

JR KYUSHU IR DAY 2021
Part 1: The JR Kyushu Group's ESG Initiatives

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

December 10, 2021
KYUSHU RAILWAY COMPANY
Director and Senior Managing Corporate Officer
Yoji Furumiya

- 1 The JR Kyushu Group's ESG Management**
- 2 Sound Corporate Management**
- 3 Building a Sustainable Society**
 - Addressing environmental issues
 - Contributing to local communities through local community invigoration
- 4 Source of Value Creation**

1 The JR Kyushu Group's ESG Management

Value Creation Story

The Path to Achieving What We Aim To Be (Value Creation Story)

The JR Kyushu Group's business environment is changing in many different ways, but through all these changes, we are committed to achieving what we aim to be.

The three pillars that form our code of conduct—Integrity, Growth and Evolution, and Local Community Invigoration—have always been kept in mind and used as a touchstone by every employee of the JR Kyushu Group. It is these pillars that we look to in our business as we work to solve our key ESG issues (materiality).

We are working to accomplish our Long-Term Vision for 2030 and become what we aim to be by promoting corporate ESG and achieving the aims set out in each Medium-term Business Plan.



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.

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

Building a Sustainable Society

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

Sound Corporate Management

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

Source of Value Creation

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



Long-Term Vision for 2030

To contribute to the sustainable development of Kyushu through city-building/community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services

External environment

- Declining population
- Declining birthrate and aging population
- More frequent and severe natural disasters
- Improvement of urban functions
- Increasing populations in urban areas
- Technical innovation
- Infectious diseases spread
- Ongoing increase in inbound tourism demand

COVID-19 has had a major impact on the JR Kyushu Group's business—it has reduced demand for passenger transportation and changed people's lifestyles and values. In a time like this, we must not focus only on threats but turn our attention to the opportunities that changes in our outside environment bring about. For example, the decrease in demand for inbound tourism is a major threat to the JR Kyushu Group, but it also brings opportunities for new revenue sources, such as regional business potential.

We are also skillfully incorporating the increasingly rapid advances in digital transformation (DX) and similar changes in our business environment to enable more diverse working practices and make our operations more efficient.

What we aim to be

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

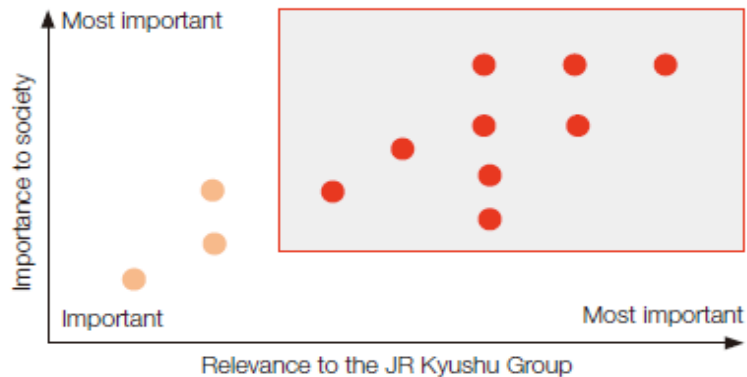
1 The JR Kyushu Group's ESG Management

Identifying materiality

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



Points that the JR Kyushu Group focuses on at all times (Materiality Map)



Main opinions from our directors about materiality

- Japan, like a number of countries, has pledged to become carbon neutral by 2050 to combat climate change. This is becoming increasingly important.
- Securing employees and ensuring their health has become increasingly important during this pandemic.
- I believe that contributing to local communities through business activities is an important mission for the JR Kyushu Group. I would like to support these initiatives from the perspective of an outside director.



1 The JR Kyushu Group's ESG Management

Framework for implementing corporate ESG

Board of Directors

Executive Committee

ESG Strategy Committee

Office: ESG Promotion Office

Special Sub-Committees for Social Issues

Special Sub-Committee on Environmental Management
Special Sub-Committee on Energy Management
Special Sub-Committee on Environmental Pollutant Management
Special Sub-Committee on Resource Conservation

From August 2021

Organization

Chairperson

Number of meetings held
(As of the end of November 2021)

ESG Strategy Committee

President

3

Main discussion topics

- Editing policies for Integrated Report
- Disclosure of non-financial information
- Responding to ESG survey
- Opinions from ESG investors, etc.
- Addressing climate change issue
- Initiatives targeting net zero CO₂ emissions in 2050
- Issuance of green bonds
- Establishment of CO₂ emissions medium-term target for 2030
- Strengthening environmental management system
- Reports from the Special Sub-Committee on Social Issues
(future human rights initiatives, etc.)

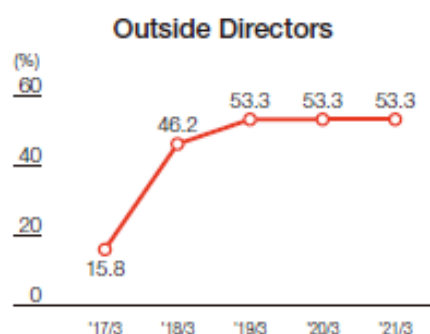
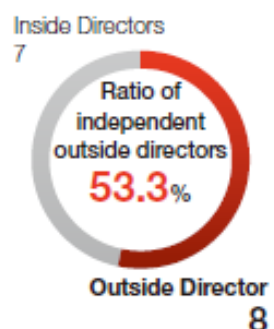
*Including meetings of former environment-related committees 5

2 Sound Corporate Management

Governance Transition

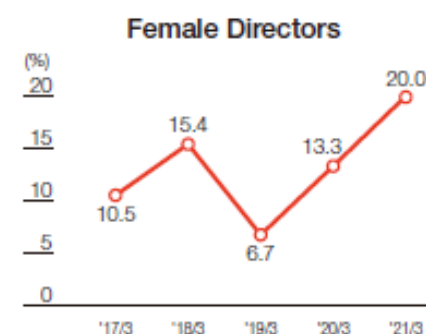
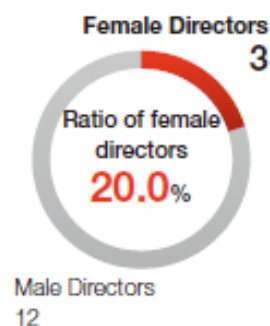
		FY2018	FY2019	FY2020	FY2021
Governance	Organization	Shifted to a company with an Audit Committee	→	→	→
	Committee	Established the Nomination and Compensation Advisory Committee Assigned an outside director as chairman 9 members in total: 8 external and 1 internal	→	Nomination and Compensation Advisory Committee Total number of employees streamlined to 6, 5 external and 1 internal	→
	Initiatives to Strengthen Governance	Introduced Executive Officer System	→	→	→ Develop a Succession Plan
Board of Directors	Number of Directors	13	15 Clarified the position of CFO	→	→
	Outside Directors (# of Directors/%)	6/46.2%	8/53.3% Added Two Outside Directors with Expertise in Real Estate, IR/Finance	8/53.3% Added One Outside Director with Expertise in ESG	→
	Female Directors (# of Directors/%)	2/15.4%	1/6.7%	2/13.3%	3/20.0%
Compensation			Performance-based Compensation Plan Introduced "Board Benefit Trust"	→	→
Board Effectiveness Evaluation		Introduced Board Effectiveness Evaluation by the Third-Party Organization	→	→	→

Ratio of independent outside directors



*As of the end of June in the following year

Ratio of female directors



*As of the end of June in the following year

2 Sound Corporate Management

Effectiveness Evaluation Process

Evaluation process

Surveys by a third-party organization

- Survey for all directors (anonymous)
- Observations of Board of Directors' meetings
- Individual interviews with all directors



Reporting of feedback from third-party institutions to the Board of Directors

Main evaluation points

- Structure and operations of the Board of Directors
- Management and business strategies
- Corporate ethics and risk management
- Evaluation and remuneration of management
- Dialog with shareholders

Principal progress in relation to issues recognized in the FY2020/3 effectiveness evaluation

(Issues) In the FY2020/3 effectiveness evaluation, issues were raised including the formulation of a succession plan and improving training opportunities to enhance business understanding among outside directors.

(Progress) The succession plan was formulated based on discussion at the Nomination and Compensation Advisory Committee.

Principal new issues recognized in the FY2021/3 effectiveness evaluation

- We recognized that by setting a desirable structure for the Board of Directors (skillset) and selecting directors based on their skillsets, discussion that includes diverse viewpoints takes place.
- We recognized that by adding one additional outside director with knowledge of ESG in June 2020, disclosure of ESG information became timelier and more appropriate.
- In terms of new issues, we recognized that discussion related to the medium- to long-term strategy at meetings of the Board of Directors has yet to be improved.

2 Sound Corporate Management

Working together with business partners to build a sustainable society

- In accordance with the Basic Procurement Policy, we are advancing ESG initiatives, including observance of social norms, respect for human rights, and consideration for the environment.
- Holding presentations, confirming the status of business partner initiatives through interviews and questionnaires

Motivating business partners



* Photograph shows a business partner briefing in July 2019

- Implementing training by inviting outside speakers
- Implementing study sessions related to the Group's operating environment and future initiatives, from an ESG perspective

3 Building a Sustainable Society -Addressing environmental issues-

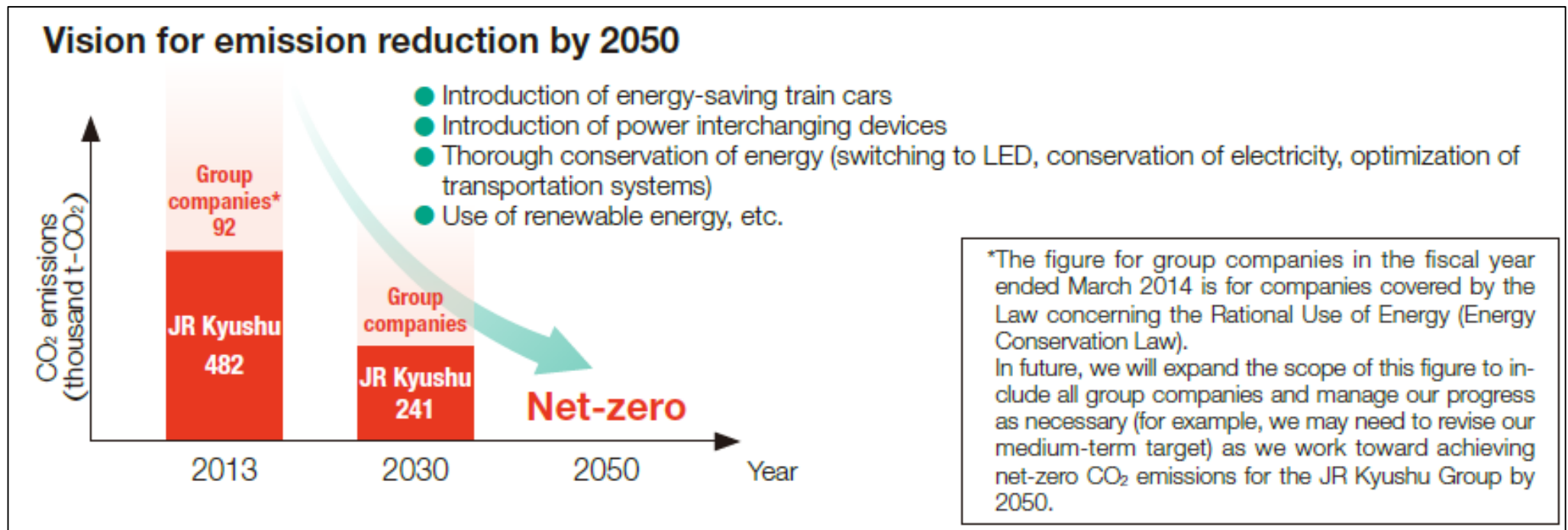
(February 17, 2021) Support for TCFD

- ✓ Disclosure of scenario analysis, risks/opportunities
- ✓ JR Kyushu Group 2050 net zero CO₂ emissions announcement



(August 31, 2021) JR Kyushu Group Integrated Report 2021

- ✓ Establishment of JR Kyushu 2030 medium-term target of 50% decrease in comparison with 2013



Currently formulating roadmap for 2050 net zero CO₂ emissions

3 Building a Sustainable Society -Addressing environmental issues-

New employee training center



Selection as ZEB transition verification project

Project to utilize the former site of Sunoko elementary school (joint development with Sakurajyuji Group)



"Once again, a place that supports the community. Re-Sunoko"

Securing standard corresponding to ZEB Oriented
Aiming for acquisition of CASBEE Fukuoka A rank

Nagasaki Station development



Working to reduce the environmental burden by implementing initiatives to support de-carbonization and by reducing CO₂

Introduction of energy-saving rolling stock



821 series suburban-type trains

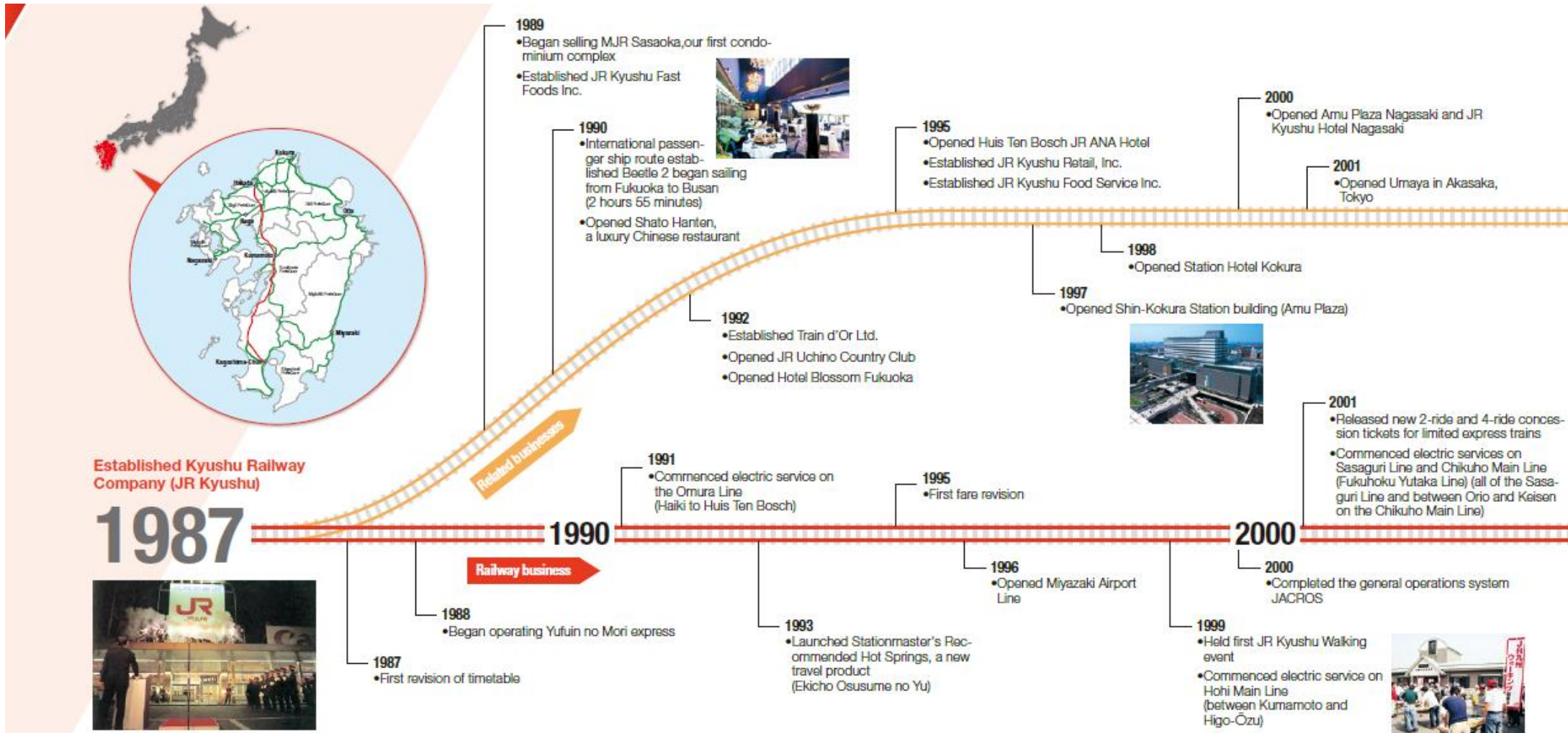


YC1 series equipped with storage batteries
Diesel-electric rolling stock

3 Building a Sustainable Society

-Contributing to local communities through local community invigoration-

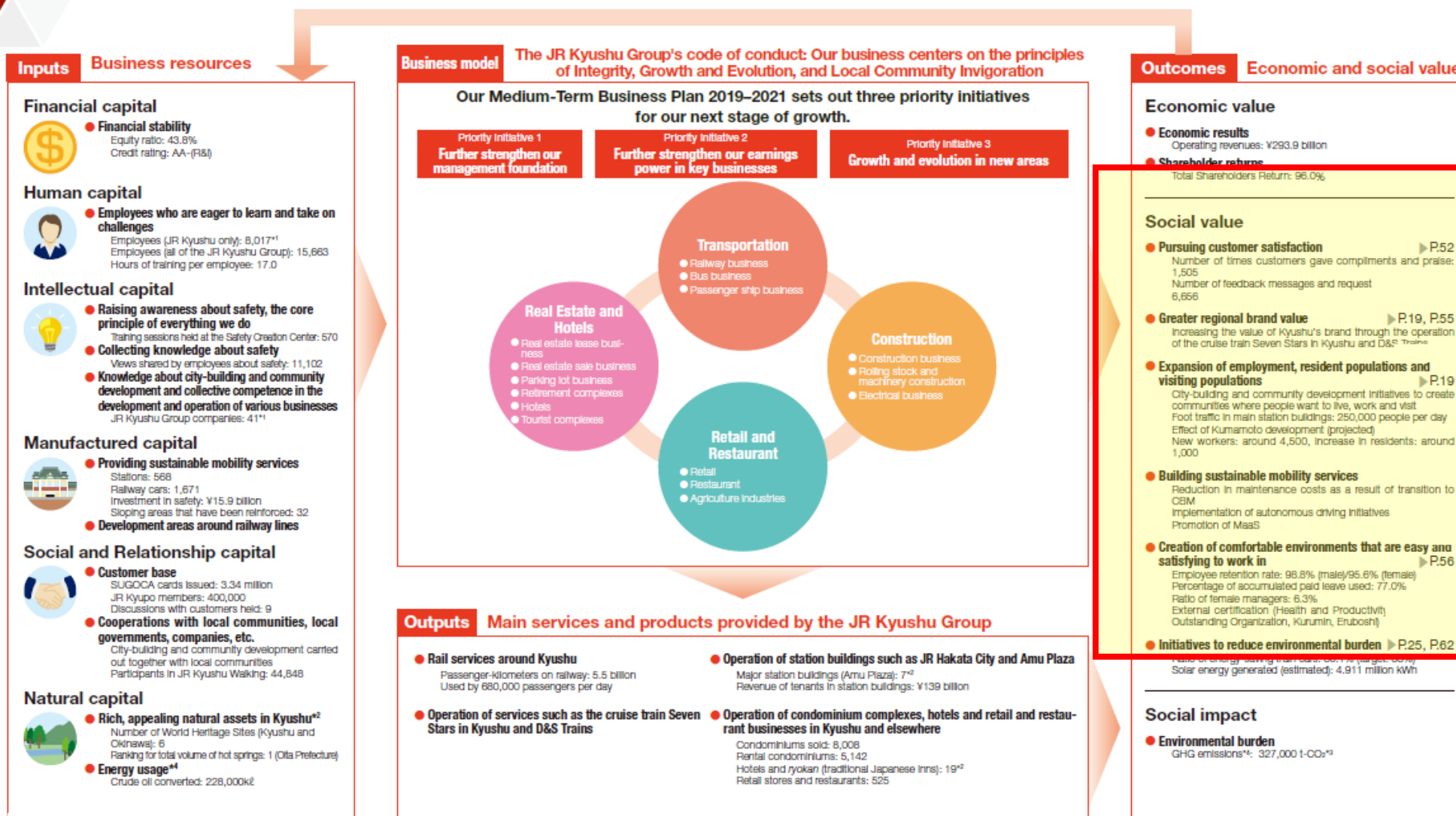
"Local Community Invigoration"



3 Building a Sustainable Society -Contributing to local communities through local community invigoration-

Creating value through Local Community Invigoration

The Path to Achieving What We Aim To Be (Value Creation Process)



Figures are based on data for the fiscal year ended March 31, 2021 (excluding ^{*1}, 2 and 3)

^{*1} As of April 1, 2021 ^{*2} As of August 31, 2021 ^{*3} Fiscal year ended March 2020

^{*4} Facilities that are legally required to be reported under the Law concerning the Rational Use of Energy (Energy Conservation Law)

3 Building a Sustainable Society

-Contributing to local communities through local community invigoration-

Creating value through Local Community Invigoration

The Path to Achieving What We Aim To Be (Value Creation Process)



Creating social value

3 Building a Sustainable Society

-Contributing to local communities through local community invigoration-

M&A and specialized regional funds

In addition to conventional M&A, we will implement flexible, agile investment through specialized regional funds. In this way, we will rapidly strengthen the Group's business portfolio and contribute to the sustained development of Kyushu.

M&A

Specialized regional funds

Points in common

- (1) Strengthening business portfolio by strengthening the Group's core businesses and expanding business areas
- (2) Contributing to the sustainable development of Kyushu through the resolution of issues such as a lack of successors at strong companies that can contribute to the invigoration of Kyushu.

Features

- Principal targets are business that have synergies with or complement existing businesses
- Basically, direct investment by JR Kyushu alone
- [M&A results over the past 2 years]
- Broad scope of investment targets to facilitate a focus on commercial viability throughout the investment period
- Joint investment through funds will enable options other than making companies into subsidiaries
- Support in such areas as human resources from the JR Kyushu Group and the J-WILL Group
- Aiming to expand earnings opportunities through funds



Considering about 200 cases since April 2021

MaaS initiatives

To invigorate the region, we will work to advance MaaS as new regional infrastructure and to achieve the "creation of mobility demand" and the "building of sustainable public transportation networks."

Strengthening cooperation among transportation companies

Advancing collaboration regional transportation companies, etc.

Strengthening collaboration with Group companies

Collaborating with commercial facilities, accommodations, restaurants

Promoting tourism, invigorating regional economies

Enhancing convenience for community residents/tourists, increasing suitability for excursions

Advancing DX

Shifting to ticketless service

Collaborating with Miyazaki Kotsu Co., Ltd.

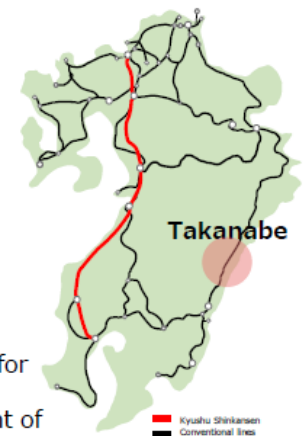
Starting transport service collaboration with Miyazaki Kotsu buses at Takanabe Station

Before

- Railway and buses operated in parallel
- Neither company considered connections

After

- Relocating bus stops to in front of station, changing bus routes
- Revising schedules with consideration for connections
- Enhancing station waiting environment
- Selling convenient my route digital tickets for connections
- Installing Toyota car sharing station in front of station (installation completed in June 2021)



4 Source of Value Creation

Source of value creation



What should remain unchanged and important in all our businesses

Safety



Service



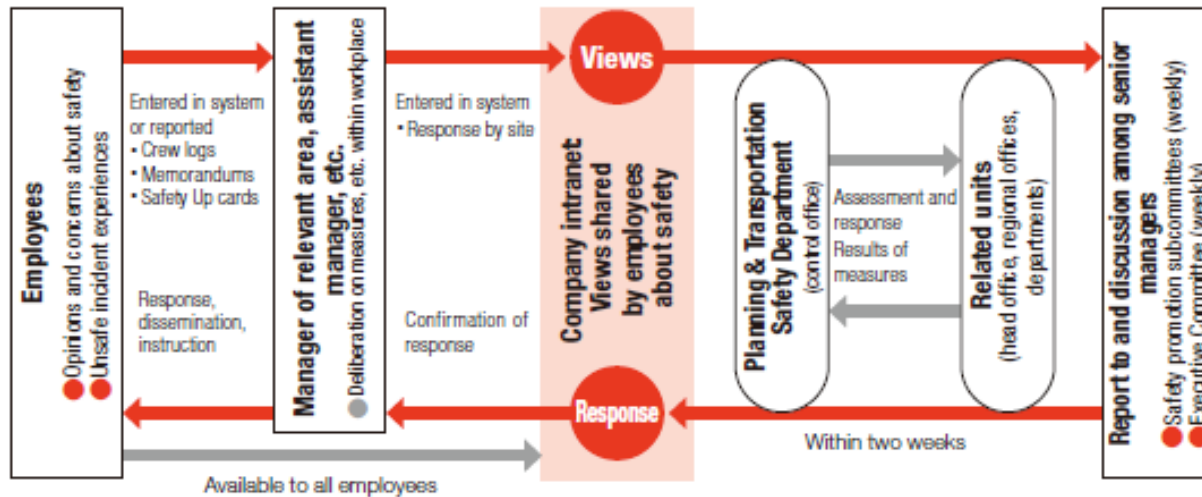
Development of Human Resources



4 Source of Value Creation

Safety

<Process for views shared by employees about safety>

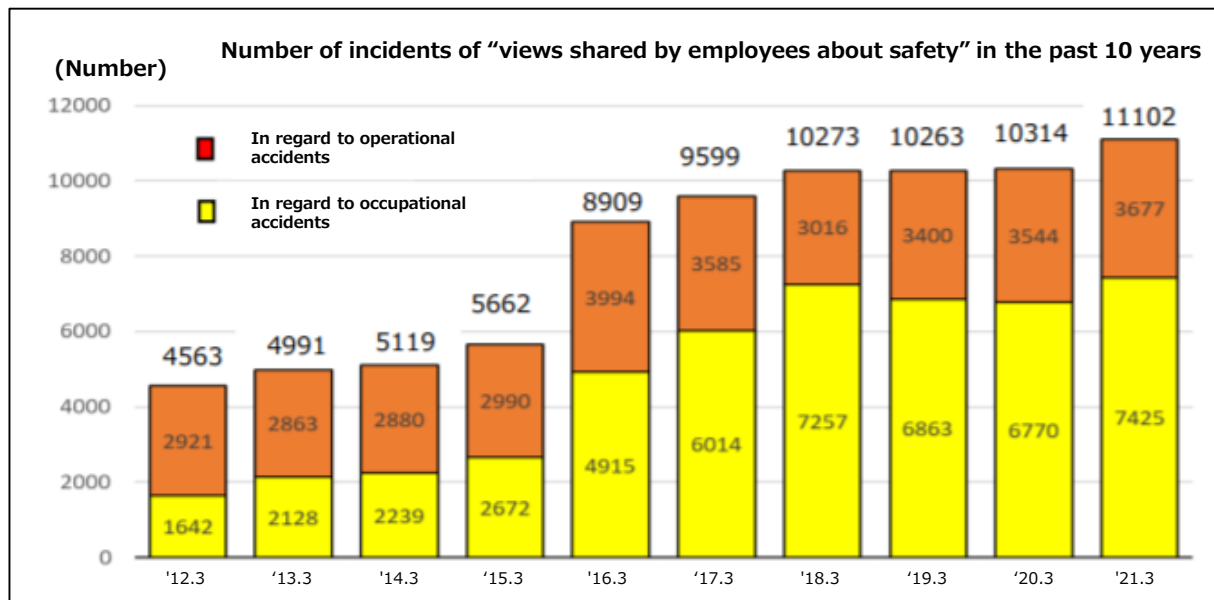


Awards

- ◆ Safety creation grand prize
- ◆ Safety creation award
- ◆ Award for advances related to unsafe incidents
- ◆ Open award related to unsafe incidents
- ◆ Award for anticipation of unsafe incidents

About the open award related to unsafe incidents

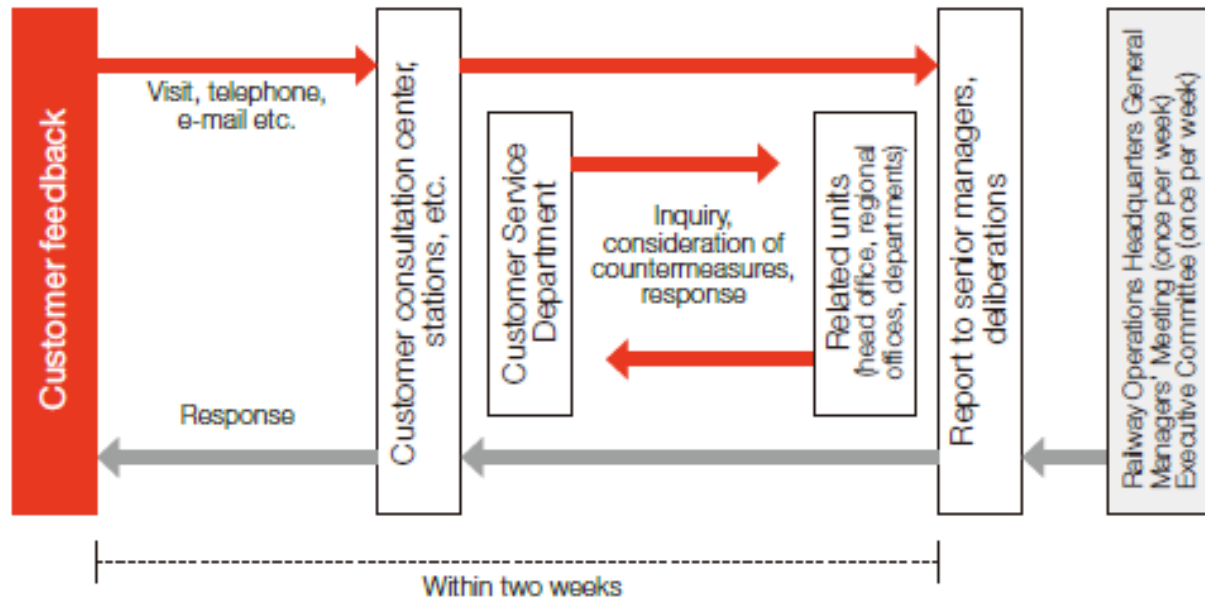
Commends those who have provided feedback that has significantly contributed to the prevention of accidents, the safety and reliability of transportation, or the prevention of occupational accidents **by actively speaking up about personal experiences of unsafe incidents**



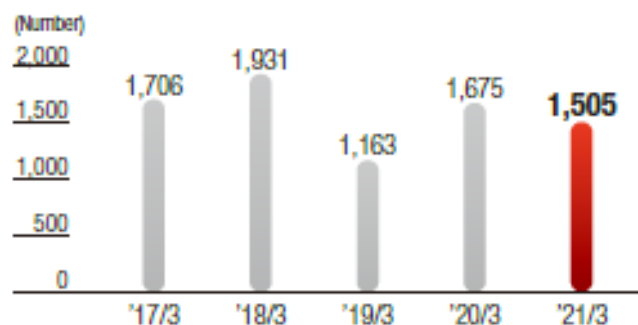
4 Source of Value Creation

Service

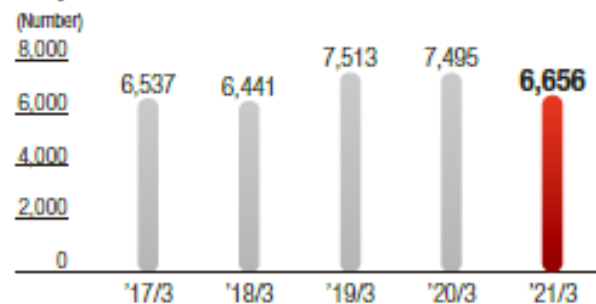
<Flow of Customer Feedback>



Number of compliments



Number of feedback messages and requests



Initiatives to enhance a culture of mutual praise

- ◆ Established a variety of recognition systems
- ◆ Employees' pay slips contain compliments from customers
- ◆ Use of "Thank You Cards"
- ◆ "Service of the Year" Awards

About the Thank You Cards

These cards are a tool **for employees** to express their gratitude to each other.

【発生日時】 2021年9月21日 【発生場所】 竹下車両派出内

■ あなたの協力のおかげでとても助かりました。ありがとうございます。

ご協力いただいたおかげで、ななつ星の入換訓練を行いました。

様々な依頼も受けてくださり大変助かりました。ありがとうございます。

これからもよろしくお願い致します。

あて先 **ありがとうカード**

職場名 博多運転区

氏 名 山田俊輔 様へ

送り主

職場名 クルーズトレイン本部

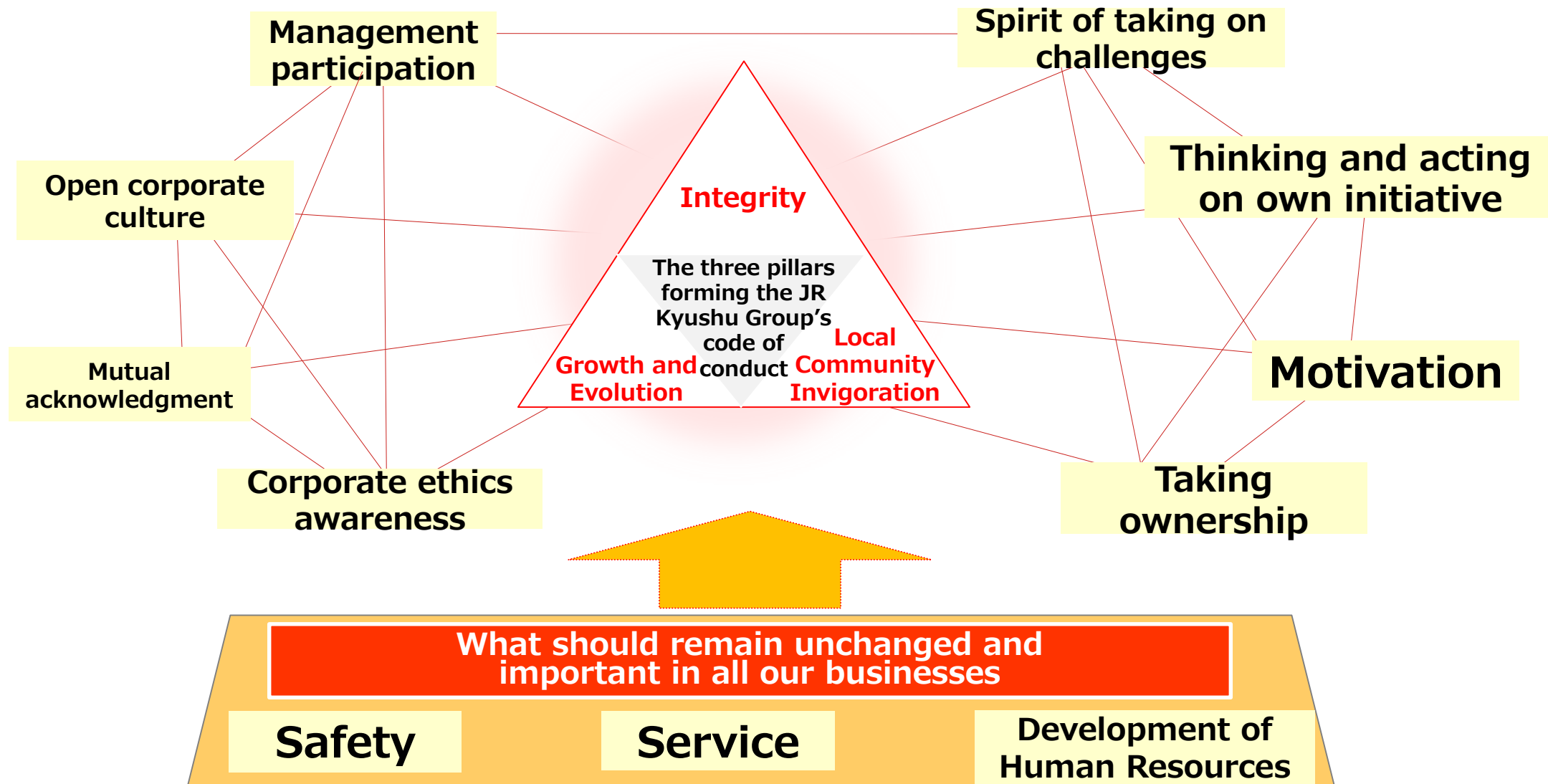
氏 名 草野一岡 より

2021年9月21日

4 Source of Value Creation

What We Aim to Be

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



Building a Sustainable Society and Increasing Corporate Value

⇒ Realizing Our View of What We Aim to Be

