

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

- I am Yoji Furumiya, a Director and Senior Managing Corporate Officer, 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.
- The theme of today's presentation is “toward the realization of what we aim to be.” I will discuss the Group's ESG initiatives.
- Please turn to the next slide.

- 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**

- I will cover four points. The first will be the Group's ESG management initiatives. The remaining points will be explanations of specific initiatives.
- Please turn to the next slide.

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.

What we aim to be

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

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

Value Creation Process

Medium-Term Business Plan
2019-2021

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)

Integrity

The three pillars forming the JR Kyushu Group's code of conduct

Growth and Evolution

Local Community Invigoration

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.

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 in-bound 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.

- This slide shows our management philosophy framework.
- Our code of conduct comprises three pillars — Integrity, Growth and Evolution, and Local Community Invigoration. These are 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. Based on these pillars, we are conducting a variety of businesses to make progress toward the realization of “What we aim to be.”
- 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 contributing to a sustainable society by pursuing long-term, sustainable value.
- Please turn to the next slide.

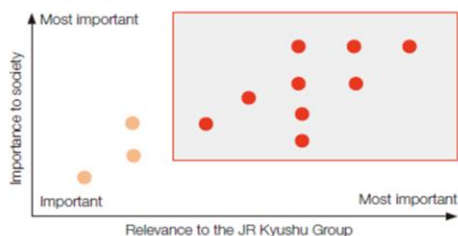
1 The JR Kyushu Group's ESG Management

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.



- We have defined material issues as points that the JR Kyushu Group focuses on at all times. We discussed these points in terms of both importance to the JR Kyushu Group and importance to society, and we organized material issues into three categories.
- Reports are made to the Board of Directors regarding materiality-related opinions that we have received through dialog with shareholders, investors, and other stakeholders.
- Directors have provided their views in regard to such matters as the increased importance of addressing climate change and protecting the health of employees during COVID-19.
- In addition, certain investors have expressed their opinions, including that there might be too many material issues and that there are not enough KPIs. We are currently discussing these and other points.
- Please turn to the next slide.

1 The JR Kyushu Group's ESG Management

Framework for implementing corporate ESG



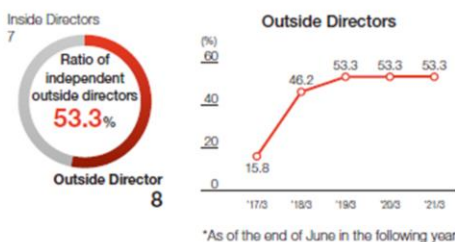
- This shows our framework for implementing ESG management.
- The ESG Strategy Committee, which was established in November 2019, is a deliberative committee for the promotion of ESG management. Outside directors also attend as observers, and they provide their opinions in regard to such matters as the importance of a global perspective and backcasting, the state of information disclosure, etc.
- In August 2021, in order to advance measures to address climate change and other environmental issues as a part of ESG management, the previous environment-related committees were incorporated into the ESG Strategy Committee. In these ways, we are working to bolster our environmental management system.
- In addition, at the same time, we also launched specialized sub-committees for environmental and social issues. At a meeting of the Special Sub-Committee on Social Issues in October, issues related to the integrated report and to the evaluation institution were shared, and future initiatives in such areas as human rights were discussed. These discussions were reported to the ESG Strategy Committee.
- Please turn to the next slide.

2 Sound Corporate Management

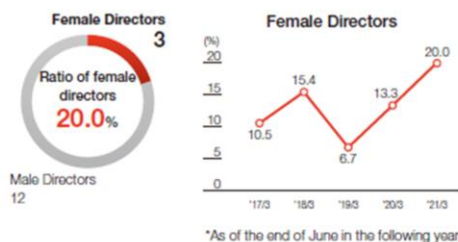
Governance Transition

		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 8, 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



Ratio of female directors



- I will discuss changes in corporate governance to support sound corporate administration.
- In June 2018, JR Kyushu moved to the company with audit and supervisory committee structure and introduced an corporate officer system.
- Currently, independent outside directors make up a majority of the Board of Directors, and the ratio of female directors has reached 20%. Discussions at Board of Directors' meetings are further deepened based on the diverse experience and expertise possessed by independent outside directors with expertise in various fields.
- We are also working to strengthen governance through the Nomination and Compensation Advisory Committee, where initiatives include working to promote streamlining with the objective of further enhancing committee effectiveness.
- Please turn to the next slide.

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.

- I will discuss the evaluation of the effectiveness of the Board of Directors.
- We recognize that ensuring the effectiveness of the Board of Directors leads to medium and long term improvement of corporate value, and we continue to implement evaluations of the Board's effectiveness.
- In regard to principal progress in relation to issues recognized in the previous effectiveness evaluation, we formulated the succession plan following discussions at the Nomination and Compensation Advisory Committee.
- In addition, in regard to newly recognized matters, it was recognized that by adding one additional outside director with knowledge of ESG, disclosure of ESG information became timelier and more appropriate.
- In terms of new issues, we recognized that discussions related to the medium- to long-term strategy at meetings of the Board of Directors have yet to be improved, etc. As a result, we are working to enhance these discussions. For example, matters related to the formulation of the next Medium-Term Business Plan have been discussed at multiple meetings of the Board of Directors.
- Please turn to the next slide.

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

- I will discuss initiatives that we implement together with our business partners.
- We want to work toward the realization of a sustainable society together with our business partners. In regard to our procurement policy, we ask our business partners for their understanding and for their cooperation with our initiatives.
- Specifically, for suppliers of railway materials, we hold presentations and confirm the status of their initiatives through interviews and questionnaires. At presentations, we not only work to foster communications with suppliers but also take steps to deepen understanding of ESG, such as holding study meetings with outside speakers.
- Please turn to the next slide.

3 Building a Sustainable Society -Addressing environmental issues-

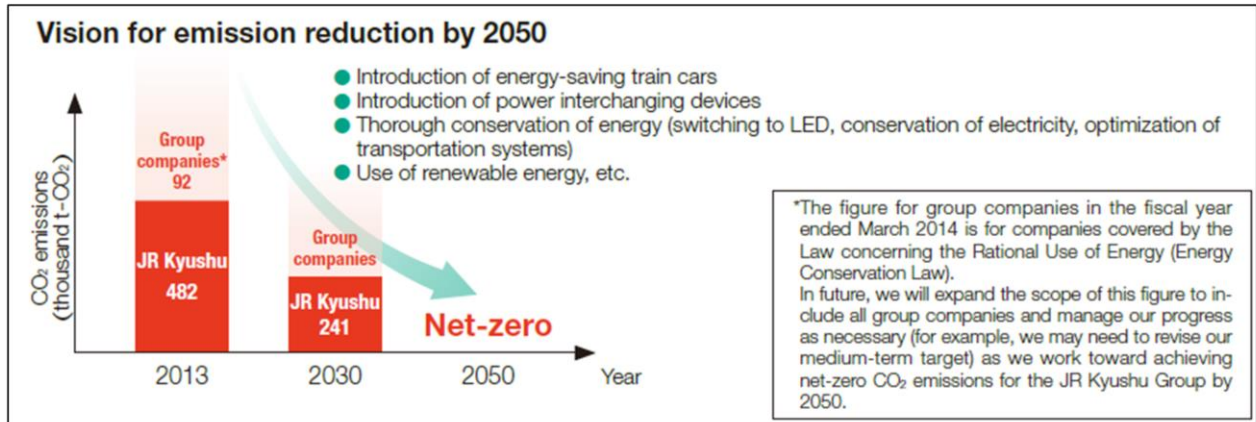
(February 17, 2021) Support for TCFD

- ✓ 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

- I will discuss efforts related to building a sustainable society.
- First, I will discuss measures to address environmental issues, especially climate change.
- In February 2021, we announced our support for the TCFD recommendations and disclosed information, including scenario analysis. In addition, at the same time, the Group announced that it would aim for net zero CO₂ emissions in 2050. Moreover, in August 2021, JR Kyushu announced its 2030 medium-term target of a 50% decrease in comparison with 2013.
- Currently, we are formulating a roadmap for 2050 net zero CO₂ emissions. This reflects both the defensive perspective of “controlling costs and reducing emissions” and the proactive perspective of “generating new earnings.”
- Please turn to the next slide.

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

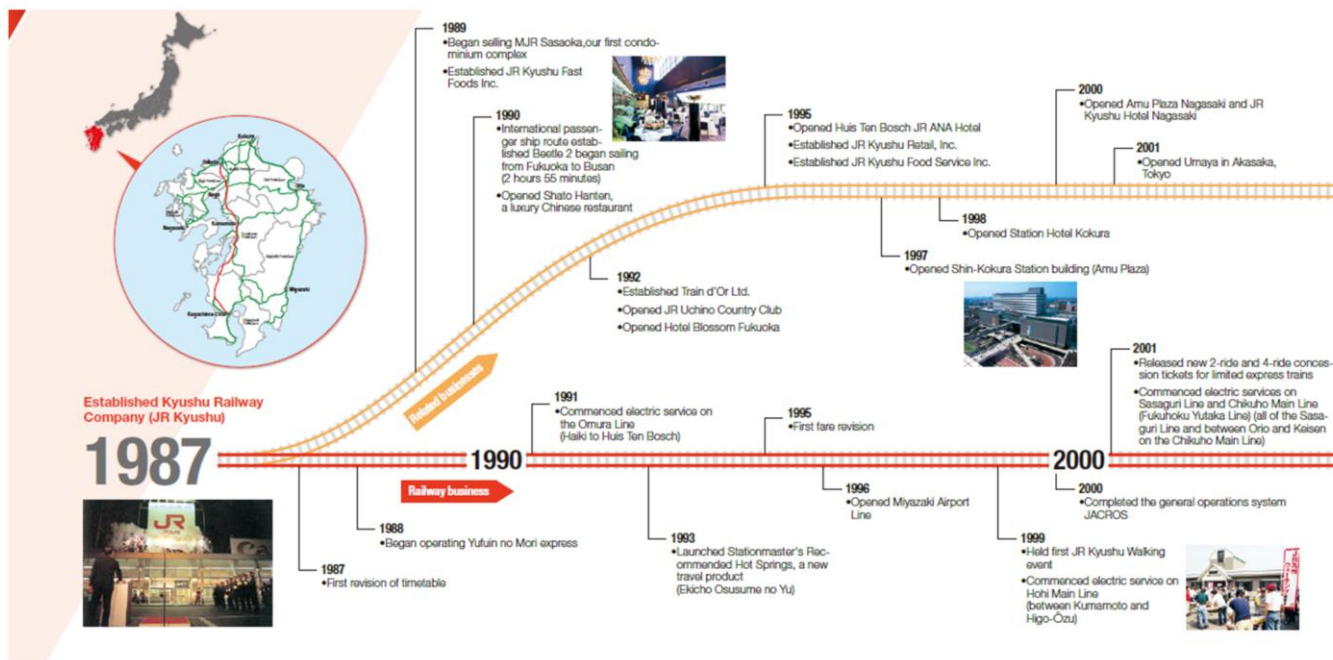
10

- I will provide some examples of specific initiatives.
- The new training center, which is currently under construction, has received the highest evaluation of five stars under BELS and is ZEB Ready certified.
- The project in Fukuoka City to utilize the former site of Sunoko elementary school is being jointly developed with Sakurajyuji Group. Through the efforts of the local community, government, and businesses, we are aiming to build a safe, secure city that people can continue to live in for a long time. As initiatives to reduce the environmental burden, in implementing the development we will aim to secure ZEB oriented equivalent standard and acquire CASBEE Fukuoka A rank.
- In the Nagasaki Station development, we are working to reduce the building thermal load by increasing heat insulation and promoting greening initiatives. We are also working to reduce environmental burdens through the introduction of high-efficiency equipment.
- Moreover, in railway departments, we continue working to foster efficient energy usage by introducing energy-saving rolling stock.
- Please turn to the next slide.

3 Building a Sustainable Society

-Contributing to local communities through local community invigoration-

"Local Community Invigoration"

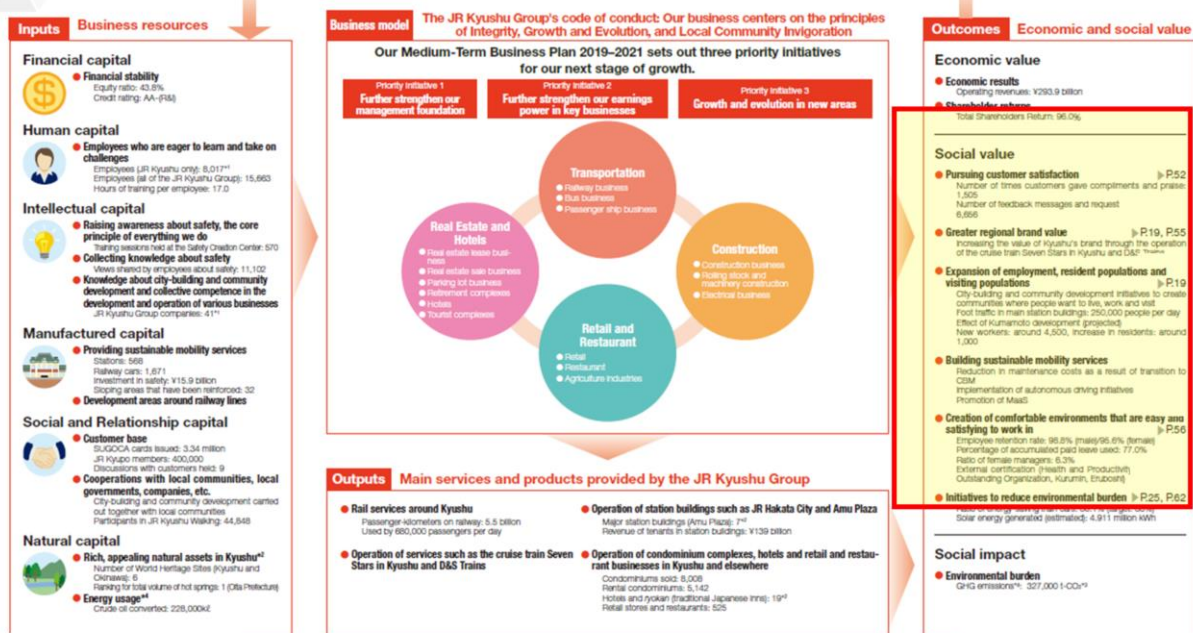


- In regard to the building of a sustainable society, I will discuss local community invigoration initiatives, which contribute to local communities and create social value.
- We approach our business with a strong sense of purpose as a corporate group that is working to invigorate Kyushu.
- Ever since 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. The center of that approach is the unchanging determination to invigorate local communities.
- Even when we have experienced severe natural disasters, each time we have worked with people in local communities to move past the difficulties and create communities with lively atmospheres.
- The JR Kyushu Group has deep roots in Kyushu's local communities and has grown together with them. When communities are invigorated, the JR Kyushu Group is invigorated too. We believe that sustainable development of communities leads to sustainable growth for the Group.
- Please turn to the next slide.

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)



Kyushu Railway Company

Integrated Report 2021 10

12

- This is the Group's value creation process, as shown in the integrated report.
- On the journey toward the realization of "What we aim to be," we will strive to fully leverage our human capital and other management resources as we manage our businesses.
- Please turn to the next slide.

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)




13

- As shown here, the social value created by the Group includes enhancing the Kyushu brand by operating Seven Stars trains and D&S trains, as well as increasing employment, the resident population, and the visiting population in Kyushu through city-building initiatives to develop communities where people want to live, work, and visit.
- In other words, for the JR Kyushu Group, initiatives for local community invigoration are not community contribution activities. Rather, these initiatives are our business activities, and they create social value.
- Please turn to the next slide.

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	<ul style="list-style-type: none"> Principal targets are business that have synergies with or complement existing businesses Basically, direct investment by JR Kyushu alone <p>【M&A results over the past 2 years】</p> 	<ul style="list-style-type: none"> 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)



- The specialized regional funds that we announced at the beginning of this fiscal year are a new initiative to invigorate Kyushu. In addition to providing funds, by improving management through the utilization of our strengths, these initiatives support the growth of local businesses that face such issues as the influence of COVID-19 and business succession.
- Moreover, from the perspective of invigorating local communities, the establishment of sustainable mobility services is a long-term issue. Transportation companies are facing common problems such as declines in users and labor shortages due to a declining population, and we believe that MaaS will play a large role in those sustainable mobility initiatives.
- Please turn to the next slide.

4 Source of Value Creation

Source of value creation



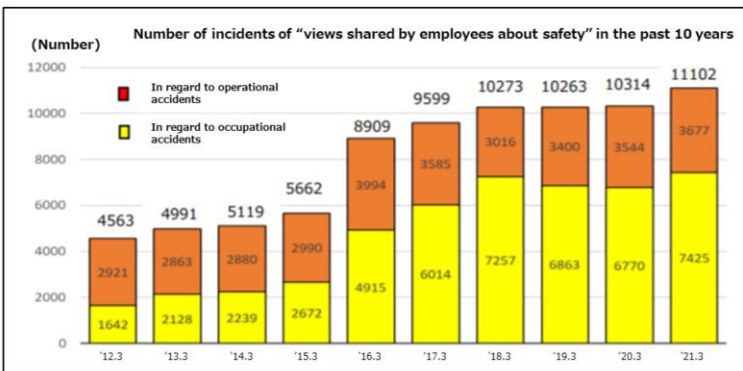
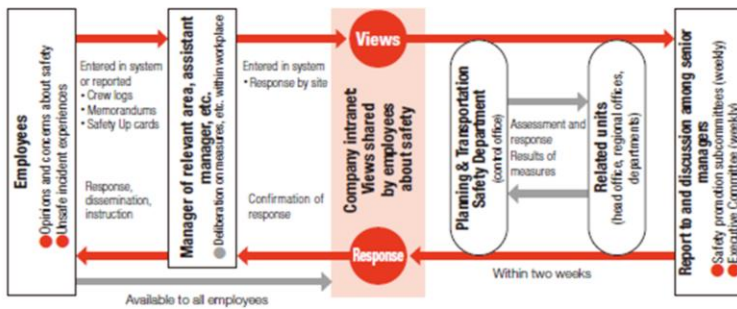
15

- Finally, I will discuss the source of value creation for the Group, which has been identified as a material issue.
- The unchanging importance of safety and service is the foundation of 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 all of our businesses, we have made safety our first priority while continuing to pursue customer satisfaction by listening to customer feedback and enhancing service.
- The development of personnel to inherit this DNA is at the core of all of the diverse businesses currently under our management.
- Next, I will discuss safety and service initiatives from the perspective of personnel development.
- Please turn to the next slide.

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

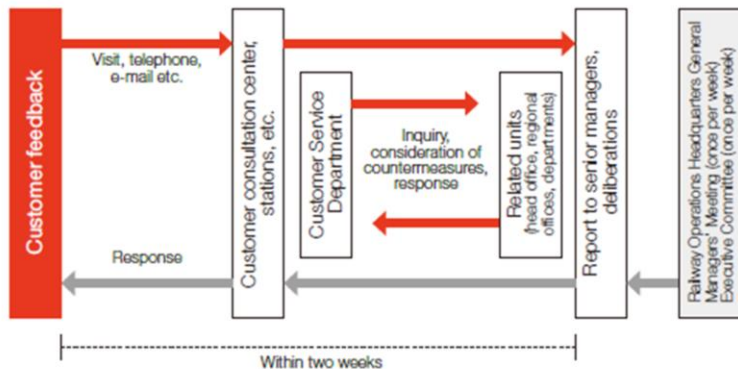
Commends those who have provided feedback that has significantly contributed to the prevention of accidents, the safety and reliability of transportation, or the prevention of occupational accidents **by actively speaking up about personal experiences of unsafe incidents**

- First, I will discuss safety.
- Safety is often thought of as a problem in the railway business, but it is a source of value creation for all of the businesses in the JR Kyushu Group.
- We believe that "safety is something you have to make." This incorporates the idea that safety requires each individual to take the initiative.
- Views shared by employees about safety are reported to the Executive Committee, etc., and we also have a system for recognizing employees who make reports.
- Please turn to the next slide.

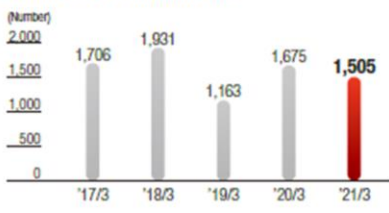
4 Source of Value Creation

Service

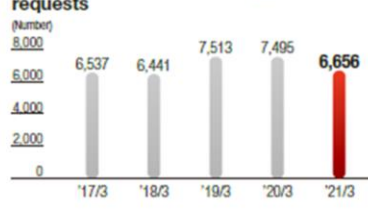
<Flow of Customer Feedback>



Number of compliments



Number of feedback messages and requests

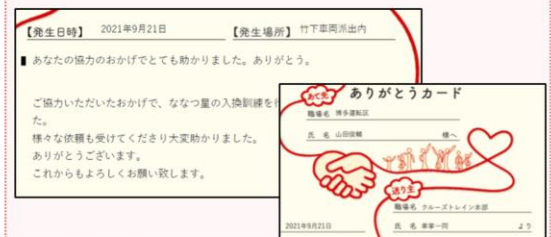


Initiatives to enhance a culture of mutual praise

- ◆ 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.

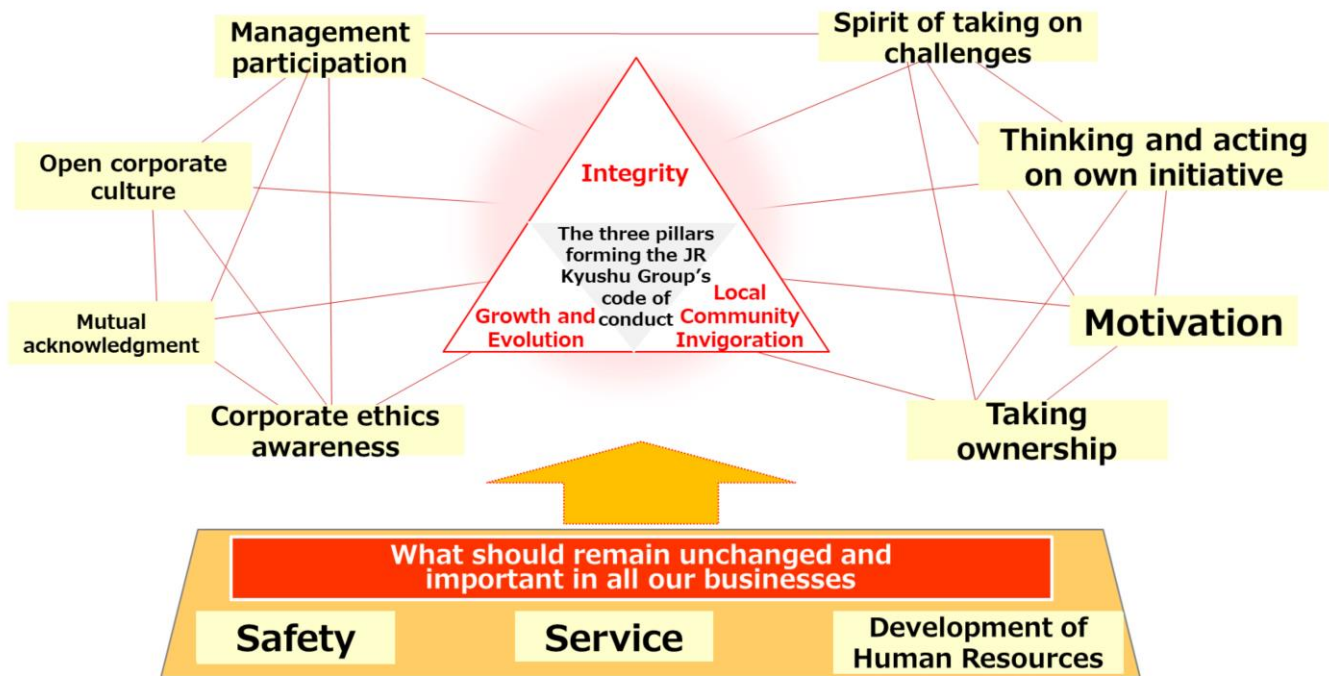


- This slide covers service.
- We listen to feedback from customers, strive to understand their concerns and what they are not satisfied with, and work to rapidly enhance our service.
- The details of opinions and requests, as well as measures to address them, are reported to the Executive Committee. We are also implementing initiatives to create working environments with a culture of mutual praise among employees.
- Please turn to the next slide.

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

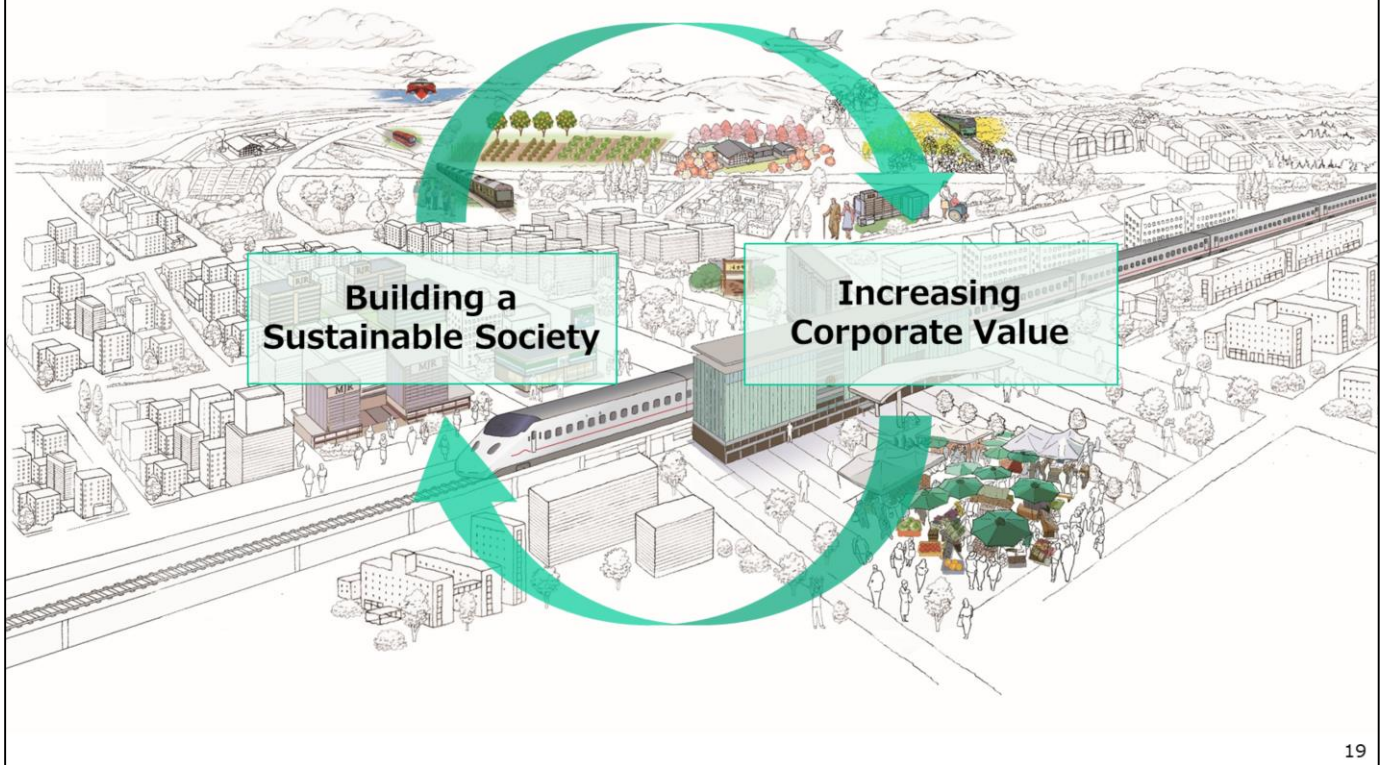


18

- We work to implement the code of conduct in daily operations, and the cumulative results of these efforts is linked to the foundation of personnel development, such as a management mindset, a spirit of mutual recognition, thinking on one's own initiative, and acting on one's own initiative. I wanted to communicate that to you today, and I have discussed safety and service initiatives from the perspective of personnel development.
- Please turn to the next slide.

Building a Sustainable Society and Increasing Corporate Value

⇒Realizing Our View of What We Aim to Be



- Going forward, the three pillars of our code of conduct, which every employee can keep in mind and use as a touchstone in everything that they do, will be our driving force. As we work toward the realization of the “What we aim to be,” we will strive to contribute to the building of a sustainable society by pursuing long-term, sustainable value.
- This concludes my presentation. Thank you for your attention.
- Next, corporate officers will provide details about local community invigoration and personnel development. Thank you.
- Next, Corporate Officer Tomonori Uwabu and Corporate Officer Motomichi Miura will provide details about local community invigoration and personnel development. Thank you.