

Message from the President



I will think very carefully about the role we can play in invigorating Kyushu, even amidst all the turmoil caused by COVID-19 and natural disasters, and will translate those thoughts into action.

President and CEO
Toshihiko Aoyagi

The JR Kyushu Group's Corporate DNA

About 30 years ago, JR Kyushu came into being when JNR was privatized. At the time of privatization, railway operations were around ¥30 billion in the red. We took steps to improve income and expenditure, but were also aware that we could not rely on our railway operations alone. We took up the challenge of various other businesses as well and aimed for growth.

We have overcome harsh business environments and worked hard to boost our corporate value. Even though we are being subjected to tremendous environmental change, we will meet that change head on with all our might, fulfill our role in society, and boost our corporate value.

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Message from the President

Our Business Environment

The Situation in the Fiscal Year Ended March 2020

The economy was gradually expanding in the fiscal year ended March 2020, with consumer spending becoming more stable in the context of a favorable employment and earnings environment. However, from January 2020 onwards, the global COVID-19 pandemic led to greater uncertainty in both domestic and overseas business trends and increased downward pressure on the economy. Although the JR Kyushu Group Medium-Term Business Plan 2019–2021: Toward the Next Growth Stage was implemented and a certain degree of results were achieved within the group, our railway business and other businesses suffered effects such as reduced demand for transportation and sluggish consumer spending when people stayed home and events were canceled due to the COVID-19 pandemic.

The Impact of COVID-19 and Our Response

I recognize that the COVID-19 pandemic confronts the JR Kyushu Group with the gravest crisis in our history so far. Even during the 2008 financial crisis, revenues from railway transportation did not decline by more than 10%, so the 65% year on year decrease in railway transportation revenue in the first quarter of FY2021/3 (April to June) was far worse than was initially anticipated.

Ever since JR Kyushu was established, we have developed businesses that have a strong affinity with our railway business and generate synergy. Our station building, hotel and condominium businesses are some examples of this. Those businesses were generating very beneficial cycles, but the COVID-19 pandemic has reversed those spirals.

Given the current situation, we have made it our top priority to protect employees and customers from infection. All our employees have been issued with masks, and all workplaces have been provided with disinfectant. We have strict measures in place to prevent the spread of infection and ensure that our customers feel safe when using our facilities. These measures include meticulously cleaning and disinfecting facilities such as stations, trains and station buildings, and ventilating our trains. In addition, when the state of emergency was expanded to cover the entire country in April and the government issued a

request for people to avoid traveling between prefectures for unnecessary travel or trips to their hometown, for example, I decided to cancel all limited express services on our conventional lines during the Golden Week holiday period (May 2 to 6). It was a very big decision to make, but I reached it by considering our duty to society as a provider of public transportation.

I also discussed with management how to protect our employees' jobs, and I made it clear to our employees at an early stage that their jobs were secure. I decided not to reduce our employees' wages even though we carried out short-term employment adjustments in the form of furloughs while there was temporarily less work due to steps such as reduced or canceled train services and shutdowns in our other businesses. We also discussed how to maintain a sustainable relationship with tenants in our station buildings and other premises, given that their sales would be declining dramatically, and not only while people were staying home during the state of emergency. I decided to put support measures in place, including reduced rents and deferred payment dates.

I believe that, in this time of crisis, it is absolutely essential to have a clear vision of what will happen after the pandemic is over, and to deal shrewdly with the immediate situation.

Invigorating Kyushu

I recognize that it will be a long while until COVID-19 is neutralized, in other words we will be living with COVID-19 for quite some time yet. I feel that the ensuing increase in telecommuting and web conferencing, for example, has expanded options, given people a chance to think about the true nature of work, and may have led them to reconsider their work style. I think that there will inevitably be changes in our everyday lives. However, that does not mean that the world will be completely different after COVID-19. Nevertheless, I do not think that we will return to the pre-COVID situation either. We need to consider the situation before and after the pandemic, and ascertain what needs to be done.

We engage in our work with the fervent desire to be a "company that invigorates Kyushu." That desire remains unchanged, even during the COVID-19 pandemic. I think that our

role may be even more important at such a time. I have a feeling that now is the time for us to think long and hard about what we can do to revitalize and rebuild Kyushu, and to take action.

Timeline of COVID-19 Pandemic

January	Ministry of Health, Labour and Welfare issues a warning about a mysterious outbreak of pneumonia in Wuhan
	WHO declares a Public Health Emergency of International Concern
February	Appeals for staggered work hours and telecommuting broadcast in stations and on trains
	Official request announced for the temporary closure of elementary, junior high and high schools nationwide
March	All JR Kyushu hydrofoil ferry (BEETLE) services canceled
	WHO declares the COVID-19 outbreak a pandemic
	Kyushu Shinkansen and conventional line limited express train cancellations etc. announced* ¹
April	Postponement of Tokyo Olympics and Paralympics announced
	State of emergency declared for Tokyo and six prefectures
	State of emergency expanded nationwide
	Temporary closure of station buildings and other commercial premises announced* ²
May	Cancellation announced of all conventional line limited express services during the GW period (May 2 to 6)
	Rent reductions etc. announced for station building tenants
	State of emergency lifted nationwide

Entries related to the JR Kyushu Group

*¹ Normal services resumed as of June 19

*² Phased resumption of business from May onwards

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Message from the President

Building a Sustainable Society

Long-Term Vision for 2030

Looking to the future, we can see that the population of Kyushu, our business stronghold, is expected to decrease at a faster pace than the rest of Japan. The region has also been struck by natural disasters, including the 2016 Kumamoto earthquakes and the Northern Kyushu floods of July 2017. The impact of global warming is a factor in this, and I recognize that the increasing frequency and severity of natural disasters is an issue that cannot be dodged. We can therefore assume that our business environment will become even more challenging.

Accordingly, in March 2019 we unveiled our Long-Term Vision for 2030, a clarification of what the JR Kyushu Group aims to be. We did so because we strongly felt the need to look at our business from a totally new perspective and take steps aimed at ensuring business sustainability.

Establishing sustainable mobility services is an initiative aimed at achieving our long-term vision, and one that I see as a social duty with which we have been entrusted. MaaS and self-driving train initiatives aimed at constructing more convenient public transport networks will surely be necessary for that. We are collaborating with Nishi-Nippon Railroad Co., Ltd. on urban-style MaaS, and are already trialing the services at Shimosone Station on the Nippo Main Line. We are discussing the roll out of services modeled on that trial in the Kyushu area. In December 2019, we launched test runs as part of our development of self-driving trains.

We will continue to work on the challenge of establishing safe and reliable mobility services so that we can achieve our Long-Term Vision for 2030, and also address threats such as population decline and natural disasters.

My Thoughts on ESG

JR Kyushu was established as a company responsible for social infrastructure and public transportation, and the very continuation of our business could be said to encapsulate ESG initiatives. We have always desired to invigorate Kyushu and transmit Kyushu vitality to the rest of Japan and Asia,

and I do not think that desire will ever change. That desire is incorporated in our vision of the JR Kyushu Group as “A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation.” In order to achieve that desire, our employees have always treasured the three pillars of our code of conduct: Integrity, Growth and Evolution, and Local Community Invigoration. Those three touchstones underpin our business. Through city-building and community development that draws upon our various businesses, we will build a Kyushu where people will want to live, work, and visit. Attracting people to areas along railway lines and creating a lively atmosphere there does not only boost convenience but also enriches people's lives, and I am convinced that it will invigorate Kyushu. I intend to continue with such initiatives, and in doing so achieve our vision of what the JR Kyushu Group aims to be.

ESG Implementation

However, up until now we had never established a system to evaluate and analyze business from the perspective of ESG. Recognizing the need to reevaluate our business from that angle, I have placed ESG at the heart of our medium-term business plan and we are engaged in initiatives.

To implement ESG management, in April 2019 we established a department responsible for ESG, and in November of the same year I launched the ESG Strategy Committee that I chair. We are now delving more deeply into the subject of points that we must focus on at all times so that the JR Kyushu Group can remain an indispensable part of society.

As a substantial governance (G) initiative, in FY2019 we added two new outside directors with expertise in real estate and IR, and the discussions at the board of directors meetings have become very animated.

I am making improvements this fiscal year as well to give the board of directors a more diverse and effective configuration, for example by appointing an outside director with ESG

expertise.

As a social (S) initiative, the JR Kyushu Group refers to personnel training as “Development of Human Resources” and we are making efforts to create comfortable environments that are easy and satisfying to work in. I have worked in the JR Kyushu Group for many years, and I know from personal experience that it is an organization with a positive and open atmosphere. I consider the JR Kyushu Group to be a place that is typified by lively communication, where people can express diverse opinions and take up new challenges. I feel that it is a very important task for me to create such an environment during the COVID-19 pandemic.

With regard to environmental (E) initiatives, I recognize that it is increasingly important to find ways to address the global

Details on the JR Kyushu Group's ESG initiatives

E Environment	Environmental Initiatives	P54
	● Introduction of energy-saving train cars ● Acquisition of BELS and ZEB certification for the employee training center	
S Social	Safety Initiatives	P38
	Service Initiatives	P42
	Development of Human Resources Initiatives	P46
	Local Community Invigoration	P51
G Governance	Communication with Stakeholders	P53
	Corporate Governance Initiatives	P26
	● Board of directors composition and skill sets ● Major actions for reinforcing corporate governance	

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environmental issues that are considered to be the cause of increasingly frequent and severe natural disasters. Our railway business will move forward with cuts in CO₂ emissions as we aim to increase our ratio of energy-saving train cars to 83%. We are also moving forward with new initiatives, such as acquiring ZEB (Zero Energy Building) certification for the employee training center that is now under construction.

Upcoming Challenges

I fully recognize the high risk of contagion during the COVID-19 pandemic, and also recognize that, as a company entrusted with the mission of public transportation, it is imperative that we respond appropriately to public health concerns. I am also aware that new approaches will be needed in response to societal issues such as the enhancement of diverse work styles, the maintenance of employees' health, and communication styles and employee job satisfaction in the face of new lifestyles.

Nevertheless, there will be no change to our mission of contributing to the local community and supporting people in their daily lives, even after the pandemic is over. I believe that there will instead be an even greater need for ESG and the SDGs. The JR Kyushu Group will consider how the

initiatives we have been running as a matter of course relate to ESG, and reevaluate our business operations from an ESG perspective. As social structures undergo changes due to the COVID-19 pandemic, we will also look carefully at what will not change and what needs to be changed, and will build on communication with our stakeholders as we make efforts to boost our corporate value. I intend us to contribute to the achievement of the SDG targets via our ESG initiatives.

A Message to Our Stakeholders

We provide information related to our business activities in a timely fashion via such media as our website and written reports. We also create opportunities for communication with our stakeholders, and have mechanisms in place so that feedback and requests received from stakeholders are reflected in our business activities. For example, we host events known as "Discussions with Customers" and run the JR Kyushu Customer Consultation Center, and utilize customer feedback and requests to improve the services we provide.

We also receive feedback and requests from shareholders and investors at briefings and individual meetings. As one example of how we reflect such feedback in our actions, in the fiscal year ended March 2020 we reclassified our real estate and hotels business into a single segment, and diligently expanded the extent of our disclosure, such as by releasing financial figures listed separately for our real estate lease business, condominium sales business, and hotels business.

Going forward, we will continue to make efforts to boost our corporate value while placing due importance on communication with our stakeholders. In addition, I will improve communication about the JR Kyushu Group's ESG and SDGs initiatives so that information is conveyed to stakeholders even more clearly. Even though our environment is changing dramatically, we will meet that change head on and with all our might. Going forward, I humbly request your even greater support and understanding for our business.



SUSTAINABLE DEVELOPMENT GOALS



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Measures to Prevent the Spread of COVID-19

In response to the COVID-19 pandemic, JR Kyushu convenes strategy meetings attended by the president and executive level staff. The deliberations prioritize securing the safety of our customers and employees, and we have also implemented various initiatives aimed at sustainable coexistence with our business partners.

Business Continuity	<ul style="list-style-type: none"> ● Maintain the transport networks, which are social infrastructure ● Implement measures to maintain corporate value with the highest priority on securing liquidity at hand
Customers	<ul style="list-style-type: none"> ● Frequent cleaning and disinfecting of railway facilities, station buildings, hotels, and other facilities ● Request that customers be cooperative with regard to hand washing, wearing a mask, cough etiquette, not talking except when necessary, and other measures to prevent contagion, and also with regard to staggered work hours and telecommuting ● No charge for ticket reimbursements due to the impact of the COVID-19 pandemic ● Extend the period of validity of railway discount coupons for shareholders to ensure that they have an opportunity to use them ● Cancellation of all conventional line limited express services during the Golden Week holiday period (May 2 to 6)
Business partners	<ul style="list-style-type: none"> ● Implement support measures for station building tenants such as reduced rents and deferred payment dates
Employees	<ul style="list-style-type: none"> ● Utilize staggered work hours and telecommuting as means to ensure the safety of our employees and those who live with them ● Utilize furloughs for short-term employment adjustments made on the assumption that jobs will be retained ● No wage reductions during furloughs ● Establish paid leave for use at times such as temporary closures of elementary schools or the like in order to create a working environment that eases the worries of working parents
Local Community Invigoration	<ul style="list-style-type: none"> ● Run the Supporting Each Other Until It's Over project (P52) ● Show health care professionals our respect and gratitude by means such as lit-up windows and blue illuminations



THE BLOSSOM HIBIYA with lit-up windows



The Amuran Ferris wheel illuminated in blue

Measures to Prevent the Spread of COVID-19 in Our Railway Business

Feature Initiatives to reassure passengers purchasing tickets

Information about reserved seats

- Staff selling reserved seat tickets at ticketing offices (Midori-no-madoguchi) prioritize leaving vacant seats between passengers
- Display notices near reserved seat ticket vending machines showing how to reserve a seat from the seating map

Disinfect ticket vending machines and ticket gates

- Carry out the necessary sanitation work at stations

Social distancing

- Signage to remind people to maintain an appropriate distance when queuing at locations such as ticketing offices or information counters

Prevent airborne transmission

- Install plastic curtains etc. at ticket gates, ticketing offices, and similar locations



Feature Initiatives to reassure customers utilizing stations

Provide disinfectant

- Place alcohol-based disinfectant for customer use at ticket gates in Shinkansen stations, the stations of prefectural capitals, and Kokura Station

Leave doors and windows open

- Leave automatic doors and windows open in locations such as waiting rooms

Countermeasures in restrooms

- Shut down hand dryers installed in station restrooms
- Where the toilets have lids, display signs requesting people to close the lid before flushing the toilet

Public announcements requesting cooperation

- Appeal for cooperation in the form of telecommuting and staggered work hours
- Appeal for cooperation in the form of wearing a mask and observing cough etiquette



Feature Initiatives to reassure passengers traveling by train

Ventilate trains

- Shinkansen trains and limited expresses on conventional lines
Use the air conditioning system to replace the air inside the train with fresh air from outside
- Local trains and rapid-transit trains on conventional lines
Open and close the doors at stops and keep windows open

Disinfect trains

Public announcements requesting cooperation

- Appeal for cooperation in the form of telecommuting and staggered work hours
- Appeal for cooperation in the form of wearing a mask, showing consideration when conversing on the train, and observing cough etiquette

Take smart doors out of use

