communities to create new businesses and foster collaboration, then a wider range of possibilities will open up.

< A Cautionary Note >

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