

JR KYUSHU IR DAY 2022

The JR Kyushu Group's ESG Initiatives

November 29, 2022

KYUSHU RAILWAY COMPANY

Director, Managing Corporate Officer

Takuma Matsushita

1 The JR Kyushu Group's ESG Management

2 Environment

- Realization of a de-carbonized society

3 Social

- Safety and service, the foundation for all of our businesses
- Sustainable city-building
- Development of human resources, the source of value creation

4 Governance

- Sound corporate management

1 The JR Kyushu Group's ESG Management

Value Creation Story

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.

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.

The JR Kyushu Group conducts its business activities according to a vision of what we aim to be and conduct that we have established in order to achieve it, striving to improve our value as a company and build a sustainable society.

What we aim to be

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

Value Creation Process

2030 Long-Term Vision

We will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services

Policies for the realization of the 2030 Long-Term Vision

- Policy ① Implementing city-building initiatives for the realization of well-being, with consideration for changes in values
- Policy ② Expanding areas we work in that contribute to the sustainable development of Kyushu

Material issues

Points that the JR Kyushu Group focuses on at all times

- E** Realization of a de-carbonized society
- S** Safety and service, the foundation for all of our businesses
- S** Sustainable city-building
- S** Development of human resources, the source of value creation
- G** Sound corporate management

The three pillars

forming the JR Kyushu Group's code of conduct

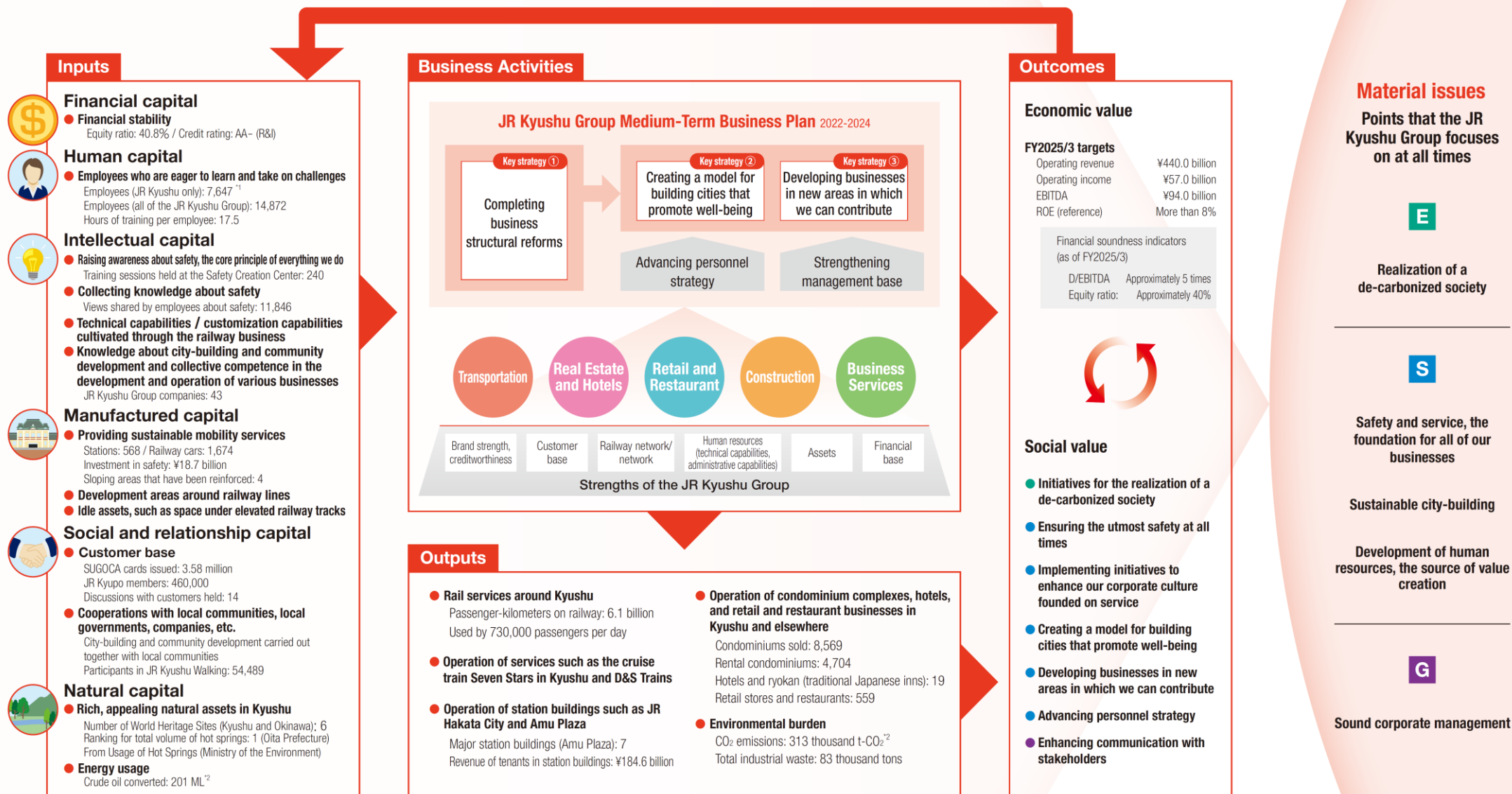
- [Integrity]
- [Growth and Evolution]
- [Local Community Invigoration]

JR Kyushu Group Medium-Term Business Plan

2022-2024

1 The JR Kyushu Group's ESG Management

Value Creation Process



^{*1} As of April 1, 2022 ^{*2} Facilities that are legally required to be reported under the Act on Rationalizing Energy Use.

* Unless otherwise specified, figures are for the fiscal year ended March 2022.

1 The JR Kyushu Group's ESG Management

Review of Material Issues and Non-Financial KPIs in Medium-Term Business Plan (2022-2024)

Material issues (points that the JR Kyushu Group focuses on at all times)	Principles of our material issues	JR Kyushu Group Medium-Term Business Plan 2022-2024	
		Major initiatives	Major objectives/indicators
<div>E</div> Realization of a de-carbonized society	We will contribute to the de-carbonization of society as a whole by providing and promoting the usage of seamless mobility, centered on the railway business. To support the realization of a de-carbonized society, we are aiming for net zero CO ₂ emissions by 2050.	Initiatives for the realization of a de-carbonized society	<div>●</div> CO ₂ emissions <div>●</div> Disclosure of environment-related information <div>●</div> Green building <div>●</div> JR Kyushu non-consolidated emissions in FY2031/3 50% reduction compared to FY2014/3 <div>●</div> Groupwide Scope 1 and 2 emissions Tracking emissions <div>●</div> Groupwide Scope 3 emissions Starting to calculate <div>●</div> Acquisition of green building certification: 1 or more cases
<div>S</div> Safety and service, the foundation for all of our businesses	Safety and service is the foundation for all of our businesses, and remains as important as ever. The starting point of everything we do is providing our customers and other stakeholders with peace of mind and earning their trust.	Ensuring the utmost safety at all times Implementing initiatives to enhance our corporate culture founded on service	<div>●</div> Safety <div>●</div> Service <div>●</div> Accidents in the railway business that result in fatalities among customers ^{*1} 0 cases <div>●</div> Occupational accidents that result in fatalities among employees, etc. 0 cases <div>●</div> Score of service ranking ^{*2} 90 or more points
<div>S</div> Sustainable city-building	Our city-building and community development projects are about making Kyushu a place where people will want to live, work, and visit. The reason this is possible is because the JR Kyushu Group has deep roots in the communities and has grown with them. In addition to implementing city-building initiatives for the realization of well-being for people that reflect the changes we have seen in our external environment and people's values, we will make use of the strengths we have built in our existing businesses to expand areas we work in that contribute to the sustainable development of Kyushu.	Creating a model for building cities that promote well-being Developing businesses in new areas in which we can contribute	<div>●</div> Resident population in regions around development areas <div>●</div> Monitoring indicators <div>●</div> Creating employment through new development projects <div>●</div> Monitoring indicators
<div>S</div> Development of human resources, the source of value creation ^{*3}	It is our personnel who create the value of our company. In addition to efforts to develop personnel who take the initiative to learn and take on new challenges, we are working to make JR Kyushu a company that is easy and satisfying to work in. Creating an environment where diverse personnel can thrive will further increase the value of the JR Kyushu Group as a company and lead to sustainable growth.	Advancing personnel strategy	<div>●</div> Employee engagement <div>●</div> Diversity (promoting women's participation and advancement in the workplace) <div>●</div> Comfortable environments that are easy and satisfying to work in <div>●</div> Health management <div>●</div> Re-skilling support <div>●</div> Results of employee attitude survey Continued YoY improvement <div>●</div> Exchanges of opinions between executives and employees 40 times per year or more <div>●</div> Ratio of female employees among new employees 30% or more <div>●</div> Ratio of female managers (end of FY2031/3) 10% or more <div>●</div> Ratio of male employees who take childcare leave 50% or more <div>●</div> Ratio of special health guidance given to relevant employees 80% or more <div>●</div> Development of employees skilled in digital technologies 500 people or more <div>●</div> Participation in external distance learning 500 people or more per year
<div>G</div> Sound corporate management	We strive to achieve highly effective corporate governance to ensure transparency and fairness in our management. We will also work to enhance mutual communication with our stakeholders and build steady, long-standing relationships of trust.	Enhancing communication with stakeholders	<div>●</div> Institutional investors <div>●</div> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors <div>●</div> Large meetings (IR Day events) offering opportunity to talk with outside directors 1 or more events per year <div>●</div> Individual investors <div>●</div> Offering opportunities for exchange, such as presentations, tours, etc. 5 or more times per year <div>●</div> Customers <div>●</div> Discussions with customers 10 or more times per year <div>●</div> Local communities <div>●</div> Building sustainable relationships with local communities

*1. Accidents for which the Group is responsible *2. Survey of actual conditions for station/conductor service, conducted by an outside party (a perfect score is 100 points) *3. Objectives/indicators related to the development of human resources are for JR Kyushu

2 Realization of a de-carbonized society

Information disclosure aligned with TCFD recommendations

February 2021

- Endorsement of TCFD recommendations, declaration of carbon neutrality by 2050
- Disclosure of governance, strategies, risk management, indicators and targets
- Identification of risks and opportunities

August 2021

- Announcement of 2030 medium-term targets (50% reduction versus FY2014.3 for JR Kyushu parent)

April 2022

- Disclosure of Scope 3 emissions (JR Kyushu parent)

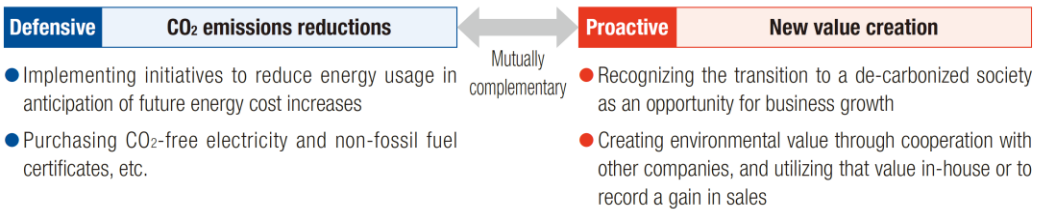
Emissions in FY2022.3 (JR Kyushu parent: 819,000t-CO₂)

Scope	Percentage
Scope 1	5%
Scope 2	27%
Scope 3	68%

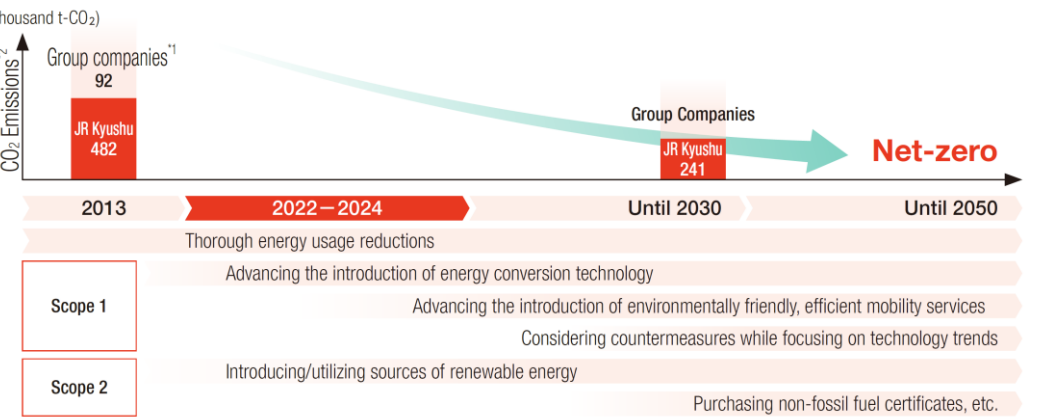
August 2022

- 1.5°C scenario analysis
- Partial disclosure of amount of increase in financial impact

Basic approach to realizing a de-carbonized society



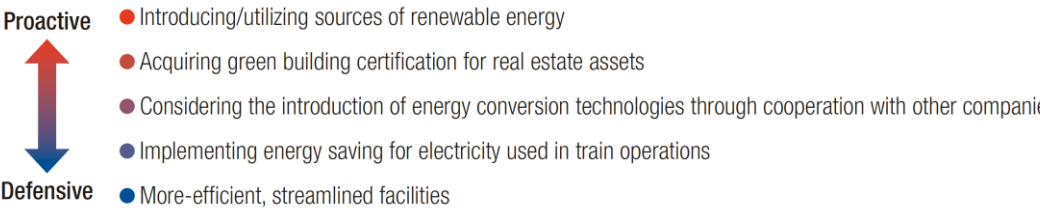
Roadmap toward the realization of a de-carbonized society



^{*1} Aggregate value from periodic reporting stipulated in the Act on Rationalizing Energy Use

^{*2} Scope 1 and 2 emissions

Major initiatives during the period of the Medium-Term Business Plan



Risk		Expectations	Increase in financial impact (billions of yen/year)		
			4°C	2°C	1.5°C
Transition	Increase in carbon tax	Costs due to introduction of carbon tax based on decrease in emission coefficient	—	+ approx. 1.5	+ approx. 1.0
Physical	Increased frequency/severity of natural disasters	Costs incurred by damage to facilities due to increase in natural disasters	+ approx. 15.0	+ approx. 7.5	

2 Realization of a de-carbonized society

Investments that contribute to increases in environmental value

- Plan about ¥60 billion in current Medium-Term Business Plan
- Invest in energy-conserving vehicles and real estate with aim of obtaining green building certification
- Also examine investments in renewable energy projects

Green Bond Framework	Eligible project/criteria	Example of eligible project
Clean transportation	Investments related to building, modification, and upgrades of electric and hybrid rolling stock	<ul style="list-style-type: none"> ● New model development of Shinkansen train cars ● Renovation of 811 series train cars ● YC1 series diesel-electric rolling stock equipped with storage battery
Green buildings	Investments related to the building of real estate around stations and facilities for JR Kyushu for which we intend to obtain green building certification	<ul style="list-style-type: none"> ● New Nagasaki Station building, hotel

Obtain green building certification in real estate business

Aim to obtain CASBEE for Kagoshima Chuo Station West Entrance Building and New Nagasaki Station Building, due to be completed in 2023



Energy saving for electricity used in train operations



N700S model Kamome train on the Nishi Kyushu Shinkansen line features lower energy consumption with the reduction of running resistance and the use of SiC elements in key circuits

ESG financing

- | | |
|------------------|-----------------------------|
| • April 2021 | Green bond issuance |
| • July 2022 | Environmentally rated loans |
| • September 2022 | Sustainability-linked loans |
| • November 2022 | Green bond issuance |



3 Safety and service, the foundation for all of our businesses

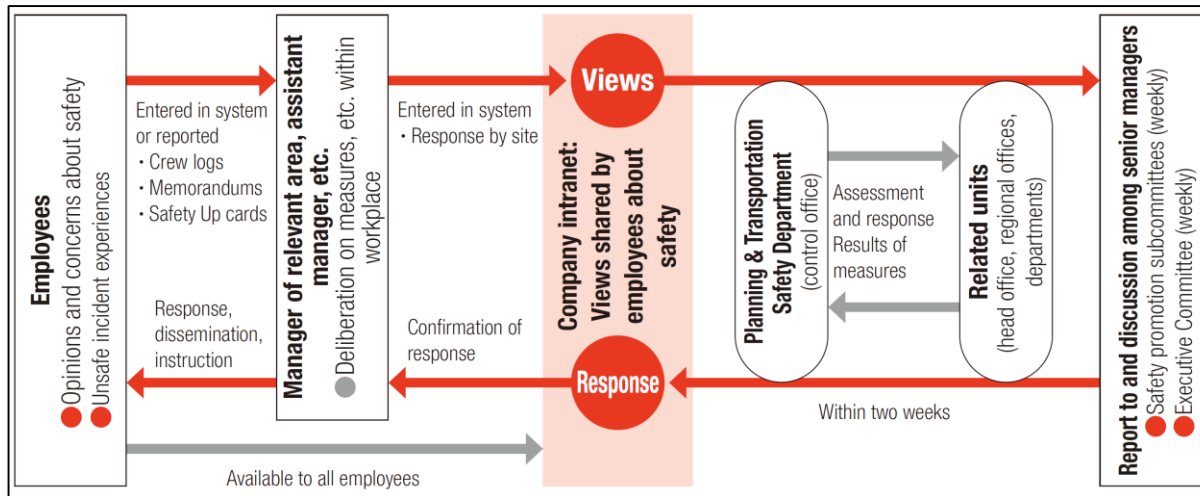


Safety and service, the foundation for all of our businesses
Sustainable city-building
Development of human resources, the source of value creation

Fundamental Approach to Safety

We approach our safety improvement initiatives with the mindset that safety requires initiative.

Views shared by employees about safety



Examples of improvements as a result of views shared by employees about safety



Risk of customers falling off pathway



Installation of fence to prevent falls

Training at the Safety Creation Center



Training facility in updated Safety Creation Center



Training of managers (sixth round of training)

- Opened in January 2011
- All managers and employees take training
- Group company employees also take training
- Updated in March 2021
- Sixth round of training currently being implemented (one cycle of training every two years)

3 Safety and service, the foundation for all of our businesses

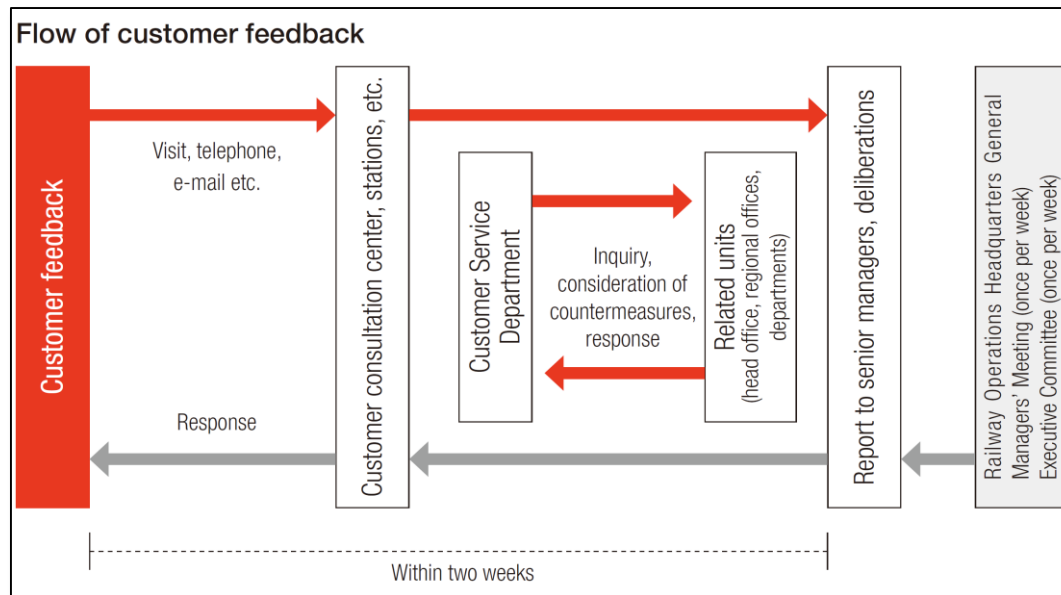


Safety and service, the foundation for all of our businesses
Sustainable city-building
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Fundamental Approach to Service

We approach our service improvement initiatives by listening to customer feedback.

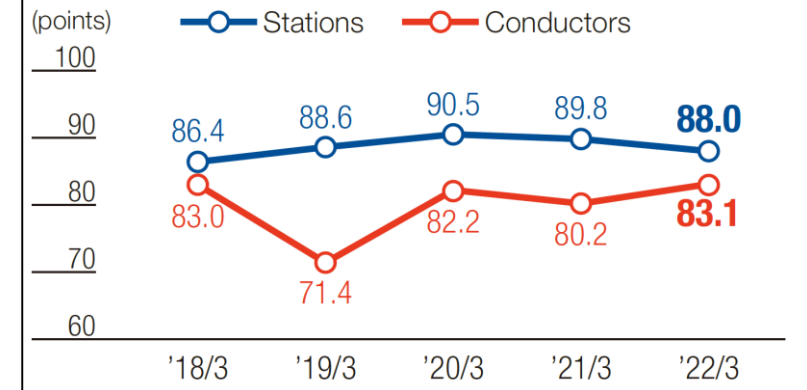
customer feedback



- Analyze opinions of customers at Committee to Enhance Our Corporate Culture Founded on Service headed by president and CEO
- Use customer opinions to enhance effectiveness of PDCA cycle to improve service quality

Service Ranking

Trends in service rankings



Ask external entity to survey service levels from third-party standpoint

Example of station employee comment

As an essential indicator, we regularly visualize initiatives in daily services to measure the pace of growth and identify issues with aim of improving services at our own station.

3 Sustainable city-building



Safety and service, the foundation for all of our businesses

Sustainable city-building

Development of human resources, the source of value creation

Local Community Invigoration —Sustainable city-building—



**Local Community
Invigoration**



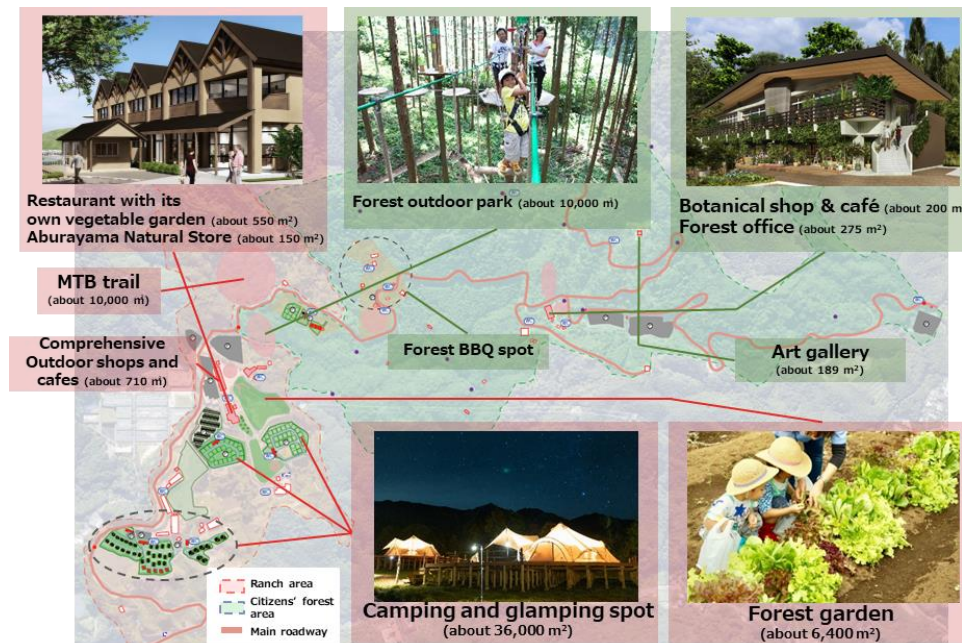
**Improve local economic
and social value**

3 Sustainable city-building



Entry into comprehensive outdoor recreation experience business at Aburayama, Fukuoka City

- In city-building, we are newly taking on Aburayama Citizens' Forest and other renewal projects located south of Fukuoka City
- As a leading project of Fukuoka Green NEXT, JR Kyushu is preparing to open the projects by spring 2023 in collaboration with Fukuoka City, Snow Peak, Inc. and other partners.



Aburayama Citizens' Forest is located south of Fukuoka City (about 10 kilometers from the city center, or 30 minutes by car). It has long served as a place for citizens to come into close contact with nature.

Three goals of Aburayama project

- ① It is a new challenge for city-building outside our usual realm of stations and areas around our railway lines.
- ② It is a project to create sustainable, appealing communities through initiatives that cover areas such as the environment, circular societies, and decarbonization.
- ③ With a vision of "coexistence between people, the city, and nature", this project will have a social impact that will enable a rebranding of Fukuoka as a city and facilitate the next generation of city-building in Kyushu.

3 Development of human resources, the source of value creation

S Safety and service, the foundation for all of our businesses
S Sustainable city-building
Development of human resources, the source of value creation

Develop personnel who take the initiative to learn and take on new challenges

Work to make JR Kyushu a company that is easy and satisfying to work at



3 Development of human resources, the source of value creation

S Safety and service, the foundation for all of our businesses
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Advancing personnel strategy

Keys to developing human resources who can execute strategies and achieve goals

Personnel system reforms

Review all systems and structures, create a new human resource development framework

**Hiring
Placement**

Realizing a personnel portfolio aligned with strategies

Development

Realizing diverse careers, making full use of human resources

Evaluation

Increasing employee engagement

(Example) Review of wage system

- Exchange opinions with employees from diverse industries
- Identify issues, decide on direction

Set a vision for medium-term business plan
Achieving growth for the Group by maximizing the individual capabilities of employees

Realization of 2030 long-term vision, material issues

Improvement in corporate value

Sustainable development

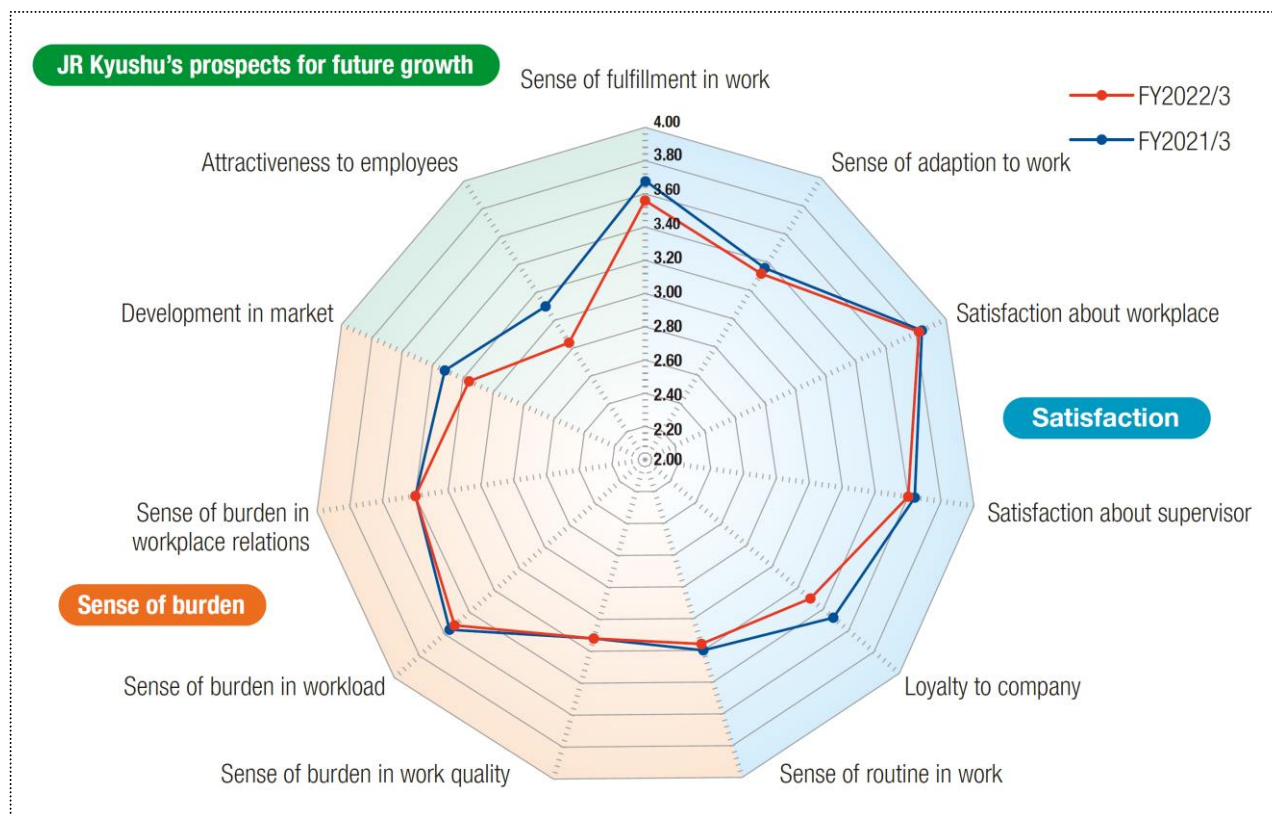
Realization our view of what we aim to be

3 Development of human resources, the source of value creation

S Safety and service, the foundation for all of our businesses
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Increasing employee engagement

Set KPIs and evaluate employees by level of realization in human resource strategy, and transform human resource development in the JR Kyushu Group, starting with management



Initiatives based on results of survey

Decrease in satisfaction regarding JR Kyushu's future prospects for growth in the market and attractiveness to employees
Need to further promote our company principles

- Continue to exchange opinions between management and employees
- **Events to exchange opinions for all employees** with aim of improving employee motivation and enliven workplaces while sharing management policies

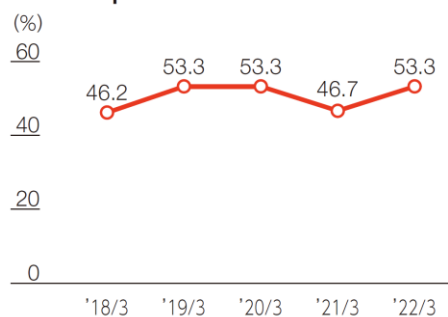
Opinion exchange event for all employees

- Event to exchange opinions with on-site leaders, etc. and **president & CEO**
Implement during fiscal year ending March 31, 2023
- Event to exchange opinions between employees and **president & CEO** and **managing corporate officers, etc.**
Three years, from fiscal year ending March 31, 2023, to fiscal year ending March 31, 2025

Governance transition

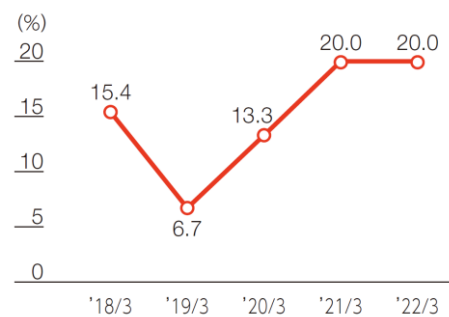
		FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Governance	Organization	Shifted to a company with an Audit Committee	→	→	→	→
	Committee	Established the Nomination and Compensation Advisory Committee (Assigned an outside director as Chairperson) (9 members in total: 8 external and 1 internal)	→	Nomination and Compensation Advisory Committee (Total number of members streamlined to 6, 5 external and 1 internal)	→	→
	Initiatives to Strengthen Governance	Introduced Corporate Officer system	→	→	Developed a succession plan	→
Board of Directors	Number of Directors	13	15 Clarified the position of CFO	→	→	→
	Independent Outside Directors (# of Directors/%)	6/46.2%	8/53.3% Added two Outside Directors with expertise in real estate and IR/finance	8/53.3% Added one outside director with expertise in ESG	7/46.7%	8/53.3%
	Female Directors (# of Directors/%)	2/15.4%	1/6.7%	2/13.3%	3/20.0%	3/20.0%
Compensation			Performance-based compensation plan Introduced "Board Benefit Trust"	→	→	Added monetary remuneration to performance-based remuneration Set non-financial KPIs as criteria for share-based remuneration
Board Effectiveness Evaluation		Introduced board effectiveness evaluations by a third-party organization	→	→	Implemented in-house	Implemented in-house (scheduled)

Independent Outside Directors



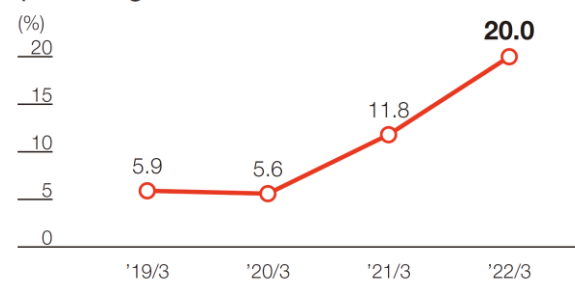
*As of the end of June in the following year

Female Directors



*As of the end of June in the following year

Ratio of female corporate officers
(Excluding those in dual roles as directors and corporate officers)



* Scope: Kyushu Railway Company alone

* As of the end of June in the following fiscal year

Enhancing Communication with Stakeholders

- Building sustainable relationships with local communities

A warm welcome by local community members on the D&S train line



Bringing communities together with JR Kyushu walking activity



Exploratory meeting with residents along train lines, including BRT



Initiatives and collaboration with local residents and workplaces



Building a Sustainable Society and Increasing Corporate Value ⇒ Realizing Our View of What We Aim to Be

