

JR KYUSHU IR DAY 2022

The JR Kyushu Group's ESG Initiatives

November 29, 2022

KYUSHU RAILWAY COMPANY

Director, Managing Corporate Officer

Takuma Matsushita

- Thank you for coming to this presentation today. I am Takuma Matsushita, the CFO.
- I will talk about the JR Kyushu Group's ESG initiatives.
- Please turn to the next slide.

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

- I will talk about these four points. The first point is the JR Kyushu Group's approach to ESG management. The other points are about specific initiatives related to ESG.
- Please turn to the next slide.

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.

Value Creation Process

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

What we aim to be

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

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

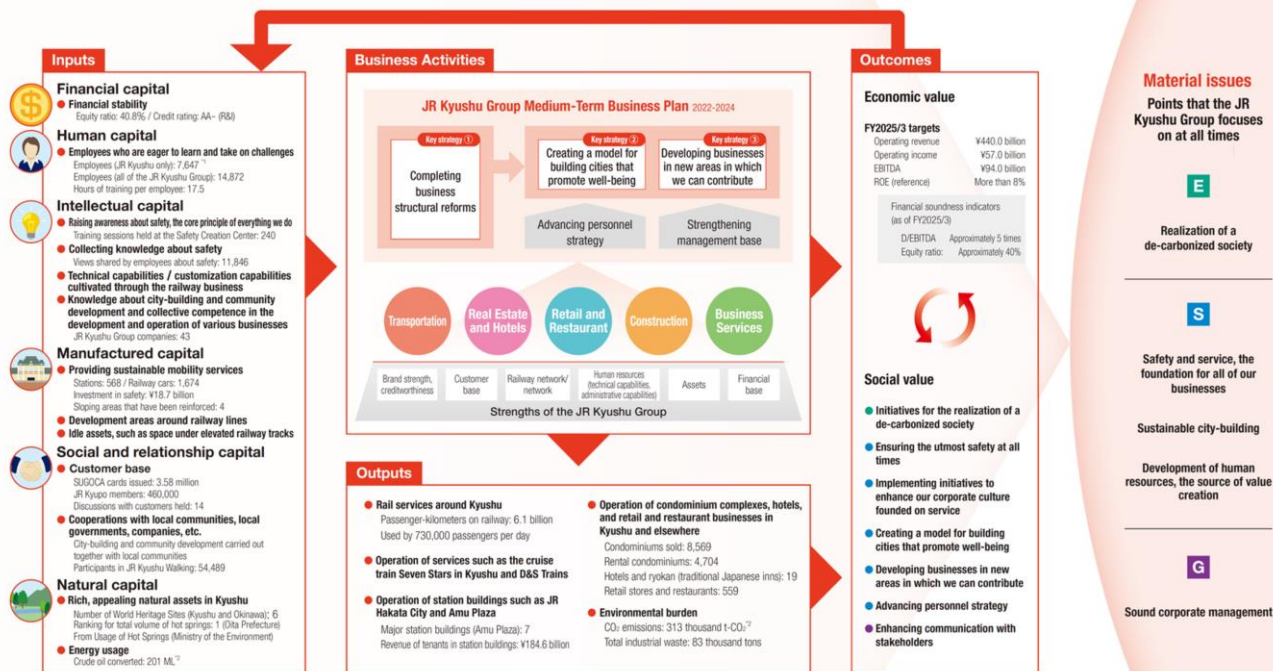
S Development of human resources, the
source of value creation

G Sound corporate management

- This illustrates our management philosophy.
- Based on the three pillars of "Integrity," "Growth and Evolution," and "Local Community Invigoration," the JR Kyushu Group aims to achieve its view of what we aim to be.
- To realize what we aim to be, we have set forth our 2030 Long-term Vision and two policies for realizing this vision, while identifying material issues.
- The JR Kyushu Group Medium-term Business Plan 2022-2024 is positioned as an important stage for returning to a growth track, and by repeating our value creation process, we will strive to realize our long-term vision and what we aim to be in a bid to sustain growth.
- Please turn to the next slide.

1 The JR Kyushu Group's ESG Management

Value Creation Process



- This is our value creation process.
- The Group uses various capital to run its businesses while leveraging its strengths in five segments with the objective of improving both economic and social value.
- The Group has identified material issues as points that the JR Kyushu Group focuses on at all times. By going through our value creation process, we aim to solve material issues, further increase our corporate value and help realize a sustainable society.
- Please turn to the next slide.

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
E 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 <ul style="list-style-type: none"> CO₂ emissions Disclosure of environment-related information Green building 	<ul style="list-style-type: none"> JR Kyushu non-consolidated emissions in FY2031/3 50% reduction compared to FY2014/3 Groupwide Scope 1 and 2 emissions Tracking emissions Groupwide Scope 3 emissions Starting to calculate Acquisition of green building certification: 1 or more cases
S 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 <ul style="list-style-type: none"> Safety Implementing initiatives to enhance our corporate culture founded on service <ul style="list-style-type: none"> Service 	<ul style="list-style-type: none"> Accidents in the railway business that result in fatalities among customers^{*1} 0 cases Occupational accidents that result in fatalities among employees, etc. 0 cases Score of service ranking^{*2} 90 or more points
S 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 <ul style="list-style-type: none"> Resident population in regions around development areas Developing businesses in new areas in which we can contribute <ul style="list-style-type: none"> Creating employment through new development projects 	<ul style="list-style-type: none"> Monitoring indicators Monitoring indicators
S 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 <ul style="list-style-type: none"> Employee engagement Diversity (promoting women's participation and advancement in the workplace) Comfortable environments that are easy and satisfying to work in Health management Re-skilling support 	<ul style="list-style-type: none"> Results of employee attitude survey Continued YoY improvement Exchanges of opinions between executives and employees 40 times per year or more Ratio of female employees among new employees 30% or more Ratio of female managers (end of FY2031/3) 10% or more Ratio of male employees who take childcare leave 50% or more Ratio of special health guidance given to relevant employees 80% or more Development of employees skilled in digital technologies 500 people or more Participation in external distance learning 500 people or more per year
G 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 <ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities 	<ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (JR Day events) offering opportunity to talk with outside directors 1 or more events per year Offering opportunities for exchange, such as presentations, tours, etc. 5 or more times per year Discussions with customers 10 or more times per year 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

- Next, I will talk about material issues and non-financial KPIs.
- Based on the specific policies for realizing our 2030 Long-Term Vision in our Medium-term Business Plan, we have reassessed material issues and set non-financial KPIs for the environment, society and governance.
- Among non-financial KPIs, we have linked executive compensation to the results of an employee awareness survey.
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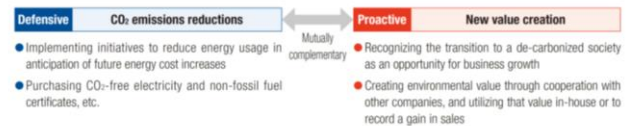
2 Realization of a de-carbonized society

Information disclosure aligned with TCFD recommendations

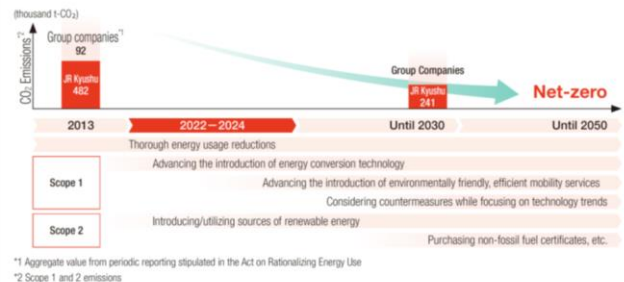
- February 2021**
- Endorsement of TCFD recommendations, declaration of carbon neutrality by 2050
 - Disclosure of governance, strategies, risk management, indicators and targets
 - Identification of risks and opportunities
- August 2021**
- Announcement of 2030 medium-term targets (50% reduction versus 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)
- 
- August 2022**
- 1.5°C scenario analysis
 - Partial disclosure of amount of increase in financial impact

Risk	Expectations	Increase in financial impact (billions of yen/year)		
		4°C	2°C	1.5°C
Transition	Increase in carbon tax	—	+ approx. 1.5	+ approx. 1.0
Physical	Increased frequency/severity of natural disasters	+ approx. 15.0	+ approx. 7.5	

Basic approach to realizing a de-carbonized society



Roadmap toward the realization of a de-carbonized society



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



- Here, I discuss specific material issues.
- The first is the realization of a de-carbonized society.
- The Group aims to contribute to the de-carbonization of society by providing and promoting a seamless mobility centered on the railway business, and to achieve net zero emissions of CO₂ by 2050 on the way to a de-carbonized society.
- The Group has introduced energy-saving trains and taken other steps toward a sustainable environment.
- In August 2022, we conducted a 1.5°C scenario analysis and disclosed an estimate of the amount of financial impact.
- Based on TCFD recommendations and the results of our scenario analysis, we created a roadmap for realizing a de-carbonized society, set non-financial KPIs and set initiatives in motion.
- Please turn to the next slide.

2 Realization of a de-carbonized society

E 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



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- Next, I will discuss specific initiatives for realizing a de-carbonized society.
- First, as an investment that contribute to increase environmental value, JR Kyushu plans to invest about ¥60 billion in the project through the green bond framework during the current medium-term business plan.
- In the real estate business, we aim to obtain CASBEE certification for the Kagoshima-Chuo Station West Entrance Building and the New Nagasaki Station Building.
- To conserve energy in electricity for operations, we have continued to introduce energy-saving trains. On the Nishi-Kyushu Shinkansen, which opened in September 2022, the latest rolling stock has been introduced, reducing the consumption of electricity compared with older kinds of rolling stock for Shinkansen lines.
- We aim to help solve social issues, such as climate change, through business activities and will take advantage of ESG financing to accelerate initiatives for realizing a sustainable society.
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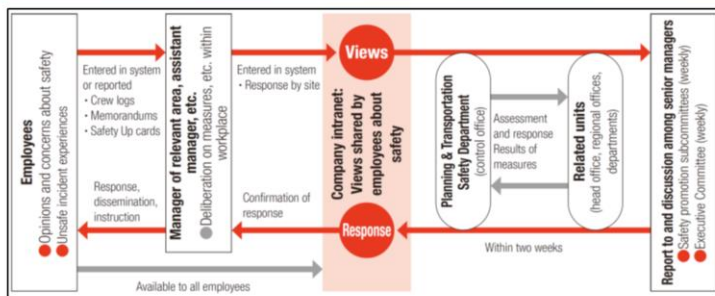
3 Safety and service, the foundation for all of our businesses

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

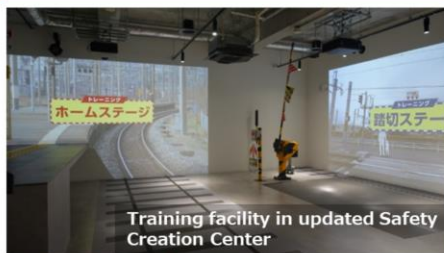


Risk of customers falling off pathway



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)

- Here, I will talk about our initiatives for society, starting with safety and services, the foundation for all our businesses.
- Safety and services are the foundation for all our businesses, and remains as important as ever. We believe gaining the trust of our customers and all other stakeholders is the starting point of all our businesses.
- The Group believes in ensuring the mindset that safety requires initiative, and to this end, it has established a safety management structure in which the management team is primarily involved in its operation.
- Our system for views shared by employees about safety is used to allow employees to share opinions and concerns about safety, unsafe incident experiences, and unsafe incidents that may occur to prevent accidents and other hazards before they occur. Details and solutions are reported to the Executive Committee within two weeks and information is shared with all employees via our intranet.
- All employees, including management, and all Group company employees go through training at the Safety Creation Center once every two years. The Center is currently conducting a sixth round of training while upgrading the content of training to reflect recent risks. In March 2021, the Center underwent a major update, and now features a more practical environment for learning. We will continue to train employees so they can take action with safety in mind.
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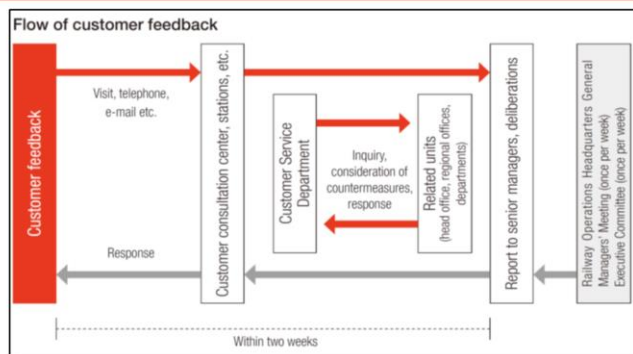
3 Safety and service, the foundation for all of our businesses

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Fundamental Approach to Service

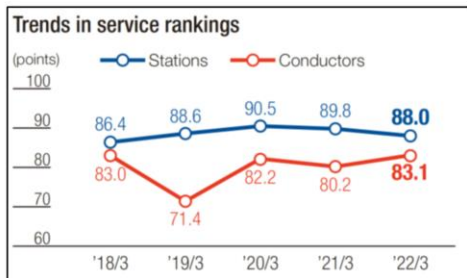
We approach our service improvement initiatives by listening to customer feedback.

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



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.

- Next is services.
- JR Kyushu listens to its customers to understand their concerns and points of dissatisfaction in order to rapidly improve services.
- Customer opinions and requests are reported to and deliberated by the Executive Committee as the views of customers for further consideration and action. Customers receive replies within two weeks, and their views are shared within the Company and incorporated into specific measures for improvement.
- In an effort to improve service quality, we are ranking our services by asking external research firms to evaluate our services.
- The main point of service rankings is to define on-site employees a starting point. The survey results can be used to clarify issues unique to JR Kyushu, and inform employees on how to improve services. This has contributed strongly to better services for the entire Group.
- Service rankings represent 90 or more points as a non-financial KPI for services.
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3 Sustainable city-building

Local Community Invigoration —Sustainable city-building—



**Local Community
Invigoration**



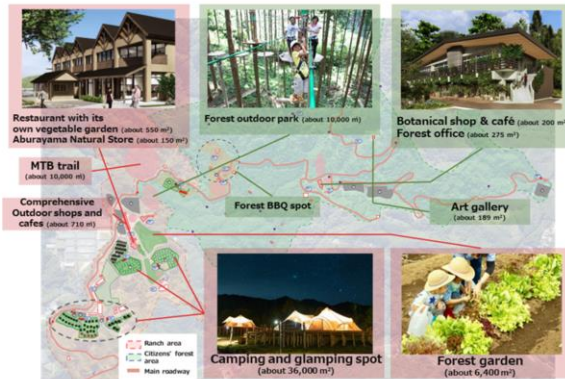
**Improve local economic
and social value**

- Next, I will discuss sustainable city-building.
- We approach our business with a strong sense of purpose as a corporate group that is invigorating Kyushu.
- Building cities where people want to live, work and visit is an initiative that the JR Kyushu Group can do because it has deep roots in the Kyushu region and grown along with the region.
- We believe local community invigoration means to improve both the economic and social value of the region. For example, in the western Kyushu area where the Nishi-Kyushu Shinkansen opened, we aim to spread the benefits of its opening as widely as possible throughout western Kyushu, instead of concentrating it in one area.
- We believe the JR Kyushu Group's sustainable growth depends in part on local community invigoration through the enhancement of both economic and social value.
- Please turn to the next slide.

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.

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- Next, I will talk about initiatives in sustainable city-building as it relates to local community invigoration.
- One example of our city-building initiatives is our renovation projects, such as the Aburayama Citizens' Forest, located south of Fukuoka City.
- As a leading project for Fukuoka Green NEXT in Fukuoka City, this project plans to start operations of a restaurant with its own vegetable garden and the forest outdoor park, among other facilities, in a partnership with Fukuoka City and other partners.
- While working for the environment, a recycling-oriented society and de-carbonization, we will advance city-building in collaboration with other companies to discover the region's resources and convey their attractiveness to the world.
- Please turn to the next slide.

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

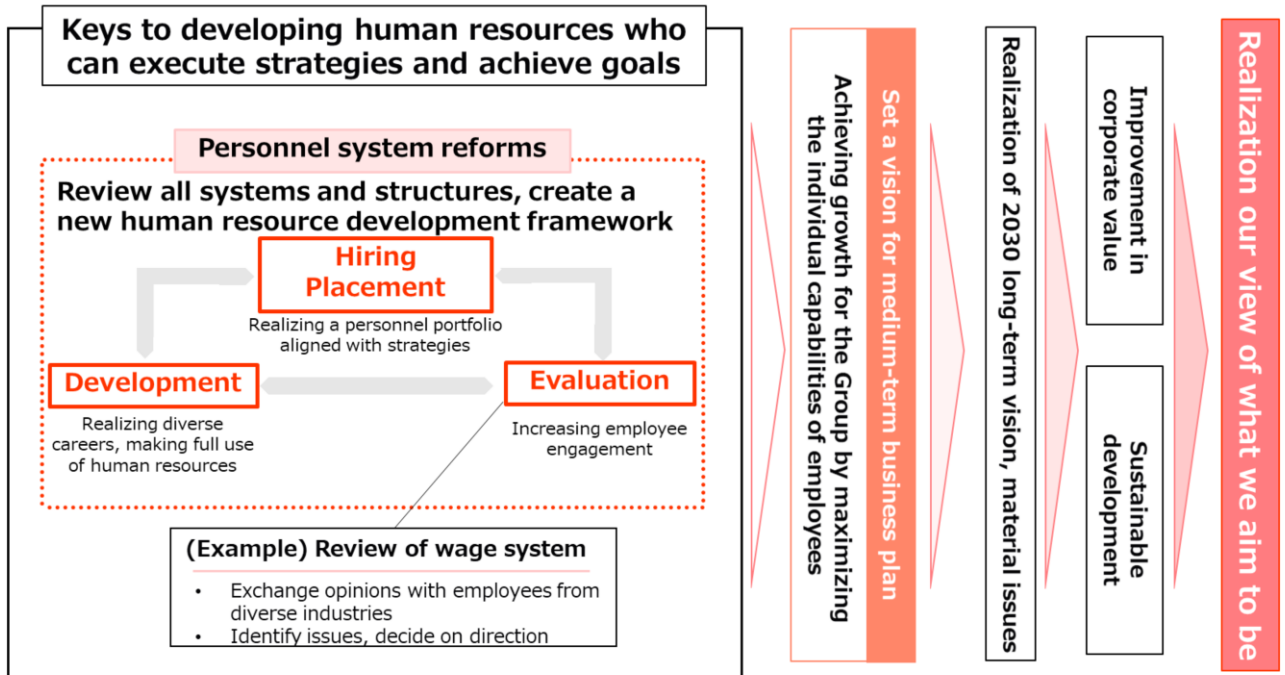


- Next, I will discuss the development of human resources, the source of value creation.
- Human resources are the source of value creation at JR Kyushu. In addition to efforts to develop personnel who take the initiative to learn and take on new challenges, we are working to make JR Kyushu a company 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.
- Please turn to the next slide.

3 Development of human resources, the source of value creation

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Advancing personnel strategy



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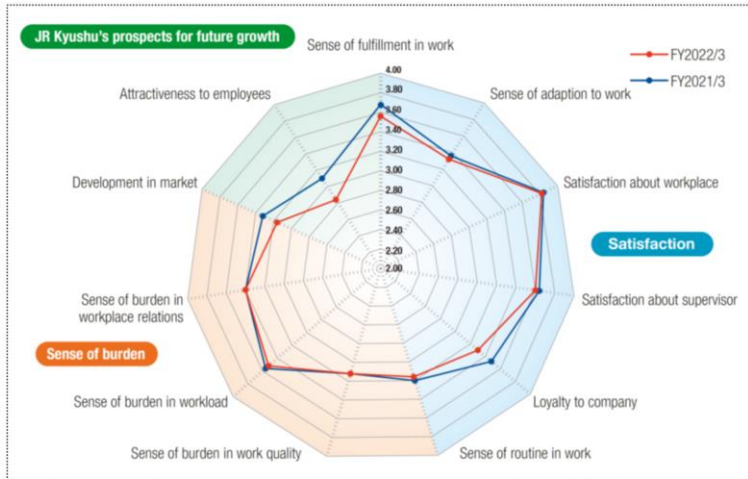
- JR Kyushu has started to reform its personnel system, the key to developing human resources. We are building a new framework for human resource development while reviewing our systems and structures for hiring & placement, development and evaluation. For example, we have started to revise the wage system, and through opportunities to exchange opinions with employees from diverse industries and corporate officers in charge of human resources, we are identifying issues and making sure we are moving in the right direction.
- With revisions to the wage system as a starting point, we will reform our personnel system in ways that increase the visibility of career paths, support re-skilling, promote women's participation and advancement in the workplace, and strengthen mid-career hiring. We aim to maximize the individual capabilities of the diverse employees who will support the strategies for achieving our long-term vision. By translating this into growth for the Group, we will strive toward what we aim to be.
- Please turn to the next slide.

3 Development of human resources, the source of value creation

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

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

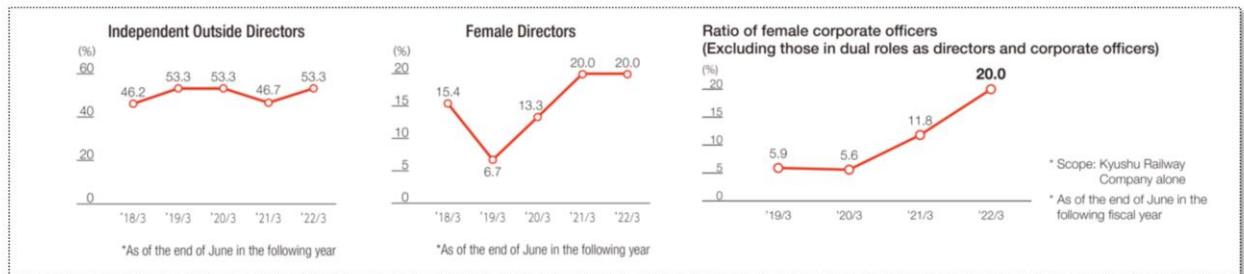
- Event to exchange opinions with on-site leaders, etc. and **president & CEO**
Implement during fiscal year ending March 31, 2023
- Event to exchange opinions between employees and **president & CEO** and **managing corporate officers**, etc.
Three years, from fiscal year ending March 31, 2023, to fiscal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

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- Here, I will explain initiatives to increase employee engagement.
- In the awareness survey for the fiscal year ended March 31, 2022, points declined for "attractiveness to employees," and management is highly aware of this problem. Employee motivation is the driving force behind an organization and determines the effectiveness of strategies. Through events to exchange opinions for all employees, we are increasing opportunities for management to directly talk with employees, as we believe it is important to improve their understanding of the company's measures and the current situation.
- We also plan to expand the employee awareness survey to all Group companies next fiscal year.
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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)



- Now I will talk about changes in governance as an initiative for sound corporate management.
- A majority of our directors are independent outside directors, and the ratio of female directors is 20%. Our independent outside directors have knowledge in various fields, diverse experience and specializations that translate into more insightful discussions at Board of Directors meetings.
- As I previously explained, the employee awareness survey is an important indicator in our attempt to quantify the degree that our human resource strategy is being realized. Starting this fiscal year, the survey results will be tied to the performance-linked compensation of directors.
- Please turn to the next slide.

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

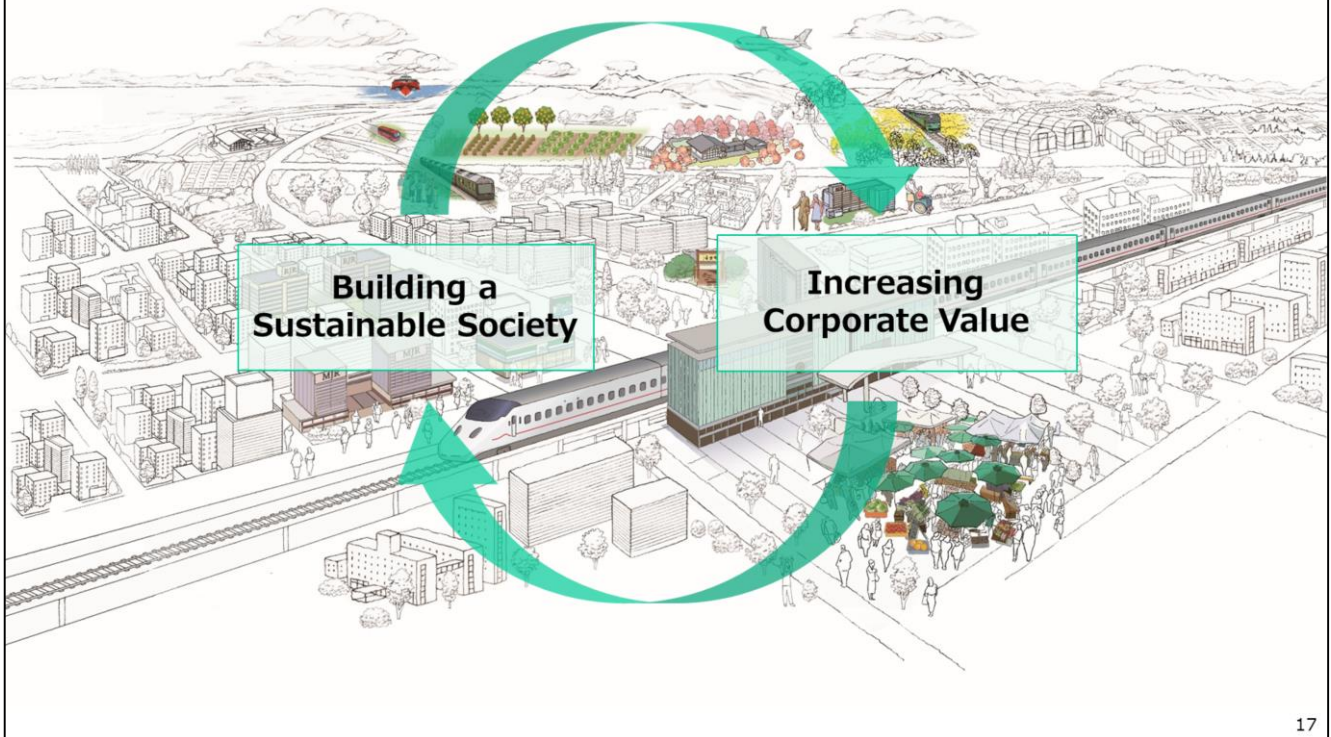


Initiatives and collaboration with local residents and workplaces



- Next, I will discuss communications with stakeholders.
- We believe events like IR Day are very important opportunities to engage in dialogues with investors, and we intend to enhance these events in the future. Today, I will talk about creating sustainable relationships with regional society.
- Regional society is an important stakeholder for the JR Kyushu Group. We have engaged in business with the intention of collaborating with locals in a variety of fields. Prime examples of this are the warm welcomes by residents at stations where the D&S trains stop, and along the railways they run on, and the cooperation of local residents through participation in the JR Kyushu walking activity.
- Moreover, local residents are collaborating with us in a variety of ways. Through this collaboration, more local residents gain an understanding of JR Kyushu, and we aim to deepen our relationship with local residents.
- Please turn to the next slide.

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



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- I have explained the JR Kyushu Group's initiatives from an ESG perspective.
- The Group aims to achieve its vision by improving corporate value and realizing a sustainable society as a corporate group that is invigorating Kyushu based on its three our code of conduct.
- This concludes my presentation. Thank you for your attention.