



JR Kyushu Group Integrated Report

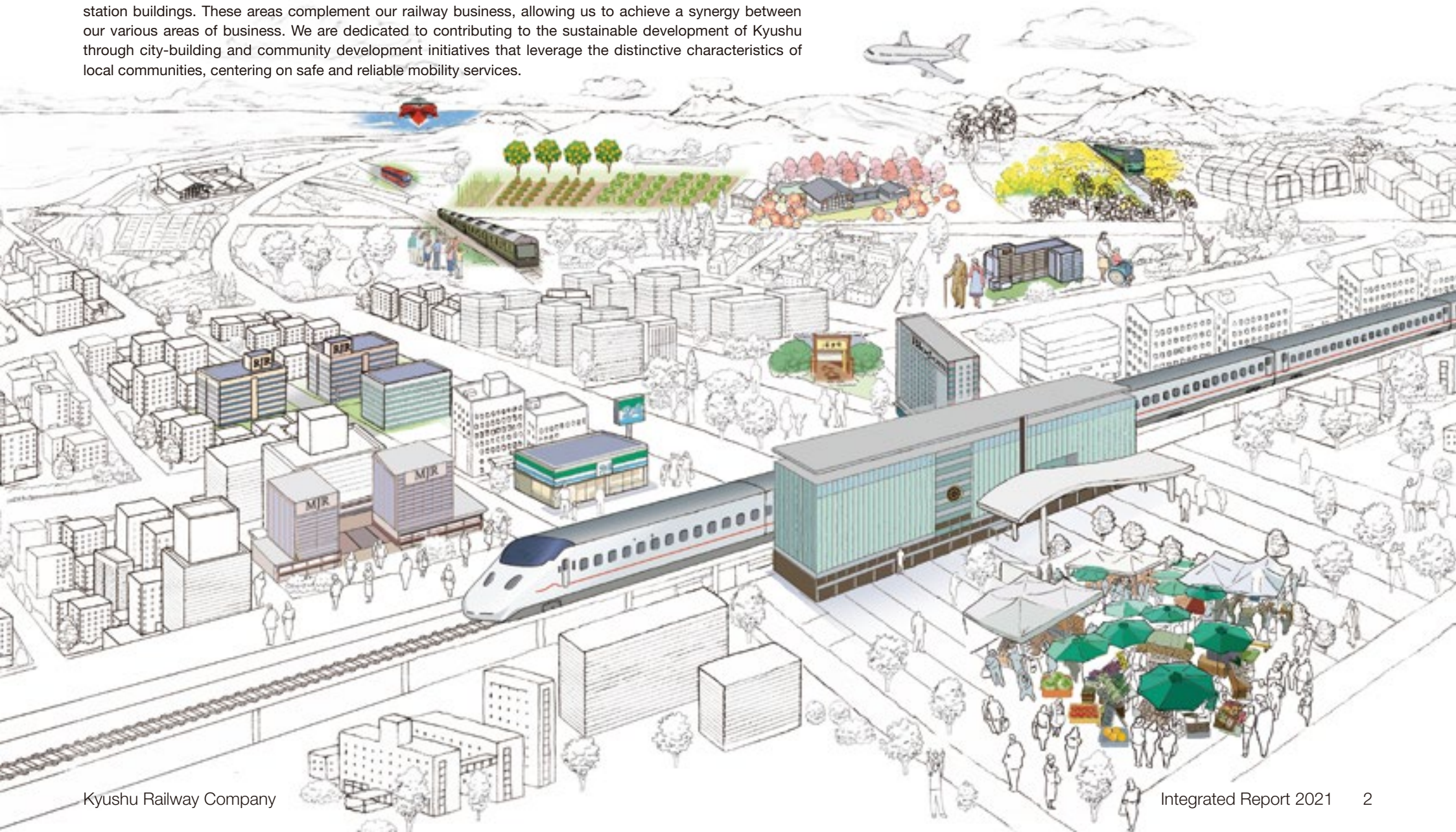
2021



## What we aim to be

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

The JR Kyushu Group's first and central business is our railway network throughout Kyushu. Over the years, our business has expanded into areas such as condominiums, construction, shipping, hotels, and station buildings. These areas complement our railway business, allowing us to achieve a synergy between our various areas of business. We are dedicated to contributing to the sustainable development of Kyushu through city-building and community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services.





History of Value Creation Initiatives  
At a Glance

Value Creation Story  
Value Creation Process  
The JR Kyushu Group's Corporate ESG

Message from the President,  
Local Community Invigoration, Pandemic Strategies  
Climate Change Adaptation, Message from the CFO

Ensuring Transparent and Fair Management  
Strengthening Risk Management, Rigorous Compliance  
Extensive Communication with Stakeholders

Safety, Service,  
Development of Human Resources

Addressing Environmental Issues

Financial Highlights, Non-Financial Information  
Financial Information  
Investor Information, Consolidated Subsidiary Information

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### Editorial Policy

This report was developed for the purpose of imparting a deeper understanding of the JR Kyushu Group's operations (Kyushu Railway Company (JR Kyushu) and related companies) to our stakeholders. The report was prepared with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)\* and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation from the Ministry of Economy, Trade and Industry. The editors' aim is to communicate financial and non-financial information, such as management policies, business strategies, and ESG information, to readers in a concise manner. More detailed information is available on the corporate website for those who are interested.

\* A private-sector organization established in 2010 by entities such as private-sector companies, investors, accountants' organizations, and government institutions with the aim of developing an international corporate reporting framework.



### Forward-looking Statements

This report contains forward-looking statements, including future outlooks and objectives of the JR Kyushu Group. These statements are judgments made by JR Kyushu based on information, projections, and assumptions available at the time of the document's creation. Please be advised that actual operating results could greatly differ from the statements in this document due to the effects of the economic situation both inside and outside Kyushu and Japan as a whole, real estate market conditions, the progress of our projects, changes in laws and regulations, and a wide range of other risk factors. The purpose of this document is not to solicit the purchase of JR Kyushu's stocks or other financial instruments in Japan. In addition, this report does not constitute an offer of securities in the United States. Based on the American Securities Act of 1933, offering or selling securities in the United States is not permitted, with the exception of cases where a company is registering securities or is exempt from registration. In cases where securities are being publicly issued in the United States, an English prospectus created on the basis of the Securities Act of 1933 will be used. The prospectus states that said securities may be acquired from an issuing company or seller and contains detailed information and financial statements on issuing companies and their management.



## History of the JR Kyushu Group

- History of Value Creation Initiatives
- At a Glance



## History of Value Creation Initiatives

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## History of Value Creation Initiatives

## The JR Kyushu Group's Corporate DNA

JR Kyushu was established following the breakup and privatization of Japanese National Railways in 1987. 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.



Established Kyushu Railway Company (JR Kyushu)

1987



1987

- First revision of timetable

1988

- Began operating Yufuin no Mori express

1990

Railway business

1989

- Began selling MJR Sasaoka, our first condominium complex
- Established JR Kyushu Fast Foods Inc.



1990

- International passenger ship route established Beetle 2 began sailing from Fukuoka to Busan (2 hours 55 minutes)
- Opened Shato Hanten, a luxury Chinese restaurant

1992

- Established Train d'Or Ltd.
- Opened JR Uchino Country Club
- Opened Hotel Blossom Fukuoka

1991

- Commenced electric service on the Omura Line (Haiki to Huis Ten Bosch)

1995

- First fare revision

1996

- Opened Miyazaki Airport Line

1993

- Launched Stationmaster's Recommended Hot Springs, a new travel product (Ekicho Osusume no Yu)

1999

- Held first JR Kyushu Walking event
- Commenced electric service on Hohi Main Line (between Kumamoto and Higo-Ōzu)



1998

- Opened Station Hotel Kokura

1997

- Opened Shin-Kokura Station building (Amu Plaza)



2000

- Opened Amu Plaza Nagasaki and JR Kyushu Hotel Nagasaki

2001

- Opened Umayu in Akasaka, Tokyo

2001

- Released new 2-ride and 4-ride concession tickets for limited express trains
- Commenced electric services on Sasaguri Line and Chikuho Main Line (Fukuhoku Yutaka Line) (all of the Sasaguri Line and between Orio and Keisen on the Chikuho Main Line)

2000

2000

- Completed the general operations system JACROS

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**2004**

- Opened Amu Plaza Kagoshima

**2006**

- Opened private nursing home SJR Betsuin

**2010**

- Established JR Kyushu Farm Co., Ltd., an agricultural production company
- Opened JR Hakata City

**2011**

- Entered poultry farming industry and established JR Kyushu Tamago Farm, Inc.
- Opened Akasaka Umay (Jing'an Temple) Shanghai

**2015**

- Opened JR Oita City and JR Kyushu Hotel Blossom Oita

**2016**

- Opened the JRJP Hakata building

**2019**

- Opened THE BLOSSOM HIBIYA and THE BLOSSOM HAKATA Premier
- Acquired stocks in the restaurant Manbou Corp.

**2007**

- Acquired stock in Drug Eleven Holdings Co., Ltd.

**2009**

- Began signing up members for JQ CARD, the JR Kyushu Group's credit card

**2014**

- Opened JR Kyushu Hotel Blossom Shinjuku

**2012**

- Opened the hot spring inn Hana Beppu

**2018**

- Entered hotel industry in Thailand

**2020**

- Opened Amu Plaza Miyazaki

**2003**

- Opened Kyushu Shinkansen line (between Shin-Yatsushiro and Kagoshima-Chuo)
- Began operating Hayato no Kaze, Kyushu Odan Tokkyu, and Yufu DX limited express services and Nanohana DX and Isaburo/Shinpei special rapid services

**2009**

- Began operating SL Hitoyoshi service
- Began operating Umisachi-Yamasachi limited express service

**2011**

- Began operating Aso Boy! and Let's Take the A-Train limited express service

**2015**

- Began operating JRKYUSHU SWEET TRAIN Aru Ressha

**2018**

- Strategic alliance with Alibaba Group in China

**2019**

- Finished renovation of Mojiko Station

**2010****2008**

- Launched IC card ticketing service SUGOCA

**2010**

- Opened Safety Creation Center
- Fully opened Kyushu Shinkansen line
- Began operating Ibusuki no Tamatebako limited express service

**2013**

- Began operating the cruise train Seven Stars in Kyushu

**2016**

- Began operating DENCHA wire type battery-powered train
- Began operating Kawasemi Yamasemi limited express service
- Listed in the First Section of the Tokyo Stock Exchange and in the Fukuoka Stock Exchange

**2020****2020**

- Began operating 36+3 (Sanju-Roku plus San) express

Real Estate and Hotels

Construction

Retail and Restaurant

Transportation



## At a Glance

## Business Overview

Operating Revenue  
by Segment  
(to outside customers)

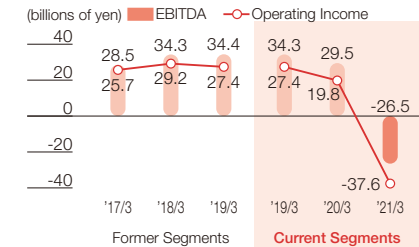
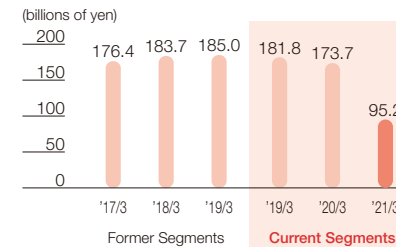
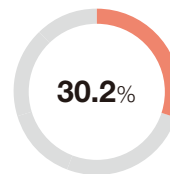
## Operating Revenues

## EBITDA/Operating Income or loss

## Transportation Group



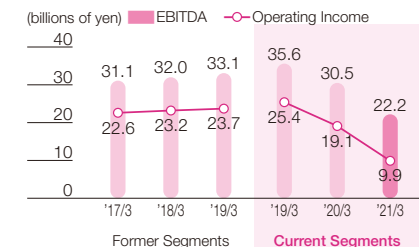
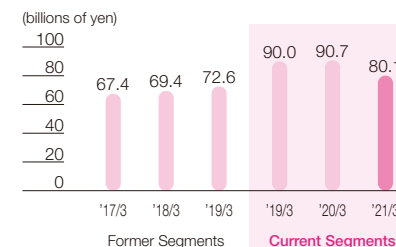
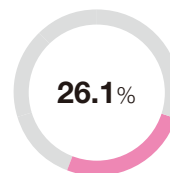
Our Transportation business comprises businesses such as our railway business, bus business, and passenger ship business. We operate a total of 22 lines (1 Shinkansen line, 8 main lines, and 13 regional lines), covering 2,273km across all seven prefectures of Kyushu. (As of March 31, 2021) Our bus business consists of local bus, express bus and charter bus services, while our International passenger ship business covers routes such as Fukuoka to Busan. (As of March 31, 2021, international routes have been suspended.)



## Real Estate and Hotels Group



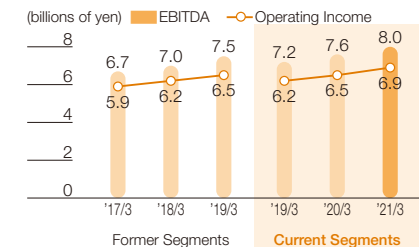
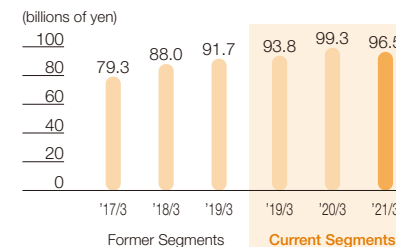
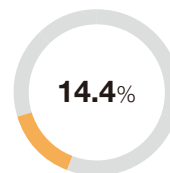
Our Real Estate and Hotels Group operates a real estate lease business (commercial facilities, offices, rental apartments, etc.), a real estate sale business (condominiums), parking lot business, retirement complexes, hotels, and tourist complexes. Affiliated companies manage the station and office buildings we own, primarily in major cities in Kyushu, as part of our property rental business.



## Construction Group



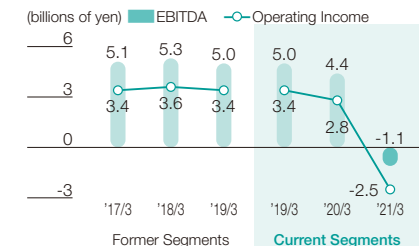
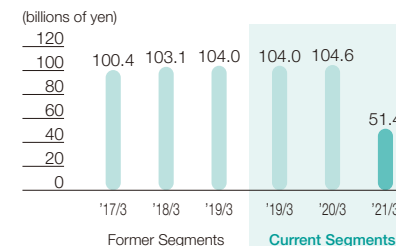
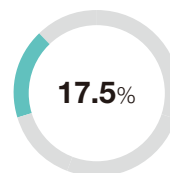
Our Construction Group comprises businesses such as our construction business, rolling stock and machinery construction, and electrical business. In our construction business, we use our specialist railway technology to carry out work related to railways, primarily civil engineering, track work, construction, and maintenance. Our civil engineering and construction work includes projects for the public and private sectors. Our rolling stock and machinery construction business designs, produces, installs, and performs maintenance for rolling stock and machinery. Our electrical business constructs and maintains electrical, HVAC and firefighting equipment for public and private facilities, primarily electrical facilities for railways. We also provide construction, sales, and construction consultancy services for housing.



## Retail and Restaurant Group



Our Retail and Restaurant Group operates in the retail, restaurant, and agriculture industries. Our retail business includes chains such as Meihingura specialist souvenir shops and FamilyMart convenience stores. Our restaurant business includes the Umayu tavern, fast food stores, the Train d'Or bakery, and the restaurant Manbou. Our agriculture business produces and sells produce.



Our segments have been reclassified from the fiscal year ended March 2020 to enable a more streamlined view of sales and profits and steady segment management.

As a result, our segments have been reclassified from Transportation, Construction, Real Estate, Retail and Restaurants, and Other to Transportation, Real Estate and Hotels, Construction, Retail and Restaurants, and Other.





その日まで、ともにがんばろう

—今は、STAY HOME。「その日」への準備。—



## The Path to Achieving What We Aim To Be

- Value Creation Story
- Value Creation Process
- The JR Kyushu Group's Corporate ESG



## 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

#### Points that the JR Kyushu Group focuses on at all times (Materiality) ▶ P.12

##### 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)

#### Value Creation Process ▶ P.10

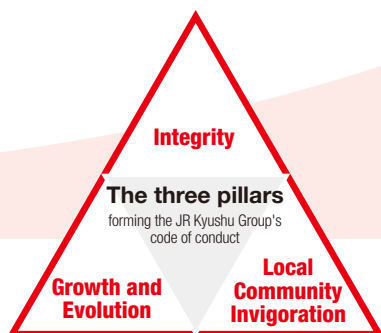
##### Medium-Term Business Plan 2019–2021

#### External environment

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

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

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



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.

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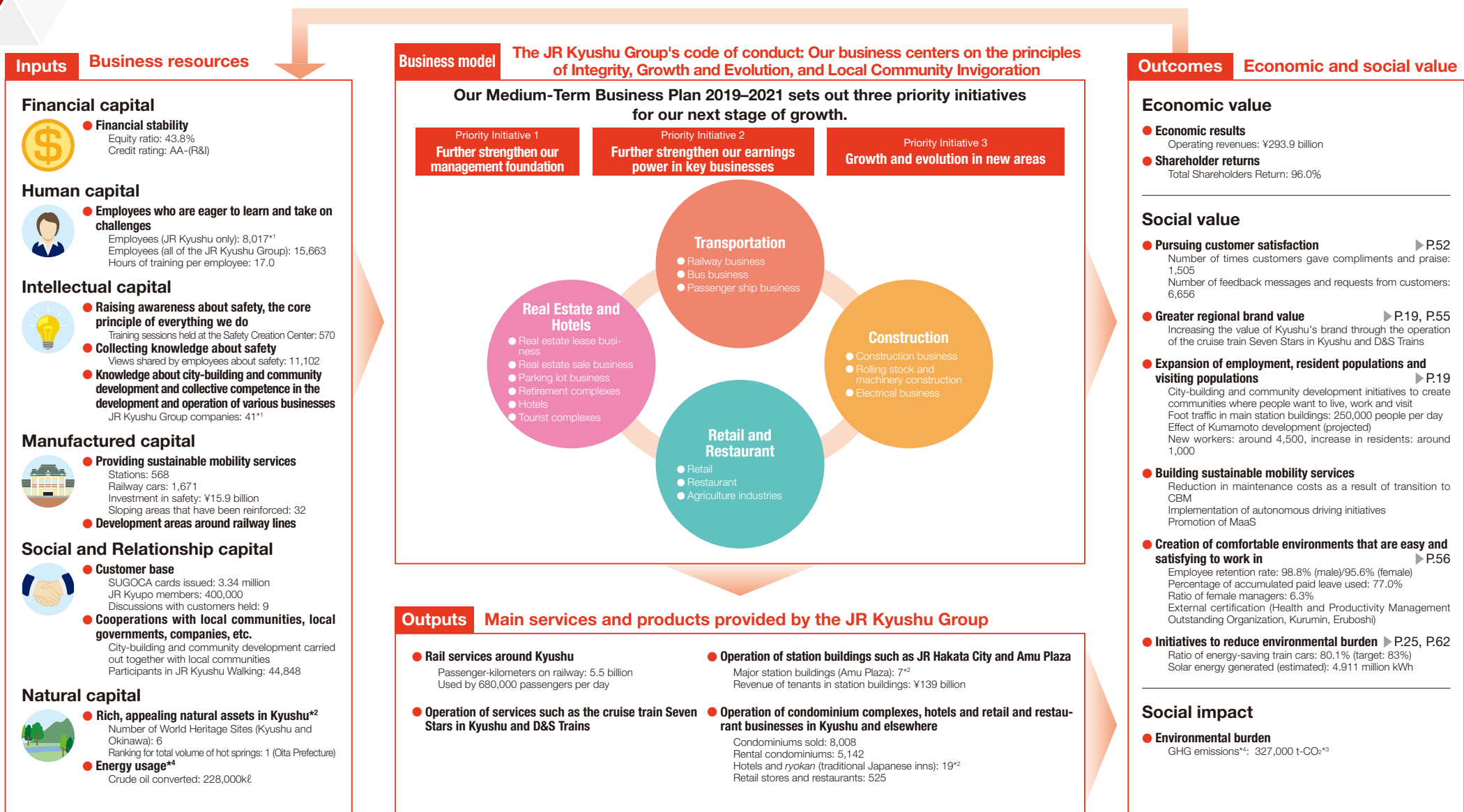
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## The Path to Achieving What We Aim To Be (Value Creation Process)



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

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

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

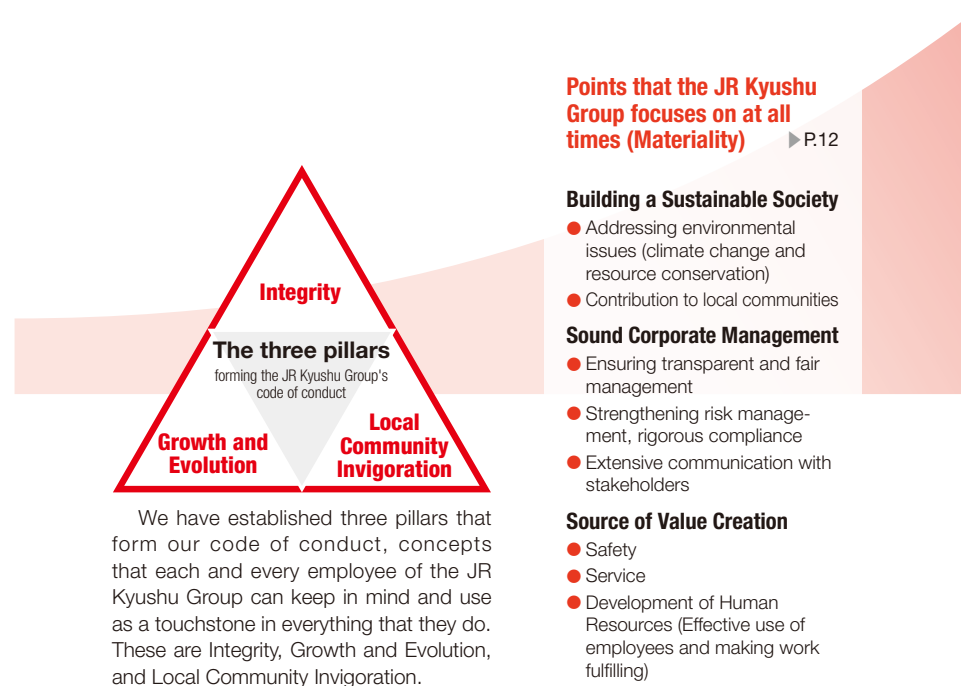


# The JR Kyushu Group's Corporate ESG

## Principles of our corporate ESG

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 our mission to contribute to a sustainable society by pursuing long-term, sustainable value.

The JR Kyushu Group often refers to the Japanese word *okonai*. This word means "conduct" or "actions", and it refers to what we must do as a corporate group. Our three *okonai* are "Integrity", "Growth and Evolution" and "Local Community Invigoration". These are standards that every employee must follow in order to achieve what we aim to be, and all of our employees take these very seriously. We bring the *okonai* that have served us for all these years to our initiatives to solve key ESG issues (materiality).



## Our framework for implementing corporate ESG

In 2019, we opened our specialist ESG Promotion Office and established our ESG Strategy Committee, led by our president, to strengthen and further implement initiatives in various areas of ESG. Our ESG Strategy Committee positions corporate ESG as a company-wide issue and decides on how to strengthen and further implement initiatives related to each environmental, social and governance element. Matters determined by the committee are reported to the Executive Committee and Board of Directors when necessary.

To further promote corporate ESG, Kuniko Muramatsu, an Outside Director who is knowledgeable about ESG, attends ESG Strategy Committee meetings as an observer. She has provided objective big-picture advice about the disclosure of information according to the TCFD, the need to set targets, value creation processes and key issues (materiality).

We interviewed Ms. Muramatsu for this report. ▶ P.35

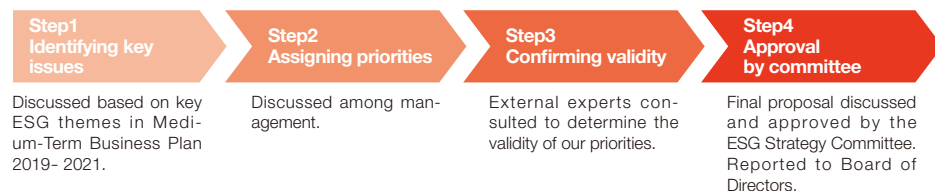


## The JR Kyushu Group's Corporate ESG

## Identifying materiality

We have identified key ESG themes that we focus on in our Medium-Term Business Plan 2019-2021. For this plan, our five top managers discussed key elements of ESG, defined materiality as points that the JR Kyushu Group must focus on at all times, and discussed these points in terms of both importance to the JR Kyushu Group and importance to society.

After identifying issues that should be prioritized through our business activities by leveraging our strengths, we finally deliberated and approved them at the ESG Strategy Committee meeting held in the fiscal year ended March 31, 2020.



## Opinions and internal reconsiderations about materiality

Last year's report, the JR Kyushu Group Integrated Report 2020, included our thoughts on materiality. Since then, further opinions gained through communication with stakeholders such as our investors and shareholders have been reported to our Board of Directors and discussed at the ESG Strategy Committee meetings held in the fiscal year ended March 2021.

We will continue to communicate with our stakeholders and discuss our materiality in further depth.

## 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.
- We believe that contributing to local communities through our business is an important mission for the JR Kyushu Group. Outside Directors also want to use their role to drive initiatives of this nature.



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

## Building a Sustainable Society

- Addressing environmental issues (climate change and resource conservation) ▶ P.62
- Contribution to local communities ▶ P.18

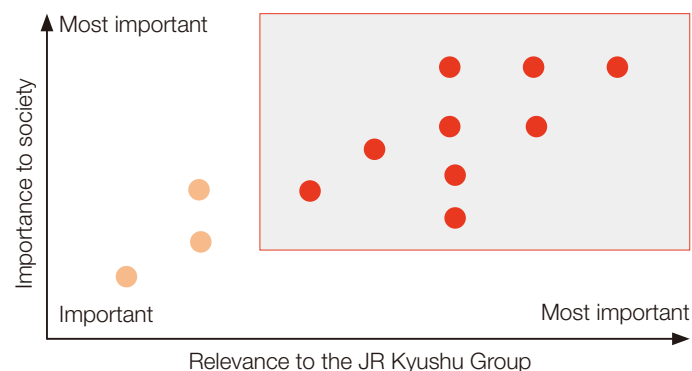
## Source of Value Creation ▶ P.47

- Safety
- Service
- Development of human resources (Effective use of employees and making work fulfilling)

## Sound Corporate Management ▶ P.31

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

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







## The JR Kyushu Group's Aims

- Message from the President
- Local Community Invigoration
- Pandemic Strategies
- Climate Change Adaptation
- Message from the CFO

## Message from the President

### Doing everything we can to get back on our path of growth and invigorate Kyushu.

**Issues for the fiscal year ended  
March 2021 that have been  
highlighted by COVID-19**

#### Looking back on the fiscal year ended March 2021

When COVID-19 first arrived in 2020, I never imagined that it would have such an immense impact on the whole of our group. We are still impacted over a year later. States of emergency, social distancing and restrictions on movement have affected almost every form of business the JR Kyushu Group conducts, and while we took emergency measures to cut operating expenses, these measures could not offset the major loss of operating revenues, resulting in an operating loss of 22.8 billion yen. With the pandemic forecast to last a long time, the fiscal year ending March 2022 is a time for us to adapt to the "new normal" in people's lives while also thinking about what the JR Kyushu Group will look like when the pandemic ends and tackling the structural issues that are involved.



President and CEO

**Toshihiko Aoyagi**



## Message from the President

**Issues faced by the JR Kyushu Group  
and our approach for the time being  
to accomplish our long-term vision****The three issues we are facing at the moment**

In addition to Japan's existing issues of a declining population and increasingly severe natural disasters, the impacts of COVID-19 have revealed three new major issues throughout the JR Kyushu Group. These are "business models centered on stations," "businesses with a high percentage of fixed costs," and "the sustained development of Kyushu." Our future corporate value depends heavily on solving these issues.

**Business management with the highest priority on safety and peace of mind**

The first issue we are having to tackle is how to achieve business management with the highest priority on safety and peace of mind, in accordance with our business model centered on stations.

Safety is our highest priority and it is something that must be created proactively. We believe that ensuring safety is not just about following rules but about each and every employee thinking for themselves and acting autonomously. A time like this, when the way forward is so uncertain, is a time for us to go back to our starting point. And the starting point of everything we do is providing our customers and other stakeholders peace of mind and earning their trust.

**City-building and community development that gives our stations even more value**

Our stations are the backbone of what we do. They are a

source of added value for the JR Kyushu Group, and we remain committed to carrying out city-building and community development that will increase populations on our lines and grow our businesses. With that said, our stations must not merely be places for our customers to pass through but as destinations that our customers will visit based on their own merit. And now, more than ever, we must make our stations even more appealing to customers. With this in mind, we decided to revise our plan for our Nagasaki Station area development to reflect society's new way of life and the need for environmental measures for decarbonization in future. The full opening has been moved forward two years to fall 2023. Future community development projects will require the same flexible approach, with the mindset that the changes in each new era bring opportunities.

**Advancing new businesses that do not depend on the flow of people**

While a major long-term hope of ours is for passenger volumes to return to their pre-COVID levels, we recognize that the current situation makes it impossible for this to happen in the short term. We have therefore decided to draw on the strengths we have built in areas such as freight transportation and shift our focus from the flow of people to the flow of goods. We had already started a cargo transportation business with goods placed in unused areas of the Kyushu Shinkansen according to a proof of concept, and we will treat this as our foot in the door of this area of business.

Other strengths of ours will be incorporated too—we will draw on our experience in comprehensive city-building and community development and customer bases such as the tenants of our station buildings to start logistics facility leasing business as a developer with a close connection to local communities. The flow of goods in addition to people will vitalize our transportation network.

**Reform of our cost structure**

As railway businesses have a high ratio of fixed costs, we were badly affected by COVID-19. We have launched an internal project to find ways to generate steady profits even if the end of the pandemic does not bring an immediate return of our full customer base. Our road map for this project sought to cut costs by 14 billion yen, 10% of the operating expenses of our railway business in the fiscal year ended March 2020.

Safety is a major premise of this project, and the aim is not to cut costs temporarily but to carry out a structural reform where we change how our businesses operate. This means changing the way our employees approach their work so that they are conscious of their role and take ownership. First, everyone must thoroughly think about the ultimate purpose of what they do and find ways to carry out their work more efficiently. That means reducing inconsistency and waste and incorporating new ideas involving DX. This will ultimately make the job easier for the employees themselves too. This has meant that we can expect to achieve a steady reduction of 14 billion yen or more in fixed costs in our next Medium-Term Business Plan period, but we aim to continue building on this and refine the details of our measures to ensure that we meet our target.

## Message from the President

**Invigorating Kyushu:  
Our role in contributing to the  
sustainable development of Kyushu**

Our business cannot exist without sustainable development in Kyushu. Local community invigoration is the cornerstone of everything we do, and we will continue to carry out strong initiatives to contribute to sustainable development of Kyushu. Invigorating local communities is something that gives our existence meaning, and personally, this pandemic has strengthened my desire to invigorate Kyushu. Invigorating local communities is about building strong local economies. Obviously this is not something we can do on our own, and it's not a matter of putting this in place and having invigorating local communities forever. One could say that this requires slow, sustained work. We want to carry out city-building and community development projects where we construct station buildings that stimulate their respective regions and bring opportunities for change, and those effects vitalize those regions as a whole. That will make Kyushu a place where people want to live, work and visit, so the most important thing is to make sure that everyone involved has the same goals and objectives. At the beginning of this fiscal year, we announced specialized regional funds as an initiative to invigorate Kyushu by providing support for the growth of local businesses that are struggling with the impacts of COVID-19 and the succession of their business. In addition to providing funding, we are adapting our management so that it is better aligned with our strengths. A long-term element that needs to be tackled when invigorating local communities is the construction of sustainable mobility services. I believe that MaaS will play a major role in this.

In addition to the Supporting Each Other Until It's Over project, where we help communities to navigate COVID-19 and become even stronger, we also launched the Come On, Let's Invigorate Kyushu project in July to reach out to restaurants, tourist attractions, accommodation facilities and various other stores and organizations that are struggling as a result of COVID-19. We are working together with all of you to vitalize local communities and invigorate Kyushu.

**Implementing corporate ESG**

The JR Kyushu Group began as a public transportation provider, a foundational presence in society, and this background means that the very continuation of our business could be considered an ESG initiative in itself. 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. This means that creating sustainable corporate and social value that brings us closer to what we aim to be is corporate ESG, and is a contribution to the accomplishment of the SDGs. The driving force of our corporate ESG is our employees, who think about what they can do and act autonomously to support our transportation and invigorate local communities and Kyushu as a whole as we all navigate the challenges created by COVID-19. At the beginning of every year, I decide on a Japanese *kanji* character that represents what we want to accomplish that year. This year's character is 進, which means "moving forward" and "evolving". Last year, our business came to a standstill in many ways as we withstood immense changes to our business environment. We wanted this year to be a time for doing what we need to do, progressing and evolving. I told our employees, "I will be taking the lead and working to

**SUSTAINABLE  
DEVELOPMENT GOALS**



## Message from the President

change the way we do things here. I want you all to work with me to do what needs to be done. Things remain unpredictable, but let's not stop here. Let's look ahead and move forward." There is no night that does not give way to the dawn. Times may be tough, but we will keep our unique spark and move forward together through all the obstacles.

With that said, where we have previously carried out ESG initiatives for each specific business and measure, we have yet to view our systems as a whole through the lens of ESG, re-evaluate ourselves and communicate with external parties in easy-to-understand language.

**Climate change adaptation**

In February 2021, we publicly expressed support for TCFD

recommendations and disclosed relevant information on this. We analyzed the scenarios set out by the TCFD based on multiple potential futures rather than only the future that is likely to occur if we are successful. Incorporating multiple potential scenarios into our management strategies gives us the opportunity to develop the resilience and flexibility needed to survive such uncertain times. We have also told JR Kyushu Group personnel "The purpose of scenario analysis is not to make exact predictions or find correct answers. It is to ascertain how our business activities could be impacted by climate change in future, think about how we should handle that impact and reflect that in our measures. And communicating about our findings is a perfect example of corporate ESG." Thus far, we have taken measures such as adopting energy-saving train cars and conserving energy in our buildings. Our support for TCFD recommendations and disclosure of information has led to clearer communication with both internal and external parties about our stance on climate change and more in-depth discussions within the JR Kyushu Group about this issue. We also announced that we are aiming to achieve net-zero CO<sub>2</sub> emissions by 2050. Achieving this will be no simple matter. One company cannot achieve this on its own. Cooperation with other companies and local communities will be essential—this is an issue we all need to tackle together. We have already seen more frequent and intense natural disasters in recent years, which are thought to be the result of global warming. Our business activities are not unaffected by this. And we ourselves are contributing to the burden being placed on our environment, through our use of energy in our business activities. It will be critical to implement a variety of measures to achieve net-zero CO<sub>2</sub> emissions between now and 2050. Tackling climate change is a crucial element of corporate ESG, and our initiatives will not only address the risks but act on the opportunities that these changes will bring.

## Making Kyushu a place where people want to live, work and visit

When JR Kyushu was first established, we were told that management conditions were difficult, but I personally thought Kyushu was a fascinating place with untapped potential. I promised myself that we would make Kyushu's communities the cornerstone of our work and reflect their unique characteristics in our business. That aim still drives me today.

I am determined to help make Kyushu a place where people want to live, work and visit through city-building and community development initiatives that center on sustainable mobility services that place the highest priority on safety and peace of mind. Our next Medium-Term Business Plan period comes at a critical time for making a V-shaped recovery from the damage wrought by COVID-19 and working toward accomplishing our Long-Term Vision for 2030. During this fiscal year, we will lay the foundations for that work through structural reforms that address the three key issues created by COVID-19. We will carry out business strategies and financial strategies that will enable us to adapt to the changes that have taken place.

Communication with stakeholders will remain important as we work to improve the value of our company. Our initiatives, too, will require us to communicate more extensively with our stakeholders and explain things in a way that is easy to understand. I appreciate your understanding and long-term view of our activities, and promise that you can have high hopes for us.



# Local Community Invigoration:

The JR Kyushu Group's Contribution to Local Communities

We approach our business with a strong sense of purpose as a corporate group that is invigorating Kyushu. While COVID-19 has dramatically changed our business environment, this mindset remains unchanged.

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 to create thriving communities with

plenty of employment opportunities.

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. When communities are invigorated, the JR Kyushu Group is invigorated too. Sustainable development of communities leads to sustainable growth of our group.





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Extensive Communication with Stakeholders

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## Local Community Invigoration

### 10th anniversary of the full opening of the Kyushu Shinkansen The one-night-only Shooting Star Shinkansen service

It has been 10 years since the Kyushu Shinkansen was fully opened. So much has happened since then. We have experienced severe natural disasters such as the Kumamoto earthquakes and heavy rains. And now COVID-19 has brought a variety of difficulties.

We created this plan so that we could express our gratitude to the many people who gave their support over the last 10 years and shine a beacon of hope to Kyushu for a bright future after the struggles of COVID-19.

#### "The Shooting Star Shinkansen: a special one-night-only service that carried your wishes and brought light to communities"

Nothing like the Shooting Star Shinkansen service had ever been done before, and accomplishing this plan was no simple matter, but everyone in our sales division and technology and operations division was determined to find a way to make local communities happy and bring cheer

and energy to Kyushu, and this saw us through many issues.

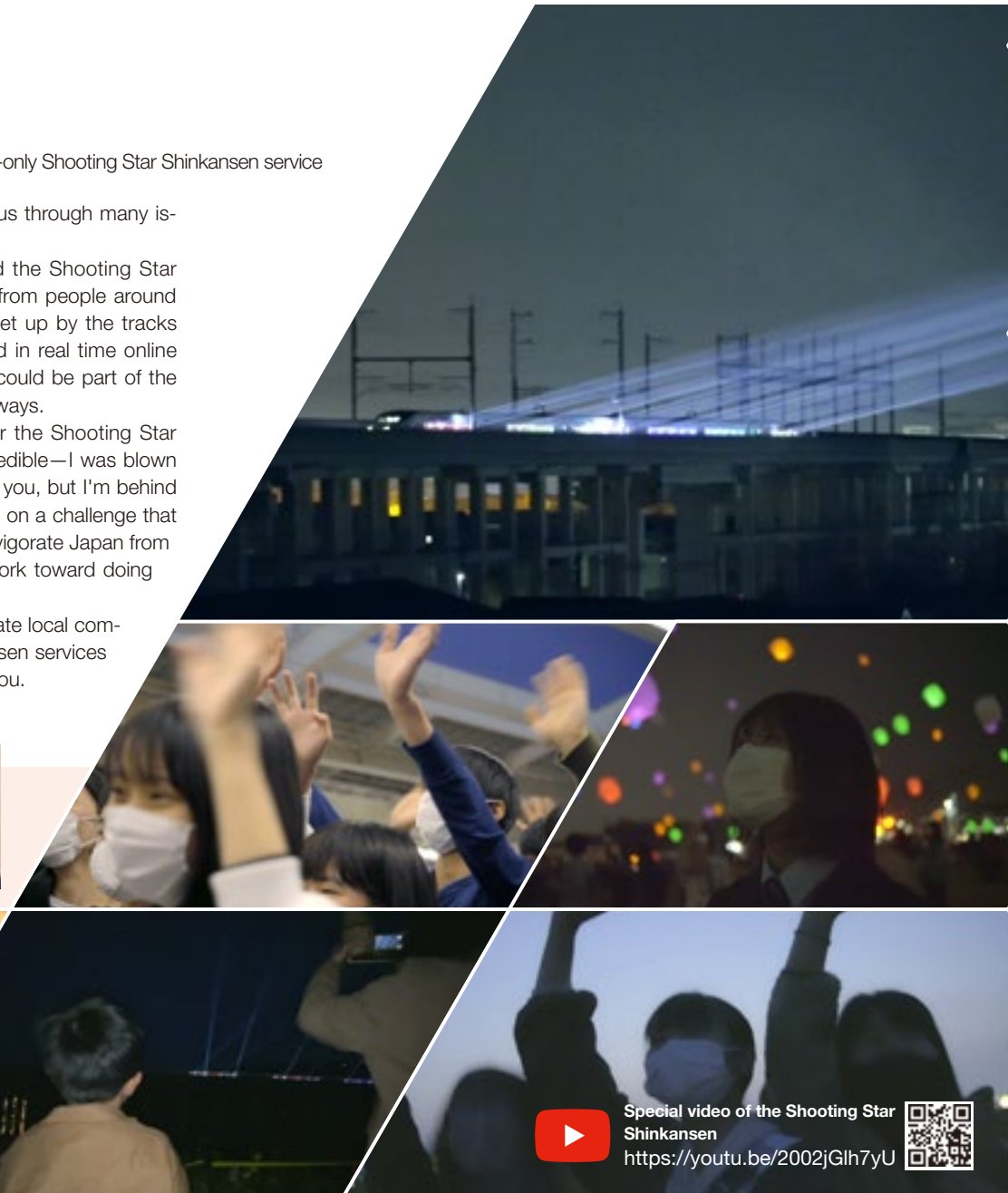
On March 14, 2021, we operated the Shooting Star Shinkansen, reflecting 8,350 wishes from people around Japan. Special viewing areas were set up by the tracks and the train's journey was streamed in real time online so that as many people as possible could be part of the event in different places and different ways.

We received many messages after the Shooting Star Shinkansen's journey: "That was incredible—I was blown away. I'm sure COVID-19 is tough for you, but I'm behind you." "It was inspiring to see you take on a challenge that the world had never seen before to invigorate Japan from Kyushu. It made me really want to work toward doing something like that myself."

We will continue working to invigorate local communities through our Kyushu Shinkansen services as we embark on new journeys with you.

I think our Shooting Star Shinkansen service showed what is important to the JR Kyushu Group. It was a plan like nothing before, but our company culture is all about embracing challenges, and I am keenly aware that this was what made this plan a success. Seeing so many people's smiles and receiving their messages also moved us and gave us a boost. We will continue working to invigorate local communities.

Deputy Manager of Marketing & Sales Planning Division, Marketing and Sales Department **Ryuichi Miyazaki**



Special video of the Shooting Star  
Shinkansen  
<https://youtu.be/2002jGih7yU>





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## Local Community Invigoration

### Businesses Involved Local Community Invigoration

We expanded the JR Kyushu Group's business by acquiring businesses that will work in synergy with our existing businesses, or help us to promote tourism in Kyushu, or explore new demand for railways. We believe that initiatives like this will help us to keep local people employed and maintain communities' brands, and lead to the development and growth of communities. We will continue to contribute to sustainable development in Kyushu through our businesses.

#### Entering the Agricultural Business

JR Kyushu Farm Co., Ltd.

An increasing quantity of farm land is being abandoned due to a lack of successors. JR Kyushu began its agricultural business to help to reinvigorate Kyushu's farming industry. JR Kyushu Farm Co., Ltd. began by growing leeks in Oita Prefecture, and now grows produce on six farms.



#### Tertiary-sector privatization project

Oyama Yumekobo, Inc.

In January 2016, Oyama Yumekobo, Inc. joined the JR Kyushu Group. Located in the Oyamamachi district of Hita City, Oita Prefecture, an area famous for its Japanese plums (*ume*), the company performs operations such as running a hot spring inn and producing plum liqueur (*umeshu*). A large-scale remodeling turned the inn into luxury accommodation with around twice its previous room rate, and the occupancy rate has stayed comparatively high despite COVID-19.



#### Manbou Corp. joins the JR Kyushu Group

In December 2019, Manbou Corp. joined the JR Kyushu Group. Manbou Corp. is known for opening Japan's first restaurant in the sea and for being the birthplace of squid siu mai dumplings, helping to make Yobuko squid a brand. Sales are strong as a result of initiatives to expand sales channels, including strengthening the company's e-commerce. We will continue working together with Manbou Corp. on city-building and community development to contribute to the development of the area's food culture and tourism industry while maintaining the products and brand that Manbou has built and the local character that gives it its value.



### Establishing specialized regional funds

In April 2021, we established specialized regional funds called JR Kyushu Corporate Investment LLC.

The aims of these funds are to alleviate regional issues such as the lack of a successor or poor business performance as a result of COVID-19, to strengthen our main businesses and expand their scope by using a more flexible and dynamic form of investment in addition to conventional M&A, and to broaden our opportunities for revenue through our involvement in the funds.

The funds will invest in small and medium companies in Kyushu and companies that provide products and services with roots in local communities. This funding will help companies to solve issues such as business succession and achieve further growth, which in turn will lead to development and growth of local communities.

#### Regional issues

Increase in small and medium sized companies in challenging business environment (COVID-19, succession issues, labor shortage, disasters, etc.)

#### JR Kyushu issues

Focus on growth fields, with consideration for changes in management environment during COVID-19.

- Investing in small and medium-sized enterprises with a business base in Kyushu and companies that provide products and services rooted in the local community, and **supporting the business continuity and further growth of portfolio companies** through management improvements such as human resources support and expansion of sales channels
- **Strengthening the JR Kyushu Group's core businesses and expanding its business fields** by having more flexible, agile investment configurations in addition to conventional M&A
- **Expanding earnings opportunities** through participation in fund business
  - ▶ Joint investment scheme with J-WILL Group
  - ▶ Total amount of investment: ¥5.0 billion



### Accelerating initiatives for "Invigorating Kyushu" through agile investment via funds

Because the JR Kyushu Group is based in Kyushu, when communities are invigorated, we are invigorated too. Solving local issues and breathing new life into communities leads to sustainable growth of our group. The support of local businesses achieved by these funds will contribute to sustainable development of Kyushu.

Business Portfolio Strategies, Strategy Management Department  
Toru Kamiko (left) and Tamayo Kusumoto (right), both section leaders





## Local Community Invigoration

**City-Building and Community Development Initiatives by the JR Kyushu Group**

## Development around Kumamoto Station

A key goal in our current Medium-term Business Plan is to implement strategic city-building and community development initiatives in the regions around our business areas. Our development around Kumamoto Station is a part of this, and follows last year's development at the west exit of Miyazaki Station, which centered on AMU PLAZA MIYAZAKI. The total floor area of the new Kumamoto Station Building is around 110,000m<sup>2</sup>, and contains commercial facilities, a hotel and a multistory parking garage. Facilities such as offices and condominiums have also been developed to facilitate all-inclusive city-building and community development around the station.



## Basic Policies

**City-building and community development initiatives to create communities where people want to live, work and visit**

To create communities where people want to live, work and visit, the JR Kyushu Group carries out development around stations that reflect the unique characteristics of each community. The accelerating synergy between this work and our railway business itself will increase employment opportunities, residents and visitors in Kyushu despite the declining population.

## Development concept

**Enlivening Kumamoto with a station that marks a new beginning**

In spring 2018, we completed a project to elevate the Hohi Main Line and the outbound line of the Kagoshima Main Line around Kumamoto Station. We are now building on this with city-building and community development work around the station.

Kumamoto Station is the gateway to the open land of central Kyushu and the new building reflects that. Standing 12 floors high with one basement floor, the complex contains commercial facilities, a hotel and a multistory parking garage. The complex opened on April 23, 2021.

**Requirements for the Kumamoto Station building development**

- Energy, symbolism, communication and attraction of customers from many different areas—Kumamoto Station is an urban subcenter and the gateway to the open land of central Kyushu
- Scale, integration and segmentation suitable for competing with city centers and suburbs

**The situation of the area around Kumamoto Station (background of this development)****Population movement**

There are over 1 million people in the greater Kumamoto area. The area around Kumamoto Station (20km radius) is more densely populated than the same area around Kagoshima, Oita and Nagasaki Stations.

**Location and business area**

- Despite being a hub for train, tram and bus services, Kumamoto Station is 2.5km from the city center, and is a business zone of its own.
- It has to compete with the city center and large suburban shopping centers.

➔ The Kumamoto area has a large population and many commercial facilities.



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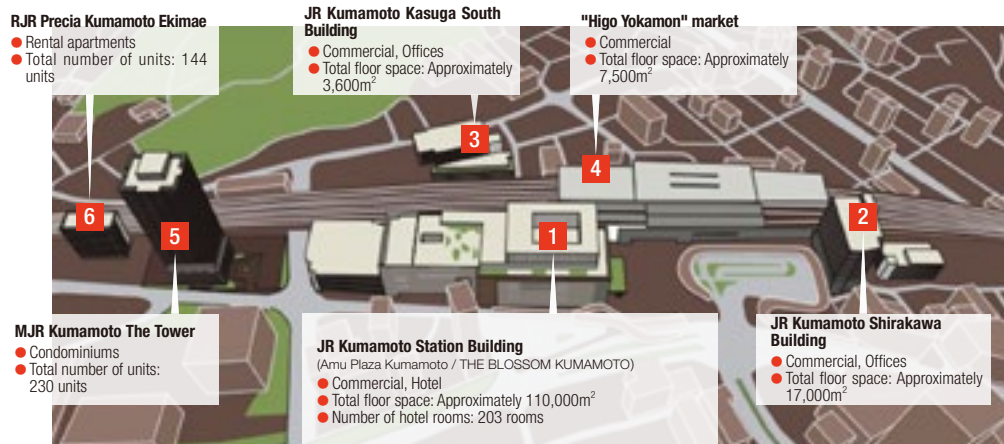
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## Local Community Invigoration

### Creating energy around Kumamoto Station, the gateway to the open land of central Kyushu

With fashion, miscellaneous goods, a cinema complex and plenty of restaurants and food stores, this commercial complex will appeal to people of all ages. Areas such as the large rooftop terrace and the square outside the station can be used for a variety of events and communication initiatives.



### Mizu To Midori No Rittai Teien Garden and Rooftop Garden

Kumamoto Station is the gateway to the open land of Kumamoto, so we created Mizu To Midori No Rittai Teien (Multistory Garden with Water and Greenery) as a new symbol of this. The garden reflects the way water and greenery nurture the land on which these stores are built, and is a place for relaxing and mingling.



### Environmental initiatives in the Kumamoto development

Various environmental measures have been used in the JR Kumamoto Station building, including greenery on the walls, the use of natural light in the day, natural air flow and air conditioning that uses radiant heat. Occupancy sensors are used to turn equipment on and off, high-efficiency and/or energy-saving devices are used and CO<sub>2</sub> density is used to control the output of air conditioners.

### Measures to prevent the spread of COVID-19 and other infectious diseases

With COVID-19 currently creating a health risk, we have taken measures to keep our customers and employees safe and put them at ease. Flap gates and temperature check machines are set up at the employee entrances, the air in common areas is purified, natural ventilation is used and photocatalytic antibacterial coating is applied to areas that people will touch.

### Initiatives and roles in the event of a disaster or other emergency

To ensure business continuity in the event of a disaster or other emergency, well water is drawn from Kumamoto's abundant groundwater, generators are used to provide power for security purposes, there are facilities such as disaster control centers and electrical rooms on the second floor and higher, and flood-proof measures are taken in critical offices. The area around Kumamoto Station is also a sub-terminal for public transport, so we have improved its capacities as a hub for services such as trains, trams, buses and taxis. The JR Kumamoto Station building is a landmark in the area, and for this reason, the square outside the Shirakawa gate on the east side of Kumamoto Station will be used as an evacuation area in the case of emergencies and a base for recovery and support work. The management of the JR Kumamoto Station building have signed an agreement with the Kumamoto City Government to cooperate with them in rescue efforts by providing shelter for evacuees who cannot return home. Tenants in the JR Kumamoto Station building will provide the evacuees with goods such as water, food and blankets from their stores.

An emergency power supply is set up under the large roof facing the square for emergency facilities such as temporary lighting and mobile phone charging stations. Manhole toilets directly connected to the city's wastewater drain are set up under the railway bridge for use in the event of a disaster.

### Comments from Kazufumi Onishi, Mayor of Kumamoto: As a business partner

Based on the experience of the 2016 Kumamoto Earthquakes, we worked together with Kyushu Railway Company to strengthen disaster-proofing features at the square outside the Shirakawa gate of Kumamoto Station (completed this spring) by creating an open space that can be used as a base for recovery and reconstruction, such as a temporary evacuation area and a volunteer center.

In addition to working with JR Kyushu, JR Kumamoto City and other businesses in the area on a disaster plan for the area around Kumamoto Station, we signed a disaster cooperation agreement, which will enable us to carry out this plan more effectively. I am deeply grateful to our partners for their contributions.

The Kumamoto City Government hopes to work on more public-private co-operations in future to further improve our ability to prevent and mitigate disaster damage. I appreciate your understanding and cooperation.



**Kazufumi Onishi**  
Mayor of Kumamoto City



# Pandemic Strategies

## Feature

### Business management with the high priority on safety and peace of mind

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.

#### Safety/security for customers

- Frequent cleaning and disinfecting in facilities such as the railway facilities, station building, hotel, etc.
- Announcements reminding people to wear masks and follow staggered work hours
- Contactless payment, mobile ordering systems

#### Safety/security for business partners

- Securing safety through disinfection of entrance locations, etc.
- Aggressively utilizing online meetings
- Implementing support measures in line with circumstances

※Implementing rent reductions for station building tenants from April to July, 2020

#### Safety/security for employees and their families

- Providing information to employees, such as comments from Company leaders, etc.
- Enhancing health management system
- Implementing short-term employment adjustments
- Utilizing staggered commuting, teleworking
- Setting up and recommending online meeting environments



Regular disinfection process in a train



Our DELIVERY & ORDER business  
Mobile order system for D'OR

## Feature

### Initiatives for sustainable business operations

#### Reform of the cost structure in our railway business through BPR (business process re-engineering) strategies

With COVID-19 causing a loss of revenue in our railway business, we recognized a need to build an operational framework that would generate steady revenue despite the current situation. First, we will create a road map for the reform of our cost structure. We will assess whether any of our systems or operations have become obsolete during the long history of our railway and whether any operations or facilities can be further standardized. We will continue to discuss how we can reduce costs in future.

##### Direction of this measure

##### Further advancing existing measures

- **Providing services aligned with demand**  
Reevaluating timetables and rolling stock use  
Reevaluating station administration systems (reevaluating number of ticket offices, number of sales machines, etc.)
- **Streamlining rolling stock/facilities**  
Reducing quantity of rolling stock needed through the use of longer seats, etc.  
Disposing of unnecessary facilities
- **Optimizing inspection/maintenance levels**  
Reevaluating inspection standards related to ground equipment and equipment replacement standards.

##### Bottom-up measures

- **Realizing 4,000 ideas submitted by employees (fostering a sense of participation)**  
Digitizing publications; utilizing information sharing tools; streamlining meetings; reevaluating number of telephone lines, etc.

##### Top-down measures

- **Organizational streamlining**  
Building operational administration systems transcending organization areas
- **Flexible use of human resources**  
Implementing strategic seconding initiatives inside and outside the Group
- **Reevaluating cost/administrative structures of functional subsidiaries**  
Reducing overlapping operations/functions between parent and subsidiaries, reevaluating contracts, etc.

#### Proof-of-concept of self-driving train equipment

In order to maintain our transportation network long-term, our work to maintain and further improve safety is accompanied by initiatives to automate and mechanize our work so that we will have enough staff in future when Japan's working population is smaller. One such initiative is the development of self-driving train equipment.

We have been conducting proof-of-concept experiments from December 2020 by using self-driving train equipment on commercial trains operated by drivers on the Kashii Line. We will continue to work toward autonomous driving systems that will be operated by other onboard crew.



## Pandemic Strategies

**Feature** Pursuing opportunities for revenue**The start of passenger-cargo services**

We are making use of the speed and regularity of our Shinkansen services, and the unused space on these trains, to capitalize on a new revenue opportunity.

In May 2021, we launched Haya!Bin, a cargo transportation business operated directly by JR Kyushu that enables speedy delivery of fresh food such as fresh fish and vegetables picked the same morning. We are also partnering with Sagawa Express Co., Ltd. to provide passenger-cargo services on our Shinkansen lines. Proof-of-concept experiments are underway for a joint project with West Japan Railway Company to transport specialties from the Kyushu area to the Kansai region, an example of how we aim to continue creating new solutions for various needs in future.



**はやっ!便**

**Opportunities**

Unutilized space on Kyushu Shinkansen trains

**Strengths**

Shinkansen **speed and regular schedule**

**Entry into the logistics facility leasing business**

Factors such as the growth of the e-commerce market have driven demand for logistics facility leasing businesses. To capitalize on that demand, we acquired a logistics facility near the Fukuoka Interchange on the Kyushu Expressway.

Through this venture, we will expand our business outside our original business model, which has primarily consisted of businesses that are dependent on the flow of people, such as station buildings and hotels.

We are making the most of strengths such as our experience in general city-building and community development, and our base of customers such as station building tenants to build a business portfolio in a new area and take on a new area of business that is not dependent on the flow of people.



perspective drawing

**Opportunities**

Growth in market surrounding logistics facilities against a background of e-commerce market growth, etc.

**Strengths**

**Comprehensive city-building experience**  
(providing additional value to warehouses);  
**customer base**, such as station building tenants, etc.

**Entry into the shared office and co-working business**

To increase regional value through the development of areas surrounding stations, we opened our first co-working facility, Q, in the basement of Amu Plaza Hakata in June 2021, followed by Q-Works FUKUMA at Fukuma Station on the Kagoshima Main Line in July 2021.

Making use of the highly convenient business infrastructure provided by stations, we are creating a new work format for office-based businesses. Q, our first facility, has a co-learning area in addition to its shared offices and co-working area, providing opportunities to build global business networks that connect Kyushu with the world.



perspective drawing

**Private REIT (real estate investment trust)**

In April 2021, we established JR Kyushu Asset Management Co., Ltd. to handle asset management operations for the new private REIT we are sponsoring.

A cyclical investment model is used to lay the foundations for sustainable growth of our real estate development business. We are carrying out specific preparations for the commencement of the REIT's use, such as applying for the necessary permits. This new business development will enable us to generate development profits and diversify our capital acquisition methods. Through our involvement in this asset management business, we will gain more revenue opportunities and use the capital we gain to take an active role in the sustainable development around Kumamoto and Miyazaki Stations and additional real estate development.

# Climate Change Adaptation

## Feature Expression of support for TCFD Recommendations and implementing information disclosure



Following the adoption of the Paris Agreement, activities targeting progress toward a de-carbonized society extended around the world. The frequency and severity of natural disasters has increased in recent years, and this trend is thought to be related to climate change. Business activities have been significantly affected. Accordingly, the JR Kyushu Group has positioned climate change as one of its key ESG issues (materiality) and has advanced measures to address the climate change issue.

In this setting, in February 2021, the Company announced its support for the recommendations of TCFD, which was established by the Financial Stability Board and joined the TCFD Consortium, which is comprised of companies that support the TCFD.

In addition, JR Kyushu participated in a program supporting the scenario analysis of climate risks and opportunities in alignment with the TCFD. This program was conducted by the Ministry of the Environment. The Company's operations involve large volumes of CO<sub>2</sub> emissions, and the Company conducted scenario analysis regarding the influence of climate change on the railway business, which is affected by increasingly frequent/severe natural disasters.

We will continue to disclose information according to TCFD recommendations and implement environmental initiatives to contribute to the building of a sustainable society.

### Major scenarios used in scenario analysis

Used primarily to analyze transition risks	IEA: SDS, STEPS, DRS
Used primarily to analyze physical risks	IPCC: RCP2.6, RCP8.5

Governance	Strategy	Risk Management	Metrics and Targets
<ul style="list-style-type: none"> <li>Establishment of an environmental management system</li> <li>Reporting to the Board of Directors</li> </ul> <p>▶ P.11, P.62</p>	<ul style="list-style-type: none"> <li>Risk and Opportunity Severity Evaluation</li> <li>Recognizing the impacts of climate change through scenario analysis</li> </ul>	<ul style="list-style-type: none"> <li>Planning, formulation and progress management of measures by the committee chaired by the president</li> </ul> <p>▶ P.11, P.62</p>	<ul style="list-style-type: none"> <li>Setting of a medium-term target toward net-zero CO<sub>2</sub> emissions by 2050</li> <li>Start to develop a roadmap</li> </ul>

▶ See our website for details

Environmental Initiatives → Information Disclosure Aligned with TCFD Recommendations  
[https://www.jrkyushu.co.jp/company/ir\\_eng/esg/](https://www.jrkyushu.co.jp/company/ir_eng/esg/)

### Risks and opportunities

Type		Evaluation		Risks	Opportunities	
Transition	Policy/regulation	Increase in carbon tax (Increase in carbon price)	Large	Medium to long term	<ul style="list-style-type: none"><li>● Energy procurement cost increase</li><li>● Materials procurement cost increase due to rise in price of iron and steel</li><li>● Decrease in sales due to passing of procurement costs on to wages</li></ul>	<ul style="list-style-type: none"><li>● Insignificant influence on energy procurement costs from measures to address trend toward energy saving and de-carbonization</li></ul>
		Regulations related to carbon emissions and the use of fossil fuels	Moderate	Medium to long term	<ul style="list-style-type: none"><li>● Increase in development/manufacturing costs for rolling stock to address regulations</li></ul>	<ul style="list-style-type: none"><li>● Increase in sales accompanying maintenance of environmental superiority of railways resulting from early adoption of de-carbonization</li></ul>
				Long term	<ul style="list-style-type: none"><li>● Difficulty in operating diesel rolling stock if unable to address regulations</li></ul>	
	Market	Change in energy mix Change in energy prices	Large	Medium to long term	<ul style="list-style-type: none"><li>● Energy procurement cost increase</li><li>● Decrease in sales due to passing of energy procurement costs on to wages</li></ul>	<ul style="list-style-type: none"><li>● Lower costs and higher sales due to introduction/expansion of renewable energy businesses accompanying advances in photo-voltaic power generation and electricity storage technologies</li></ul>
	Technologies		Large	Short to medium term		<ul style="list-style-type: none"><li>● Lower costs due to adoption of self-driving technologies for railways</li></ul>
				Medium to long term	<ul style="list-style-type: none"><li>● Decline in sales due to decrease in environmental superiority of railways resulting from adoption of electric vehicles, etc.</li><li>● Failure of investment in new technologies for environmentally friendly rolling stock, etc.</li></ul>	<ul style="list-style-type: none"><li>● Decrease in costs due to efficient inspection operations accompanying advances in weather forecasting</li><li>● Increase in sales accompanying active use of public transportation due to adoption of MaaS</li></ul>
				Long term	<ul style="list-style-type: none"><li>● Decrease in sales following loss of railway superiority due to adoption of self-driving technologies for automobiles, etc.</li></ul>	<ul style="list-style-type: none"><li>● Decrease in maintenance costs and increase in environmental superiority due to introduction of next-generation rolling stock, increase in sales due to increased environmental superiority</li></ul>
	Reputation	Changes in customer preferences	Large	Short to medium term	<ul style="list-style-type: none"><li>● Decline in sales if the environmental superiority of railways decreases, resulting from a shift to alternative means of transportation due to higher environmental consciousness among customers</li></ul>	<ul style="list-style-type: none"><li>● Increase in sales if the environmental superiority of railways is maintained, resulting from a shift to the use of railways due to higher environmental consciousness among customers</li></ul>
		Change in reputation among investors	Small	Short to medium term	<ul style="list-style-type: none"><li>● Decline in reputation among investors if environmental measures are not considered to be aggressive</li></ul>	<ul style="list-style-type: none"><li>● Attraction of ESG investment due to shift to low-carbon, environmentally friendly businesses</li></ul>
	Physical	Acute	Increased frequency/severity of natural disasters	Large	Short term	<ul style="list-style-type: none"><li>● Decrease in sales due to disaster recovery cost increases and service suspensions accompanying increased or longer incidents of rain/strong winds</li></ul>
Short to medium term					<ul style="list-style-type: none"><li>● Influence on business continuity due to supply chain interruption</li><li>● Decline in asset value in regions with high disaster risk</li></ul>	
Medium to long term						<ul style="list-style-type: none"><li>● Decrease in disaster restoration costs and increase in sales due to operation of a railway business that is disaster resilient.</li></ul>
Chronic		Rise in average atmospheric temperature	Large	Short term	<ul style="list-style-type: none"><li>● Increase in air-conditioning costs</li><li>● Increase in costs to address heatstroke</li><li>● Increase in costs due to breakdown of electrical equipment and other railway assets and to rail buckling</li></ul>	
				Short to medium term	<ul style="list-style-type: none"><li>● Decline in sales due to trend toward refraining from going out</li></ul>	



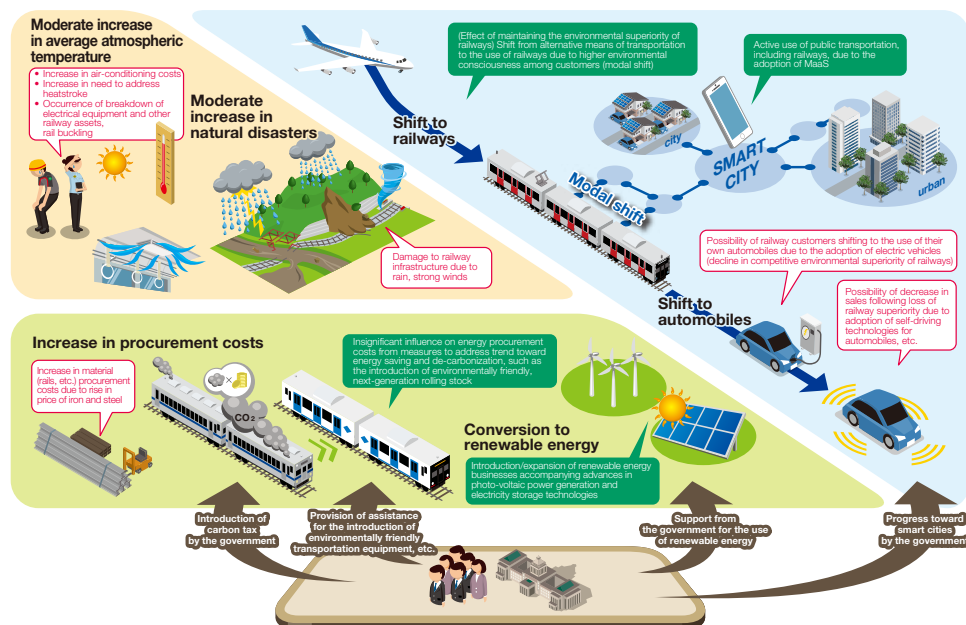
## Climate Change Adaptation

## Results of scenario analysis

We analyzed the effect of climate change on our railway business, based on 2°C to 4°C\* scenarios outlined by specialist institutions, such as the IPCC (Intergovernmental Panel on Climate Change) and IEA (International Energy Agency). As a result of the analysis, under the 2°C scenario, which anticipates an increase in carbon taxes and cost increases due to the adoption of renewable energy, if the environmental superiority of railways can be maintained, then there will be a shift of customers from other means of transportation, and we will be able to secure opportunities to increase sales.

\* Including IEA 2020 scenario of 2.7°C or higher

## Global outlook under 2°C scenario (2050)



## Feature

Working to achieve net-zero CO<sub>2</sub> emissions by 2050The JR Kyushu Group is aiming for net-zero CO<sub>2</sub> emissions by 2050

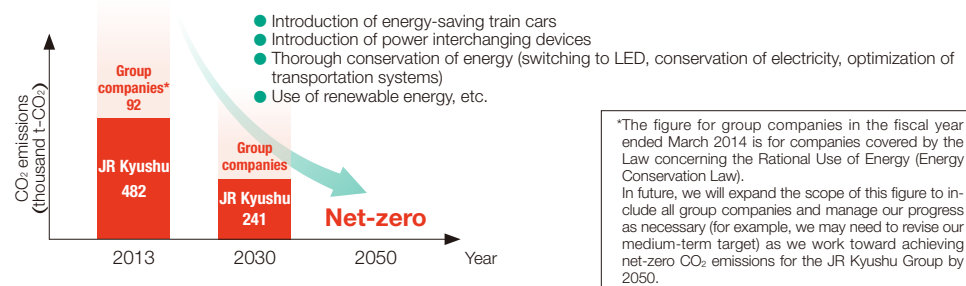
Medium-term target for 2030: Cut emissions for JR Kyushu by 50% compared to the 2013 fiscal year

The JR Kyushu Group is redoubling its initiatives to tackle climate change. To contribute to a sustainable society and the growth of the JR Kyushu Group, we are aiming for net-zero CO<sub>2</sub> emissions by 2050 and taking on the challenge of building a zero-carbon society. A medium-term target is to cut emissions for JR Kyushu by 50% between the fiscal year ended March 2014 and the fiscal year ending March 2031.

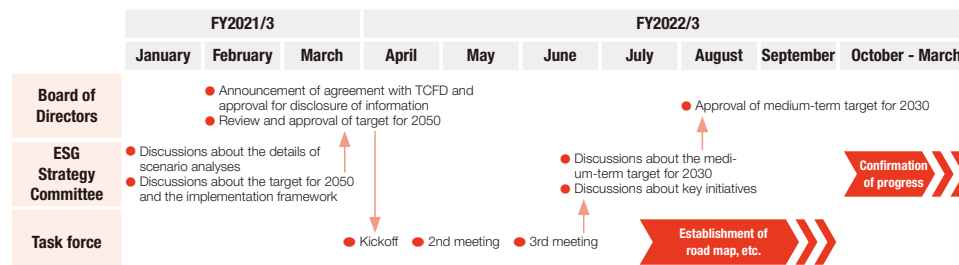
To prepare for 2030, we are focusing on thorough conservation of energy (through the adoption of technology such as energy-saving train cars and power interchanging devices), more efficient use of energy and greater use of renewable energy.

Work for the future includes assessing emissions where possible in group companies that are not covered by Energy Conservation Law and discussing medium-term targets as a group.

## Vision for emission reduction by 2050



## Schedule



## Message from the CFO

**Improving cash flow from operating activities through measures such as structural reform and adopting a cyclical investment model to balance sustainable growth strategies with capital efficiency and maintaining financial soundness**

### Results for the fiscal year ended March 2021 and forecasts for the fiscal year ending March 2022

In the fiscal year ended March 2021, the states of emergency, social distancing and restrictions on movement necessitated by COVID-19 affected almost every form of business the JR Kyushu Group conducts, causing operating revenues to fall 32% year on year to 293.9 billion yen. While we took emergency measures to cut operating expenses, these measures could not offset the major loss of revenue, resulting in an operating loss of 22.8 billion yen and a net loss of 18.9 billion yen in net income attributable to owners of the parent.

Meanwhile, we have decided to withdraw the numerical management targets in the JR Kyushu Group Medium-Term Business Plan 2019–2021 as it was determined that they would be difficult to accomplish in the face of the vast changes that COVID-19 has wrought on the JR Kyushu Group's business environment. In the

Chief Financial Officer

**Toshihiro Mori**

## Message from the CFO

fiscal year ending March 2022, we will look to the post-COVID days, tackle structural issues such as reforming our cost structure and creating a model for business reform and growth, put measures in place for a V-shaped recovery and consider what the next Medium-Term Business Plan will look like.

While operating revenues are rebounding, we forecast that this year's results will still be impacted by COVID-19 to a certain degree in all of our businesses. I do not expect to see us return to our pre-COVID performance. With that said, our continued efforts to reduce costs, primarily in our railway business, will bring our operating income back into the black and enable a recovery for EBITDA. I'll now talk about each specific business, starting with our railway business. While we are hoping that the pandemic will end soon, we are taking various measures to secure revenue. In addition to campaigns in cooperation with each area of Kyushu, our measures include discontinuation of many discount tickets sold at counters, increases in the prices of discount tickets and discontinuation of tickets for multiple rides. In terms of costs, we are continuing the emergency cost reduction measures we started last year and cutting costs through BPR strategies (which I will describe later). We expect to reduce the costs of our railway business by 14 billion yen compared to the fiscal year ended March 2020 through these measures. In our real estate and hotels business, the new Miyazaki and Kumamoto Station buildings, opened in November 2020 and April 2021 respectively, will begin to fully contribute to our consolidated financial results. We expect that these developments will also bring more visitors to the areas, and we plan to create a lively atmosphere around the stations while of course being mindful about preventing the spread of COVID-19.

## Business strategies for the post-COVID world

While we will continue to use a business model centered on stations, we will also start to move into areas of business that are not dependent on the flow of people, such as logistics facility leasing. In the meantime, we will work on various initiatives the post-COVID era in mind, such as our BPR project, private REIT and our specialized regional funds.

### BPR (business process re-engineering) project

We have been carrying out a BPR project since last December to reform the cost structure of our railway business. The revenue of our railway business will not return to pre-COVID levels in the near future, so we are working to generate profit by rebuilding our operational processes and frameworks with the aim of cutting fixed costs by 14 billion yen or more during the period of the next Medium-Term Business Plan period. Obviously safety is a major prerequisite, so instead of temporary measures, we are taking cost reduction measures that will have a lasting effect, including revising schedules and rolling stock operations to provide services suited to demand, slimming down our rolling stock and facilities and optimizing the level of our inspections and maintenance. The key to a cost reduction project like this is the level of consciousness that all employees have about their work and their willingness to approach this project with a positive mindset. Direct communication is important for this. I have personally posted 15 reports on our company intranet since this project began, and have been making sure to visualize the purpose and progress of this work. At this stage, we are still verifying the feasibility of each measure, but if they have high potential, we will start on them this fiscal year.

### Private REIT

The purpose of our private REIT is to achieve sustainable growth in our real estate business to support our city-building and community development work. With a cyclical investment model, this REIT enables us to lay the foundations for sustainable growth in our real estate development business and secure development profit, as well as diversifying our methods for securing capital and breaking into new areas of business. We are also aiming to increase our revenue opportunities through our involvement in the asset management business. JR Kyushu Asset Management, a group company established in April, buys and sells real estate, manages and uses profits from sales and brings in management fees. We are currently carrying out processes such as obtaining the necessary permits for the commencement of operation of our REIT and discussing matters such as the types of properties that will be included and the scale of this work. We are also considering including outside properties in the REIT in addition to properties owned by the JR Kyushu Group.



### Specialized regional funds

Our specialized regional funds will invest in small and medium companies that are based in Kyushu and provide products



## Message from the CFO

and services with roots in local communities but are struggling with issues such as business succession or a decline in business results caused by COVID-19. The funds will help them with the succession and further growth of their business, which in turn will lead to development and growth of local communities. In addition to providing funding, we will work to alleviate regional issues through management improvements, such as human resources support expansion of sales channels.

We had already carried out direct M&A for companies with potential for growth through business improvements that make use of JR Kyushu Group's strengths, such as Manbou, a processed marine product company in Saga Prefecture. Our specialized regional funds were established to enable us to invest in more flexible and dynamic ways. Having both M&A and the funds as options enables a wider range of approaches. We believe that invigoration of local communities is essential for sustainable growth of the JR Kyushu Group in the age of COVID-19. In addition to strengthening our main businesses and expanding the scope of our business, we want to support local economies.

## Continuous reviews of our business portfolio

As with governance, our business portfolio is never complete. We must strive for a better structure at every point and make revisions with clear logic in mind. This means that there needs to be a certain amount of competitiveness in our company. I also think that we have to look at how the life cycles of each business will overlap in the long term when considering our business portfolio. If a business is continually unable to compete, it needs to be closed or transferred. Thus far, we have closed our leasing business, transferred JR Kyushu Hospital, sold some of the stock for JR KYUSHU DRUG ELEVEN CO., LTD. and closed the restaurant business we operated in

Shanghai, China. With that said, in addition to transfers and sales, we are considering how to incorporate businesses that are not dependent on the flow of people during COVID-19. Our entry into logistics facility leasing business is one element of this. A Board of Directors' meeting will be held to discuss each revision to our business portfolio.

## Financial strategies COVID-19

While we have retained plenty of capital of our own, COVID-19 has led to a rapid increase in borrowing, and I am conscious that it is more crucial than ever to discuss the optimal capital structure in preparation for our next Medium-Term Business Plan.

I think that while we need to determine the situation of our

cash flow from operating activities when we consider our financial strategies, from a financial perspective we need to view our steady revenue sources and our fluctuating revenue separately. I am keenly aware of how important it is to figure out how to guarantee steady revenue in the face of the major impact that COVID-19 has had on our railway business in particular. Our development centering on stations is no exception—it all depends on how we can prevent decreases in resident populations, increase footfall around the stations and generate profit through the combined assets of the stations themselves and the offices and condominiums around them. We need to create a structure to generate enough profit from steady revenue through city-building and community development instead of being overly dependent on fluctuating revenue from sources such as events. A future challenge for us is how much we can incorporate BtoB business that is not dependent on the flow of people as part of our steady revenue.

## Approach to future business strategies and financial strategies

### Business strategies

#### Advancing growth investment and increased efficiency

Advancing "city-building and community development" initiatives that leverage regional characteristics, centered on sustainable mobility services

Implementing growth field focus, M&A investment

In addition to operating cash flow, which is expected to improve, through real estate securitization via private REIT formation, achieve both sustained growth strategies/increase capital efficiency and sustained financial soundness.

### Financial strategies

#### Maintain financial soundness and provide stable shareholder return over the long term

Necessity of a certain level of capital in accordance with the perspective of business sustainability. Maintaining ratings, securing sufficient financial strength to purchase superior properties

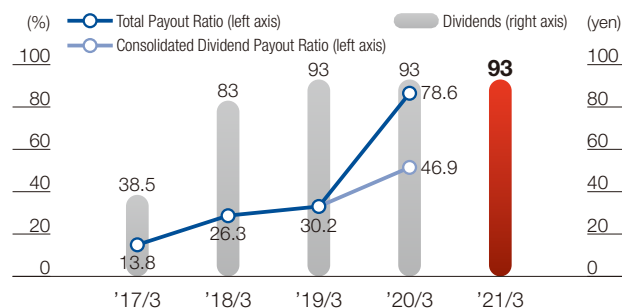
Implementing stable shareholder return over the long term

## Aiming for sustainable corporate growth and increases in corporate value over the medium to long term

## Message from the CFO

We have allocated 124 billion yen for capital investment amounts for the fiscal year ending March 2022, a significantly higher amount than last year. This will include Kumamoto Station area development, including the station building itself which was opened in April 2021, and the opening of the Nishi-Kyushu Shinkansen, which is planned for fall 2022. We are able to do this while still maintaining financial soundness as a result of the current recovery of our cash flow from operating activities and the capital we procured last year. I want to continue making solid investments in growth with the post-COVID world in mind, including city-building and community development around Nagasaki Station and our Kagoshima-Chuo Station west entrance development. While we anticipate that our cash flow from operating activities will recover, we are considering financial strategies in which we will implement a cyclical investment model with the private REIT I mentioned earlier to balance sustainable growth strategies with capital efficiency and maintaining financial soundness.

### Dividends per Share/Consolidated Dividend Payout Ratio/ Total Payout Ratio



## Shareholder return policy

We recognize the return of profits to shareholders to be an important component of our business, and we place importance on the provision of stable shareholder returns over the long term. Our policy for the fiscal year ending March 2022 will be to deliver a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0, implementing share repurchases as necessary to increase capital efficiency. With that said, the current impacts of COVID-19 mean that the future movements of our business results are extremely uncertain, so in the fiscal year ending March 2022 we plan to pay dividends in one part, which will be the year end dividend, with no interim dividend. Our returns policy for subsequent fiscal years will be discussed later in venues such as the Board of Directors' meeting as we discuss the next Medium-Term Business Plan.

## Dialog with shareholders and investors

I place great importance on communication with our stakeholders, and in particular with our shareholders and investors. My policy is "quality x quantity"—improving both the quality and the quantity of our communication. While last year's briefings on quarterly financial results were held online due to COVID-19, briefings are given in the second and fourth quarter every year, with the Q2 briefing given by myself, the CFO, and the Q4 briefing led by the president. This dialog has yielded an immense number of insights and points to consider, both for myself and for the company, and I will use these as a reference when establishing measures in future. Opinions and feedback about our measures, including our methods for disclosing information, are not only reported to the Board of Directors, but

applied to internal operations. I will continue reflecting feedback from our stakeholders in our management.

## Closing

In the fiscal year ended March 2020, the JR Kyushu Group established an ESG Promotion Office to implement corporate ESG, including regular meetings of the ESG Strategy Committee led by our president. When we consider the sustainable growth of the company from a long-term perspective, we recognize that non-financial value is a vital element in creating financial value in future. In the last fiscal year, in addition to announcing support for TCFD recommendations in February 2021, we disclosed information such as the risks and opportunities that climate change brings. Disclosures like these are not only an effective long-term management strategy but also foster a greater understanding of the JR Kyushu Group among our stakeholders. In terms of tackling the risks of climate change, I have been personally involved in setting the JR Kyushu Group's medium-term target with a view to achieving net-zero CO<sub>2</sub> emissions by 2050, along with our consideration of specific strategies and creation of a road map. From a financial perspective, while these measures are expected to come with costs, they could also be opportunities to grow our business. We will take both a financial and a non-financial perspective as we consider long-term management strategies and formulate the next Medium-Term Business Plan.



## Sound Corporate Management

- Ensuring Transparent and Fair Management
- Strengthening Risk Management, Rigorous Compliance
- Extensive Communication with Stakeholders



History of Value Creation Initiatives  
At a Glance

Value Creation Story  
Value Creation Process  
The JR Kyushu Group's Corporate ESG

Message from the President,  
Local Community Immigration, Pandemic Strategies  
Climate Change Adaptation, Message from the CFO

**Ensuring Transparent and Fair Management** Safety, Service,  
Strengthening Risk Management, Rigorous Compliance  
Development of Human Resources  
Extensive Communication with Stakeholders

Addressing Environmental Issues

Financial Highlights, Non-Financial Information  
Financial Information  
Investor Information, Consolidated Subsidiary Information

# Ensuring Transparent and Fair Management

## Structure of the Board of Directors \*As of June 23, 2021



Representative Director and Chairman  
Corporate Officer

### Koji Karaike

Chairman of the Board of Directors

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:  
5,872 shares

#### Profile

Apr. 1977 Joined Japanese National Railways  
Apr. 1987 Joined Kyushu Railway Company  
Mar. 1995 General Manager of Restaurant Business of Distribution Operations Headquarters, Kyushu Railway Company  
Apr. 1996 President, JR Kyushu Food Service Inc.  
Jun. 1997 General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2000 Representative Director and President, JR Kyushu Food Service Inc.  
Jun. 2003 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2005 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Customer Service Department of Railway Operations Headquarters, General Manager of Marketing & Sales Department of Railway Operations Headquarters and Director General of Travel Services Headquarters, Kyushu Railway Company  
Jun. 2006 Managing Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2008 Managing Director and Deputy Director General, Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2008 Senior Managing Director, Representative Director, and General Manager of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2009 Representative Director and President, Kyushu Railway Company  
Jun. 2014 Representative Director and Chairman, Kyushu Railway Company  
Jun. 2018 Representative Director, Chairman, and Corporate Officer, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director, Managing Corporate Officer,  
and Chief Financial Officer

### Toshihiro Mori

Deputy Director General of Corporate Planning Headquarters,  
General Manager of Strategy Management Department,  
In charge of IT Strategic Planning Department, in charge of  
Finance & Accounting Department

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:  
1,420 shares

#### Profile

Apr. 1991 Joined Kyushu Railway Company  
May 2007 Director, Drug Eleven Holdings Co., Ltd.  
Jun. 2009 President, Drug Eleven Holdings Co., Ltd.  
May 2011 General Manager of Fund Management Department, Kyushu Railway Company  
Jun. 2013 General Manager of Finance & Accounting Department, Kyushu Railway Company  
Jun. 2014 General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2015 General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2017 Director, General Manager of Travel Services Headquarters, Kyushu Railway Company  
Apr. 2018 Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2018 Senior Corporate Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2019 Director, Managing Corporate Officer, Chief Financial Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Representative Director, President,  
Corporate Officer, and Chief Executive  
Officer

### Toshihiko Aoyagi

Chief Corporate Officer,  
In charge of Auditing Department

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned: 9,452 shares

#### Profile

Apr. 1977 Joined Japanese National Railways  
Apr. 1987 Joined Kyushu Railway Company  
Jun. 1998 General Manager of Transportation Department of Technology and Operations Headquarters, Kyushu Railway Company  
Apr. 2001 General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2004 General Manager of Kagoshima Regional Office, Kyushu Railway Company  
Jun. 2005 Director, General Manager of Kagoshima Regional Office, Kyushu Railway Company  
May 2006 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Planning Department of Railway Operations Headquarters and General Manager of Transportation Safety Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2008 Director, Director General of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2008 Managing Director, Director General of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2010 Managing Director, Director General of Railway Operations Headquarters, General Manager of Planning Department of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Aug. 2010 Managing Director and Representative Director of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2012 Senior Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2013 Senior Managing Director and Representative Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2014 Representative Director and President, Kyushu Railway Company  
Jun. 2018 Representative Director, President and Corporate Officer, Kyushu Railway Company  
Jun. 2019 Representative Director, President and Corporate Officer, Kyushu Railway Company (current)

Important information on concurrent posts:  
Incorporated Chair of Fukuoka Association of Corporate Executives



Director and Managing Corporate Officer

### Hiroyuki Fukunaga

Director General of Railway Operations  
Headquarters,  
General Manager of Northern Kyushu  
Regional Head Office

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
10/10 (100%)  
Number of the shares in JR Kyushu owned:  
1,470 shares

#### Profile

Apr. 1990 Joined Kyushu Railway Company  
Jun. 2013 General Manager of Shinkansen Operational Management Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2015 General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2016 Director, Deputy Director General of Railway Operations Headquarters, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2018 Senior Corporate Officer, Deputy Director General of Railway Operations Headquarters, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2020 Director and Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director and Senior Managing Corporate  
Officer

### Ryuji Tanaka


Director General of Business Development  
Headquarters

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:  
2,901 shares

#### Profile

Apr. 1977 Joined Japanese National Railways  
Apr. 1987 Joined Kyushu Railway Company  
Mar. 2004 General Manager of Urban Development Business Department, Kyushu Railway Company  
May 2006 General Manager of Nagasaki Regional Office, Kyushu Railway Company  
May 2007 President, JR Kyushu Huis Ten Bosch Hotel Co., Ltd.  
Jun. 2010 Director, Deputy Director General of Business Development Headquarters and General Manager of Planning Department of Business Development Headquarters, Kyushu Railway Company  
Jun. 2011 Director, Deputy Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company  
Jun. 2014 Managing Director, Deputy Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company  
Apr. 2017 Managing Director, Deputy Director General of Business Development Headquarters, General Manager of Planning & Development Department of Business Development Headquarters and General Manager of Hotel Development Department of Business Development Headquarters, Kyushu Railway Company  
Jun. 2017 Senior Managing Director, Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company  
Jun. 2018 Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters, Kyushu Railway Company  
Apr. 2019 Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters and General Manager of Hotel Development Department of Business Development Headquarters, Kyushu Railway Company  
Apr. 2021 Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters and General Manager of Hotel Development Department of Business Development Headquarters, Kyushu Railway Company  
May 2021 Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director

### Izumi Kuwano

Part-time member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
11/12 (91.6%)  
Number of the shares in JR Kyushu owned:  
791 shares  
Tenure as outside director of the Company: 7 years

#### Profile

Apr. 1993 Joined Kabushiki Kaisha Tamaoyu  
Apr. 1995 Director and Senior Managing Officer, Kabushiki Kaisha Tamaoyu  
Oct. 2003 Representative Director and President, Kabushiki Kaisha Tamaoyu (current)  
Jun. 2012 Outside Director, The Oita Bank, Ltd. (retired June 2020)  
Jun. 2014 Director, Kyushu Railway Company (current)

Important information on concurrent posts:  
Representative Director and President, Kabushiki Kaisha Tamaoyu



Director and Senior Managing Corporate  
Officer

### Yoichi Furumiya

Director General of Corporate Planning  
Headquarters  
In charge of Public Relations Dept.

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:  
5,307 shares

#### Profile

Apr. 1985 Joined Japanese National Railways  
Apr. 1987 Joined Kyushu Railway Company  
May 2005 General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company  
May 2006 General Manager of Transportation Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2010 General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2011 General Manager of Customer Service Department of Railway Operations Headquarters and General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company  
Jun. 2012 General Manager of Administration Department, Kyushu Railway Company  
Jun. 2012 Director and General Manager of Administration Department, Kyushu Railway Company  
Sep. 2012 Director, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Administration Department, Kyushu Railway Company  
Jun. 2013 Director and General Manager of Administration Department, Kyushu Railway Company  
Jun. 2016 Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2018 Director and Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2019 Director and Senior Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company  
Jun. 2020 Director and Senior Managing Corporate Officer, Director General of Corporate Planning Headquarters, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director

### Toshihide Ichikawa

Part-time member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:—  
Tenure as outside director of the Company: 2 years

#### Profile

Apr. 1977 Joined Mitsui Fudosan Co., Ltd.  
Apr. 2003 General Manager of Roppongi-Project Development Planning Department, Mitsui Fudosan Co., Ltd.  
Apr. 2005 Managing Officer, General Manager of Roppongi-Project Development Planning Department, Mitsui Fudosan Co., Ltd.  
Aug. 2005 Managing Officer, General Manager of Tokyo Midtown Development Department, Mitsui Fudosan Co., Ltd.  
Apr. 2008 Executive Managing Officer, General Manager of Tokyo Midtown Development Department, Mitsui Fudosan Co., Ltd.  
Apr. 2009 Executive Managing Officer, Chief Operating Officer of Accommodations Business Division, Mitsui Fudosan Co., Ltd.  
Jun. 2011 Executive Managing Director, Executive Managing Officer, Chief Operating Officer of Accommodations Business Division, Mitsui Fudosan Co., Ltd.  
Apr. 2013 Managing Director, Mitsui Fudosan Co., Ltd.  
Apr. 2013 Advisor, Mitsui Home Co., Ltd.  
Jun. 2013 Specially Appointed Advisor, Mitsui Fudosan Co., Ltd.  
Jun. 2013 Representative Director and President, President and Executive Officer, Mitsui Home Co., Ltd.  
Oct. 2018 Group Senior Officer, Mitsui Fudosan Co., Ltd.  
Apr. 2019 Advisor, Mitsui Fudosan Co., Ltd. (current)  
Apr. 2019 Standing Advisor, Mitsui Home Co., Ltd. (current)  
Jun. 2019 Director, Kyushu Railway Company (current)

Important information on concurrent posts:  
Advisor, Mitsui Fudosan Co., Ltd.  
Standing Advisor, Mitsui Home Co., Ltd.

History of Value Creation Initiatives  
At a Glance

Value Creation Story  
Value Creation Process  
The JR Kyushu Group's Corporate ESG

Message from the President,  
Local Community Invigoration, Pandemic Strategies  
Climate Change Adaptation, Message from the CFO



**Ensuring Transparent and Fair Management**  
Strengthening Risk Management, Rigorous Compliance  
Extensive Communication with Stakeholders

Safety, Service,  
Development of Human Resources

Addressing Environmental Issues

Financial Highlights, Non-Financial Information  
Financial Information  
Investor Information, Consolidated Subsidiary Information

## Ensuring Transparent and Fair Management

 Outside director  
 Independent director



Director  
**Shinji Asatsuma**  
Part-time member  

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of shares in JR Kyushu owned:—  
Tenure as outside director of the Company: 2 years

### Profile

Apr. 1984 Joined Kansai Paint Co., Ltd.  
Apr. 2012 Executive Officer, General Manager of Corporate Planning Office, Kansai Paint Co., Ltd.  
Apr. 2015 Managing Executive Officer, General Manager of International Div., Kansai Paint Co., Ltd.  
Jun. 2016 Director, Managing Executive Officer, General Manager of Administration Div., Kansai Paint Co., Ltd.  
Apr. 2017 Director, Managing Executive Officer, General Manager of Administration Div., General Manager of Corporate Administration Div., Kansai Paint Co., Ltd.  
Apr. 2018 Director, Managing Executive Officer in charge of Management, Corporate Planning, Human Resources Planning, General Manager of Administration Div., Kansai Paint Co., Ltd.  
Apr. 2019 Director, Kansai Paint Co., Ltd.  
Jun. 2019 Retired from Kansai Paint Co., Ltd.  
Jun. 2019 Director, Kyushu Railway Company (current)

Important information on concurrent posts:  
None




Director  
**Kuniko Muramatsu**  
Part-time member  



Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
10/10 (100%)  
Number of the shares in JR Kyushu owned:  
80 shares  
Tenure as outside director of the Company: 1 years

### Profile

Oct. 1983 Joined Texas Instruments Japan Limited  
Jan. 1995 General Manager of Public Relations Department, Texas Instruments Japan Limited  
Nov. 2003 Head of Corporate Ethics Office and Officer in charge of Diversity Promotion, Texas Instruments Japan Limited  
Sep. 2009 Retired from Texas Instruments Japan Limited  
Oct. 2009 Chief Researcher, Business Ethics Research Center  
Jan. 2010 Representative Director, Wellness Systems Institute (current)  
Jan. 2014 Director, Japan Professional Football League (J LEAGUE)  
Apr. 2016 Representative Director, GEWEI, (retired March 2019)  
Jun. 2016 Outside Director, C'BON COSMETICS Co., Ltd. (retired June 2019)  
Jun. 2016 Outside Director, YOKOWO CO., LTD. (current)  
Apr. 2018 Councillor, Japan Professional Football League (retired February 2021)  
Apr. 2018 Senior Researcher, Business Ethics Research Center (current)  
Jun. 2019 Outside Director, NEC Networks & System Integration Corporation (current)  
Jun. 2020 Director, Kyushu Railway Company (current)  
Feb. 2021 Director, Japan Women's Football League (current)

Important information on concurrent posts:  
Representative Director, Wellness Systems Institute, Outside Director, YOKOWO CO., LTD.,  
Outside Director, NEC Networks & System Integration Corporation



Director  
**Michiaki Uriu**  
Part-time member  

Number of shares in JR Kyushu owned:—  
Tenure as outside director of the Company:—

### Profile

Apr. 1975 Joined Kyushu Electric Power Company, Incorporated  
Jun. 2006 General Manager of Environmental Division, Kyushu Electric Power Company, Incorporated  
Jun. 2007 Executive Officer & Senior Manager of Corporate Planning Division, Kyushu Electric Power Company, Incorporated  
Jul. 2008 Executive Officer & General Manager of Corporate Planning Division, Kyushu Electric Power Company, Incorporated  
Jun. 2009 Director, Senior Managing Executive Officer & General Manager of Thermal Power Generation Division, Kyushu Electric Power Company, Incorporated  
Jun. 2011 Executive Vice President (Representative Director) & General Manager of Thermal Power Generation Division, Kyushu Electric Power Company, Incorporated  
Apr. 2012 President (Representative Director), Kyushu Electric Power Company, Incorporated  
Jun. 2013 Outside Director, THE NISHI-NIPPON CITY BANK, LTD.  
Oct. 2016 Outside Director, Audit and Supervisory Committee Member, THE NISHI-NIPPON CITY BANK, LTD. (current)  
Jun. 2018 Representative Director and Chairperson, Kyushu Electric Power Company, Incorporated (current)  
Jun. 2020 Outside Audit & Supervisory Board Member, Kyudenko Corporation (current)  
Jun. 2021 Director, Kyushu Railway Company (current)

Important information on concurrent posts:  
Representative Director and Chairperson, Kyushu Electric Power Company, Incorporated, Outside Director, Audit and Supervisory Committee Member, THE NISHI-NIPPON CITY BANK, LTD.,  
Outside Audit & Supervisory Board Member, Kyudenko Corporation



Director, Audit and Supervisory Committee member  
**Eiichi Kuga**  
Full-time member  

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned: 1,823 shares  
Tenure as outside director of the Company: 5 years

### Profile

Apr. 1981 Joined National Police Agency  
Apr. 2006 Director-General of Kagoshima Prefectural Police  
Sep. 2007 Director-General of Tokyo Metropolitan Government Office for Youth Affairs and Public Safety  
Sep. 2009 Director-General of Security Dept. of Tokyo Metropolitan Police Department  
Feb. 2011 Director-General of Kanagawa Prefectural Police  
Apr. 2013 Director-General of Imperial Guard Headquarters  
Aug. 2015 Retired from Imperial Guard Headquarters  
Dec. 2015 Advisor, Nippon Life Insurance Company  
May 2016 Retired from Nippon Life Insurance Company  
Jun. 2016 Full-time Audit & Supervisory Board member, Kyushu Railway Company  
Jun. 2018 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director, Audit and Supervisory Committee member  
**Masaya Hirokawa**  
Full-time member  
Audit & Supervisory Committee Member

Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned:  
4,206 shares

### Profile

Apr. 1985 Joined Japanese National Railways  
Apr. 1987 Joined Kyushu Railway Company  
Mar. 2005 General Manager of IT Strategic Planning Division of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2008 General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2011 General Manager of Planning Department of Business Development Headquarters, Kyushu Railway Company  
Jun. 2012 General Manager of Finance & Accounting Department, Kyushu Railway Company  
Jun. 2013 General Manager of Kumamoto Regional Office, Kyushu Railway Company  
Jun. 2013 Director, General Manager of Kumamoto Regional Office, Kyushu Railway Company  
Jun. 2015 Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company  
Jun. 2016 Director and General Manager of Administration Department, Kyushu Railway Company  
Jun. 2017 Managing Director, General Manager of Administration Department, Kyushu Railway Company  
Jun. 2018 Director and Managing Corporate Officer, General Manager of Administration Department, Kyushu Railway Company  
Jun. 2019 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:  
None



Director, Audit and Supervisory Committee member  
**Yasunori Eto**  
Part-time member  
Audit & Supervisory Committee Member  


Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2021:  
12/12 (100%)  
Number of the shares in JR Kyushu owned: 539 shares  
Tenure as outside director of the Company: 3 years

### Profile

Apr. 1990 Appointed as a public prosecutor  
Apr. 2009 Deputy Chief Prosecutor, Kagoshima District Public Prosecutors Office  
Apr. 2011 Public prosecutor, Osaka District Public Prosecutors Office  
Sep. 2011 Retired as Public prosecutor  
Oct. 2011 Registered as an attorney at law  
Attorney at law, Bengoshi Hojin Hino Sogo Law Office (current)  
Jun. 2018 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:  
Attorney at law



Director, Audit and Supervisory Committee member  
**Hiromi Fujita**  
Part-time member  
Audit & Supervisory Committee Member  

Number of shares in JR Kyushu owned:—  
Tenure as outside director of the Company:—

### Profile

Apr. 1990 Joined Nissho Iwai Corporation  
Sep. 1995 Retired from Nissho Iwai Corporation  
Jan. 1998 Part-time Lecturer, Daiichi Educational System Inc.  
Jun. 1997 Joined Shirashi Accounting Firm  
Jun. 2000 Retired from Shirashi Accounting Firm  
Sep. 2000 Established Hiromi Fujita Tax Accountant Office  
Oct. 2014 Yuwa Partners Tax Accountants' Corporation  
Oct. 2015 Representative Partner, Sakura Yuwa Partners Tax Accountants' Corporation (current)  
Jan. 2020 Outside Director, Audit and Supervisory Committee Member, IKK Inc. (current)  
Jun. 2021 Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

Important information on concurrent posts:  
Representative Partner, Sakura Yuwa Partners Tax Accountants' Corporation  
Outside Director, Audit and Supervisory Committee Member, IKK Inc.

## Policy and procedures for nominating Directors

Candidates for directorship are chosen by the Board of Directors on the basis of selection standards specified by the Board of Directors, which include a high level of ethics, personality, character, and management performance, based on a report by the Nomination and Compensation Advisory Committee. If a Director ceases to satisfy the selection standards, significantly impairs the corporate value of Kyushu Railway Company through negligence of their duties or falls under any reason for disqualification, the Board of Directors will deliberate on the dismissal of the Director according to a report by the Nomination and Compensation Advisory Committee and proposes dismissal to the General Meeting of Shareholders. When nominating candidates for Directors who will also be an Audit and Supervisory Committee member, consent must be obtained from the committee in advance.

## Ensuring Transparent and Fair Management

**Skill sets in the Board of Directors**

JR Kyushu's Board of Directors nominates a diverse range of Board of Directors candidates who have the knowledge and experience necessary to fulfill the company's mission of sustainable business operations (see (1) in the table) and to run the company (see (2) in the table).

Furthermore, the spread of COVID-19 has had serious effects on the Company's business, and as we are now at an important stage in which we must come together as a region to overcome the current challenging business environment, knowledge on Kyushu is becoming increasingly important.

The Company has also expressed its endorsement of TCFD recommendations and participated in the TCFD Consortium, and it regards environmental response, which includes climate change issues such as setting medium-term targets for virtually zero CO<sub>2</sub> emissions by 2050, considering specific measures and formulating a road map, as one of the Group's key ESG issues (materiality).

Name	Positions, etc.	Areas of expertise that are particularly expected from each director						
		(1)			(2)			
		Railway and mobility services	Real estate and community development	ESG and sustainability	Corporate management	Legal affairs and risk management	M&A and finance	Human resources/remuneration
<b>Koji Karaike</b>	Chairman Corporate Officer	●	●	●	●			
<b>Toshihiko Aoyagi</b>	President Corporate Officer	●		●	●			●
<b>Ryuji Tanaka</b>	Senior Managing Corporate Officer		●		●			
<b>Yoji Furumiya</b>	Senior Managing Corporate Officer	●		●		●		
<b>Toshihiro Mori</b>	Managing Corporate Officer	●		●			●	
<b>Hiroyuki Fukunaga</b>	Managing Corporate Officer	●		●				
<b>Izumi Kuwano</b> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">Female</span>	Representative Director and President, Kabushiki Kaisha Tamanoyu		●		●			
<b>Toshihide Ichikawa</b> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span>	Adviser, Mitsui Fudosan Co., Ltd.		●		●			●
<b>Shinji Asatsuma</b> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span>	Former Director, Kansai Paint Co., Ltd.				●	●	●	
<b>Kuniko Muramatsu</b> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span> <span style="background-color: #d1ecf1;">Female</span>	Representative Director, Wellness Systems Institute			●	●	●		●
<b>Michiaki Uriu</b> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span>	Representative Director and Chairperson, Kyushu Electric Power Company, Incorporated			●	●			●
<b>Eiichi Kuga</b> <span style="background-color: #d1ecf1;">A</span> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span>	Chairman of Audit and Supervisory Committee					●		
<b>Masaya Hirokawa</b> <span style="background-color: #d1ecf1;">A</span>							●	●
<b>Yasunori Eto</b> <span style="background-color: #d1ecf1;">A</span> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span>	Attorney at law, Bengoshi Hojin Hino Sogo Law Office					●		
<b>Hiromi Fujita</b> <span style="background-color: #d1ecf1;">A</span> <span style="background-color: #f8d7da;">O</span> <span style="background-color: #d1ecf1;">I</span> <span style="background-color: #d1ecf1;">Female</span>	Senior Partner Tax Accountant, Sakura Yuwa Partners Tax Accountant Corporation			●	●		●	

O Outside I Independent Director A Audit and Supervisory Committee member

\*As of June 23, 2021

**Executive Officers** (excluding Executive Officers who are also Directors)

Managing Executive Officer	<b>Takuma Matsushita</b>	Deputy Director General of Business Development Headquarters, General Manager of Development Department
Senior Executive Officer	<b>Junya Matsumoto</b>	President of JR Kyushu Hotels Inc.
Senior Executive Officer	<b>Yasushi Imahayashi</b>	Deputy Director General of Business Development Headquarters, General Manager of Construction Development Department
Senior Executive Officer	<b>Koji Higashi</b>	General Manager of Administration Department, In charge of Human Resources Department
Senior Executive Officer	<b>Michiya Sadakari</b>	Deputy Director General of Railway Operations Headquarters, General Manager of Planning & Transportation Safety Department
Executive Officer	<b>Hiroyuki Fukuzawa</b>	General Manager of Planning Department of Business Development Headquarters, In Charge of Digital Business Creation Department
Executive Officer	<b>Hisashi Yamane</b>	President of Caterpillar Kyushu Ltd.
Executive Officer	<b>Yumi Akagi</b> <span style="background-color: #d1ecf1;">Female</span>	General Manager of Kumamoto Regional Office
Executive Officer	<b>Shinji Sawakame</b>	General Manager of Condominium Development Department, Business Development Headquarters
Executive Officer	<b>Wataru Tanaka</b>	General Manager of Nagasaki Regional Office
Executive Officer	<b>Tomonori Uwabu</b>	General Manager of Customer Service Department and Marketing & Sales Department, Railway Operations Headquarters
Executive Officer	<b>Hiddenori Matsuo</b>	General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Transportation Department
Executive Officer	<b>Hiroyuki Nakamura</b>	General Manager of Kagoshima Regional Office
Executive Officer	<b>Motomichi Miura</b>	General Manager of Human Resources Department
Executive Officer	<b>Kouzou Takeda</b>	General Manager of Tokyo Regional Office
Executive Officer	<b>Mikiko Nakano</b> <span style="background-color: #d1ecf1;">Female</span>	General Manager of Hotel Development Department, Business Development Headquarters
Executive Officer	<b>Toshinari Yoshino</b>	General Manager of Oita Regional Office

\*As of June 23, 2021



## Ensuring Transparent and Fair Management

## Interview with an Outside Director



Outside Director

Kuniko Muramatsu

## Improving the quality of our ESG management and turning that into sustainable development of communities and an increase in our corporate value

## Proactive work by a Board of Directors with diverse experience and perspectives

I have been an Outside Director since last year, and in that time, I have attended many on-site observations and internal meetings to gain a more in-depth understanding of this group's business and corporate culture. Corporate ethics are the foundation of governance, and while systems and monitoring functions are of course necessary to ensure ethical corporate behavior, the most crucial element is training autonomous personnel to oversee those systems and functions.

I feel that JR Kyushu Group's principles and policies about

"what we aim to be" and "our code of conduct" are firmly entrenched throughout the company.

Outside Directors make up the majority of JR Kyushu Group's Board of Directors, and the company has created an environment where frank discussion can be had between internal and external parties alike and a diverse range of perspectives are heard. With the corporate experience and knowledge of specialized fields that I bring, JR Kyushu has high hopes for the improvements I will be able to make to the company's ESG management, and my proactive statements and supervision are about ensuring that an ESG perspective is incorporated into discussions and decision-making.

With three female Outside Directors and two women who have worked their way up to Executive Officer positions within the company, the board has become more diverse, but more needs to be done to achieve diversity at all levels of the company. I recognize that JR Kyushu needs to set more concrete policies and disclose goals and progress in this area.

## Evaluation of management from an ESG perspective and acceleration of effective initiatives

When it comes to continuously increasing JR Kyushu Group's value, I believe that the driving force is a recognition of this company's purpose. JR Kyushu Group's origins and business activities have an inherent social significance. For this reason, our role in contributing to the sustainable development of local communities is only natural to us.

In the past year, JR Kyushu has been prompt in its management evaluations and disclosures of information from an ESG perspective, but in order to build long-term trust relationships with stakeholders, the company needs to visualize how it is involved in communities and what kind of economic value and social impact it is creating.

In terms of climate change, one of the JR Kyushu Group's materiality, the company publicly expressed its support for the recommendations of the TCFD in February 2021 and disclosed relevant information on this. It has announced its aim to become carbon neutral by 2050, an aim that many members of the Board of Directors strongly supported. I believe that the quality of JR Kyushu Group management will also increase

as the company makes use of the TCFD's frameworks and assesses the risks and opportunities involved in this endeavor. The next crucial step is to set KPIs and incorporate them into the company's management strategies. A cross-organizational task force has already been established and is being led by the director in charge in order to incorporate the plan into the next Medium-Term management plan and promote substantive initiatives.

I will follow up on this with appropriate monitoring at Board of Directors' meetings to ensure that more practical initiatives are put into place in future.

## Strengthening the group governance and leading the Kyushu's economic sphere

Going forward, JR Kyushu needs to strengthen its group-wide governance and take the management of the group to the next level. As JR Kyushu navigates this pandemic, the company is aware that there is a need for both a "defense", where the company acts swiftly to prioritize safety, and an "offense", where the company recognizes that the flow of people will not return to its original levels in the short term and makes rapid changes to the way it does business.

In order to flexibly respond to major changes, it is important to strengthen our "defense" and "offense" in a well-balanced manner, including strengthening the risk management system of the entire group, human resource strategy, and promotion of group synergy. As personal and societal values change and JR Kyushu Group re-examines its relationship with society, there is immense potential to increase the company's value even further.

Just as the Shooting Star Shinkansen plan delivered a message of spreading cheer throughout Japan, the JR Kyushu Group's activities seek to invigorate Kyushu, putting smiles on people's faces and boosting the group's civic pride.

JR Kyushu is a foundational presence in Kyushu's economic sphere, and I hope to see the company taking the lead in community vitalization and the creation of positive cycles. As an Outside Director, I too have a role to play in this.

## Ensuring Transparent and Fair Management

**Fundamental approach**

The JR Kyushu Group is involved in a variety of businesses based on safety and service born of our own strengths. From the base of our operations in Kyushu, we continue to take on the challenge of invigorating Kyushu, Japan as a whole, and the greater Asia area in a tireless and enthusiastic manner.

In order to realize this objective, JR Kyushu aims to be a corporation that earns lasting trust from customers, local community members, business partners, employees and their families, and shareholders. To this end, JR Kyushu is establishing and improving frameworks and systems for decisive and prompt decision-making, as well as for appropriate disclosure of information, while guaranteeing transparency and fairness in management. We are also further enhancing our efforts in corporate governance to realize continuous growth and improvement in corporate value over the medium to long-term.

**Strengthening our corporate governance framework based on communication with investors and third-party evaluations**

From June 2018, JR Kyushu transitioned to a company with an audit and supervisory committee and introduced an executive officer system. The purpose of these changes was to strengthen the supervisory function of our Board of Directors, enable faster decision-making by management, and ensure efficient corporate management, in addition to separating management's decision-making and supervision from the business operations of the company.

Four of our 11 directors who are not Audit and Supervisory Committee members and three of our four directors who are also Audit and Supervisory Committee members are independent outside directors. We appoint directors with a variety of experience and expertise to enable more in-depth discussion at Board of Directors meetings. In addition, discussions at the 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 have also established a Nomination and Compensation Advisory Committee chaired by an independent outside director and comprising five outside directors and one director of JR Kyushu. Our measures to improve governance also include initiatives to improve the transparency of our Board of Directors, including discussions between our independent outside

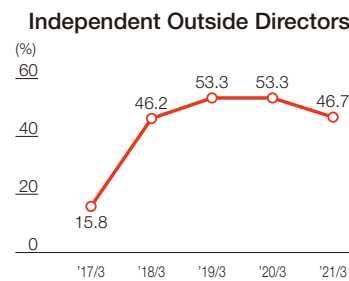
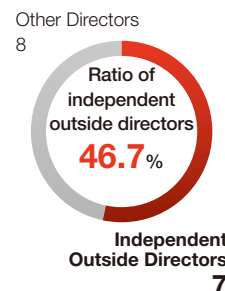
directors and parties such as analysts and institutional investors.

We identify issues and set initiatives based on the verifications and discussions that take place during the annual evaluation of the effectiveness of our Board of Directors. The results

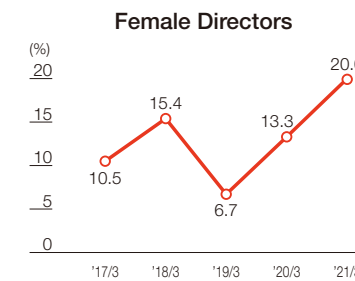
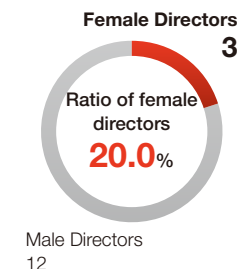
of our effectiveness evaluation are confirmed by a third-party organization and discussed at our Board of Directors' meeting to further improve effectiveness in future.

**Governance Transition**

		FY2018	FY2019	FY2020	FY2021
Governance	Organization	Shifted to a company with an Audit Committee	→	→	→
	Committee	Established the Nomination and Compensation Advisory Committee Assigned an outside director as chairman 9 members in total: 8 external and 1 internal	→	Nomination and Compensation Advisory Committee Total number of employees streamlined to 6, 5 external and 1 internal	→
	Initiatives to Strengthen Governance	Introduced Executive Officer System	→	→	→ Develop a Succession Plan
Board of Directors	Number of Directors	13	15 Clarified the position of CFO	→	→
	Independent 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	7/46.7%
	Female Directors (# of Directors/%)	2/15.4%	1/6.7%	2/13.3%	3/20.0%
Compensation			Performance-based Compensation Plan Introduced "Board Benefit Trust"	→	→
Board Effectiveness Evaluation		Introduced Board Effectiveness Evaluation by the Third-Party Organization	→	→	→

**Ratio of independent outside directors**

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

**Ratio of female directors**

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



## Ensuring Transparent and Fair Management

**Board of Directors**

The Board of Directors makes decisions on matters determined by law and important matters stipulated by the rules of the Board of Directors. The Board also supervises the business operations of directors, senior executive officers, and executive officers. The Board of Directors meets once a month, as a general rule, and comprises a total of 15 members, including 11 directors (excluding directors who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. Eight outside directors have been appointed in order to further strengthen the supervisory function over the Board of Directors.

In addition, JR Kyushu has established the Executive Committee, which in principle meets once a week. In accordance with the stipulations in the Articles of Incorporation, the committee deliberates items determined by the Board of Directors regarding the delegation of authority as well as important items pertaining to JR Kyushu's operation. Furthermore, JR Kyushu has set up the Group Executive Committee, which deliberates management strategies such as the JR Kyushu Group's management vision and the allocation of management resources as well as important items related to individual companies in the JR Kyushu Group. By overseeing the management of group companies, the Group Executive Committee works to

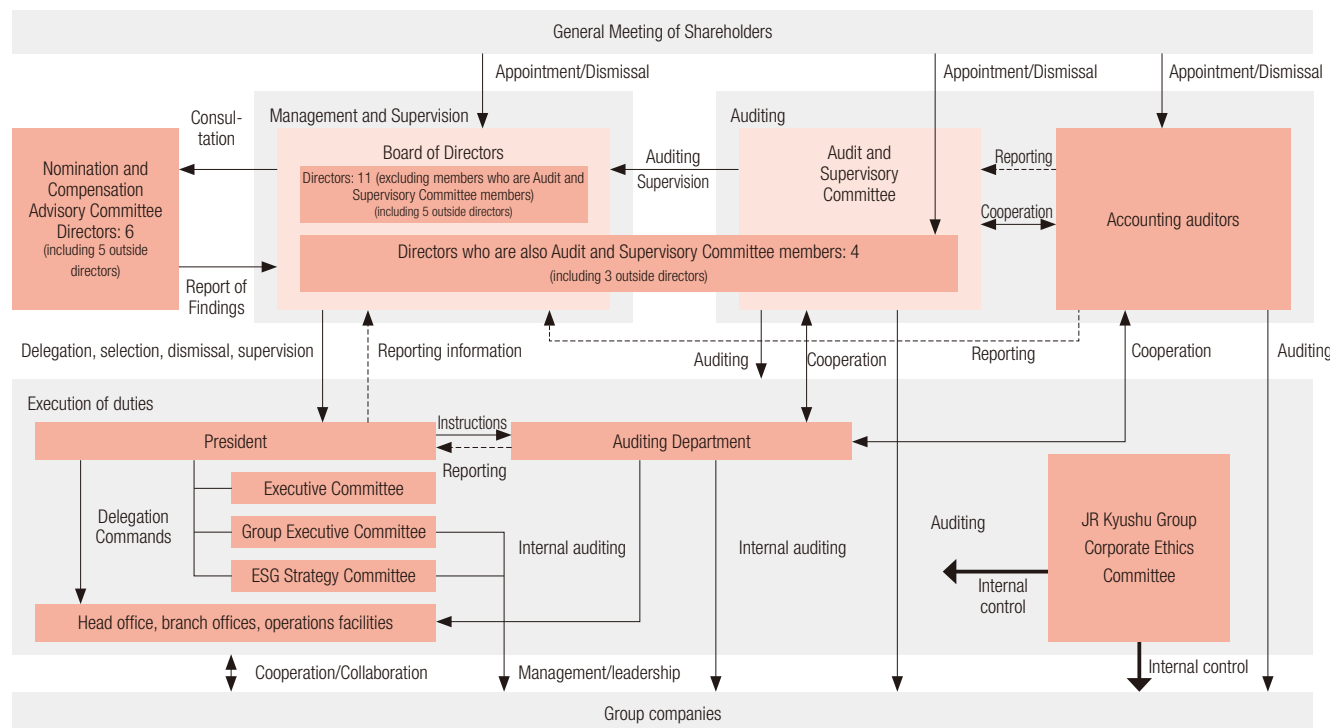
enhance the JR Kyushu Group's comprehensive strengths.

**Audit and Supervisory Committee**

The Audit and Supervisory Committee receives reports on important matters related to audits, holds discussions, and passes resolutions. The Audit and Supervisory Committee meets once a month, as a general rule, and holds extraordinary meetings when necessary. The committee consists of four members (including three outside directors) and conducts audits concerning the execution of duties by directors, senior executive officers, and executive officers.

**Nomination and Compensation Advisory Committee**

JR Kyushu has established the Nomination and Compensation Advisory Committee, which serves as an advisory body to the Board of Directors. The committee comprises the president and five outside directors (chaired by an outside director). In regard to the appointment and dismissal of directors and the compensation of executive directors, decisions are made by the Board of Directors with consideration for reports from the Nomination and Compensation Advisory Committee.

**Corporate Governance Structure (as of July 1, 2021)****Corporate Governance Structure (as of July 1, 2021)**

<b>Institutional design</b>	Company with an audit and supervisory committee
<b>Number of directors (parentheses indicate outside directors)</b>	15 (7)
<b>Term of directors</b>	Directors (excluding those who are Audit and Supervisory Committee members): 1 year Directors who are also Audit and Supervisory Committee members: 2 years
<b>Voluntary Advisory Committees</b>	Nomination and Compensation Advisory Committee

## Ensuring Transparent and Fair Management

## Conversation between Audit and Supervisory Committee members

## Contributing to the building of a strong corporate governance framework instead of merely critiquing issues after they occur

## Function and role of the Audit and Supervisory Committee

**Eiichi Kuga** I became a full-time auditor in June 2016, half a year before JR Kyushu was listed in the stock exchange. My appointment strengthened the company's auditing framework: I was an additional full-time Board of Auditors members, and this move meant that three of the four members were now outside auditors. JR Kyushu Group's governance framework was strengthened through a series of changes after we listed: the Audit & Supervisory Committee was established, an Executive Officer system was implemented and the Nomination and Compensation Advisory Committee was formed. Outside Directors now make up the majority of the Board of Directors: there are 15 directors in total and eight are Outside Directors, including three members of the Audit & Supervisory Committee. Diversity has improved: we now have three female directors, for example.

**Yasunori Eto** I was appointed after the committee was set up. At Board of Directors' meetings, I often see the executive side giving extensive explanations to the directors, and I think one reason for that is the fact that the majority of the directors are Outside Directors. I think the Outside Directors have a strong presence: we have lively discussions where the Outside Directors share their opinions and suggestions, and plenty of time is taken to decide on management policies and strategies regarding points such as management plans and new business.

**EK** Yes, Outside Directors are not only asking questions but providing various opinions—sometimes suggestions, sometimes opposition—and it means that our discussions go below the surface and really get to the heart of the matter. Adopting an Audit & Supervisory Committee has meant that members of the committee are still independent but now have voting rights in Board of Directors' meetings, which has given us more of a say.

**YE** I consciously check that risk identification and analysis of individual projects proposed to the Board of Directors are being carried out properly, and confirm the rationality of each project. We cannot allow discussions to proceed and reach a conclusion without

considering risks, in my opinion. And as an Outside Director, I think an important role of mine is to look at things from a position that is removed from what is considered common sense in JR Kyushu and speak from that perspective.

## The state of auditing and supervision

**EK** The four key elements of last year's audit were the company's response and business continuity measures in the face of COVID-19, its safety measures, the changes it made to its working practices and its initiatives related to its Medium-term Business Plan. With these as the focal points, we interviewed the directors and conducted on-site audits at 47 sites such as branch offices and operations facilities, along with 15 group companies. During our on-site audits of sites such as branch offices, we not only interview the management but talk with frontline employees such as station workers and maintenance workers to find out about issues at the site and what the workers need.

**YE** Those discussions are also a way for newer employees to give unfiltered feedback about points such as concerns about their work. By speaking with a wider group of employees in addition to the management, we are able to get a good read of the workplace.

**EK** Something I notice at on-site audits is a high level of awareness about safety. Views shared by employees about safety are reported to the Executive Committee weekly. This means that management are less removed from the front lines, and the lines of communication are open.

In terms of cooperation with the Auditing Department, information is shared and opinions are exchanged between the Audit & Supervisory Committee, the internal Auditing Department and the auditing company that performs our account audits. This improves the quality of our audits.

**YE** Various businesses of ours depend on the flow of people, and have been severely impacted by COVID-19. We have responded by establishing businesses such as logistics facility leasing and specialized regional funds, which in itself is a logical form of risk management in my opinion. With that said, new businesses bring new risks, and that is something that the Board of Directors has to keep an eye on. We need to assess risks and verify that they are being controlled before pushing forward.

**EK** It's a matter of whether sound risk-taking is being done. If the Board of Directors judges that the risks have been properly thought through, it is our job to support those initiatives.



## Upcoming challenges

**EK** Governance of the group companies needs to be stronger. After a third-party committee investigated the improper handling of funding by JR Kyushu's housing subsidiary three years ago, they mentioned in their report that JR Kyushu Group needs to strengthen and enhance its framework for internal management in its subsidiaries. I think JR Kyushu Group needs to continue to raise the standard of its internal auditing throughout the group through measures such as more in-depth internal audits of each group company. There is also variance in the level of governance in new subsidiaries acquired through M&A or started as new ventures. I will work together with the auditors of our group companies to address this.

**YE** We have formulated a succession plan for the next CEO—an issue that has been flagged—but more in-depth discussion on this is needed. The Nomination and Compensation Advisory Committee should play a central role in this. We have created a space for discussing various matters with Outside Directors outside of the Audit & Supervisory Committee, including our visions for the Board of Directors, initiatives for ongoing growth and risk management. We also share our opinions with the Representative Director at times. We will continue to make active use of these platforms to share suggestions and advice.



## Ensuring Transparent and Fair Management

## Compensation for Directors

## Basic policy concerning the determination of remuneration and the company's view on remuneration level

Basic regular remuneration for directors is set at a level appropriate for each director's role and responsibilities, while remuneration linked to business performance (stock compensation) is provided to incentivize improvements in the company's results and corporate value. Appropriate amounts are set by a specialist external institute based on factors such as a survey of other companies.

## Composition of Remuneration

## ● Directors (excluding outside directors and directors who are Audit and Supervisory Committee members)

Reflecting the decision made at the Annual General Meeting of Shareholders held on June 21, 2019, to introduce the performance-linked share-based remuneration plan called the "Board Benefit Trust," the compensation mix is composed of a fixed basic remuneration and a performance-linked remuneration (share-based), of which the amount fluctuates based on the Company's business performance. Performance-linked remuneration (share-based) for directors (excluding outside directors and directors who are Audit and Supervisory Committee members) shall be restricted to no more than 20% of total remuneration.

As for the key performance indicators (KPI) used for the performance-linked remuneration (share-based), in the short-term, the KPI is set as consolidated operating profit of each fiscal year which constitutes management figures in the Medium-Term Business Plan, and in the medium to long term the KPI is set as the ratio of Total Shareholders Return (TSR) to the rate of TOPIX growth over the period of the Medium-Term Business Plan (three fiscal years). By further clarifying in this way the linkage between remuneration for executive directors, and business performance and the value of Company shares, the objective is to ensure that not only the benefits of higher share prices, but also the risks of falling share prices are shared with shareholders, thereby further strengthening the motivation for directors to contribute to improvements in business performance and corporate value over the medium to long term.

Basic remuneration is paid monthly during a Director's

term of office, and remuneration linked to business performance (stock compensation) is paid when a Director retires.

## ● Outside Directors and Directors who are Audit and Supervisory Committee Members

In consideration of their responsibilities, these directors' remuneration consists only of basic remuneration.

	Basic remuneration	Linked to business performance (share-based remuneration)
Directors (excluding outside directors and directors who are Audit and Supervisory Committee members)	●	●
Outside Directors and Directors who are Audit and Supervisory Committee members	●	—

● : Included in remuneration

## Limits on Officers' Compensation

The amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) was approved to be up to ¥420 million annually (of which up to ¥60 million is for outside directors) at the 32nd Annual General Meeting of Shareholders held on June 21, 2019. As of the end of the 32nd Annual General Meeting of Shareholders held on June 21, 2019, the number of Directors will be 11 (including five (5) outside directors). It was resolved at the 31st Annual General Meeting of Shareholders held on June 22, 2018 that the amount of remuneration for Directors who are Audit and Supervisory Committee members be up to ¥120 million. As of the end of the 31st Annual General Meeting of Shareholders held on June 22, 2018, the number of Directors who are Audit and Supervisory Committee Members is four (4) (including three (3) outside directors).

In addition, with regard to performance-linked share-based remuneration plan "Board Benefit Trust," it was resolved at the 32nd Annual General Meeting of Shareholders held on June

21, 2019 that the Company contribute funds to the trust up to ¥600 million (¥390 million of which for Directors), apart from the above amount of remuneration, over three fiscal years as funds for the acquisition of shares to be provided in the future.

## Method for calculating remuneration linked to business performance (share-based remuneration)

## ● Share-based performance-linked remuneration plan outline

The Share-based Performance-linked Remuneration Plan is a performance-linked share-based remuneration plan under which the company's shares are acquired through a trust that is established using monetary funds contributed by the company. Each director receives through the trust a number of shares in JR Kyushu equivalent to the number of points granted to them in accordance with their position and the degree to which performance is achieved, pursuant to the Rules on Provision of Shares to Officers established by JR Kyushu through its Board of Directors. In principle, the directors receive the company's shares upon their retirement.

## ● Maximum number of company shares to be provided to directors and calculation method thereof

Pursuant to the Rules on Provision of Shares to Officers established by the Board of Directors, the company grants each director points that are calculated at a prescribed time each year during the trust period. The points are calculated using a coefficient (ranging from 0.0 to 2.0) that varies depending on a director's position, consolidated operating profit each fiscal year, and the degree to which performance has been achieved in terms of the ratio of Total Shareholders Return (TSR) to the rate of TOPIX growth over the period of the Medium-Term Business Plan (three fiscal years). The number of company shares to be provided to each director is calculated by multiplying the number of points granted to a director by 1.0.

The decision of remuneration linked to business performance for the fiscal year ended March 2021 took into account that the consolidated operating income was ¥49,406 million where ¥56,600 million had been set as the target.

## Ensuring Transparent and Fair Management

**Procedures for Determining Compensation**

When determining remuneration for directors (excluding directors who are Audit and Supervisory Committee members), the Nomination and Compensation Advisory Committee, whose members consist of the president and outside directors, submits its findings to the Board of Directors, with the president delegated by the Board of Directors then determining remuneration within the total value limits imposed by the resolution of the General Meeting of Shareholders. The reason for delegating authority is because the president is deemed the most suitable for evaluating each director while taking a broad overview of the Company's business performance as a whole. In the fiscal year ended March 2021, Mr. Toshihiko Aoyagi, who is Representative Director and President, Corporate Officer, Chief Executive Officer, and in charge of Auditing Department, was delegated authority by the Board of Directors to determine remuneration.

The reason for delegating authority is because the president is deemed the most suitable for evaluating each director while taking a broad overview of the Company's business performance as a whole. In the fiscal year ended March 2021, Mr. Toshihiko Aoyagi, who is Representative Director and President, Corporate Officer, Chief Executive Officer, and in charge of Auditing Department, was delegated authority by the Board of Directors to determine remuneration.

Remuneration for directors who are Audit and Supervisory Committee members is determined through discussion among directors who are Audit and Supervisory Committee members, within the total value limits imposed by the resolution of the General Meeting of Shareholders.

The Nomination and Compensation Advisory Committee is chaired by an outside director, and at least half of its members are outside directors. The committee engages in discussions with respect to policies on determining specifics of remuneration for directors, and the remuneration specifics for directors individually, and other such matters, and accordingly plays a role in enhancing fairness and objectivity with respect to remuneration. In the fiscal year ended March 2021, the committee deliberated on matters such as the basic policy on remuneration (basic remuneration and performance-linked share-based remuneration) for Directors and KPI for the performance-linked share-based remuneration. Individual remuneration for Directors in the fiscal year under review has been deemed as being in line with this policy as the current levels for basic remuner-

ation are appropriate, and there are no issues with performance-based stock compensation with regard to ensuring the linkage with business performance.

**Total remuneration for directors in each category, total amount of remuneration by type, and number of directors receiving remuneration amount**

Category	Remuneration amount (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of persons paid
		Basic remuneration	Linked to business performance	Share-based remuneration	
<b>Directors (excluding Audit and Supervisory Committee members and outside directors)</b>	274	231	3	39	7
<b>Directors (Audit and Supervisory Committee members) (excluding outside directors)</b>	31	31	—	—	1
<b>Outside directors</b>	81	81	—	—	9
<b>Total</b>	388	345	3	39	17

## Notes

1. Director compensation amounts do not include the employee portion of compensation for directors who double as employees.
2. The above amounts include compensation paid during the term of office of two directors who resigned at the conclusion of the 33rd Annual General Meeting of Shareholders held on June 23, 2020.
3. "Share-based remuneration" indicated above includes provision for stock benefits based on the performance-based stock compensation plan.

**Effectiveness of the Board of Directors**

Recognizing that ensuring the effectiveness of the Board of Directors leads to medium and long term improvement of corporate value, JR Kyushu conducts hearings with the directors and gives questionnaires to them for the purpose of analyzing and evaluating the Board's effectiveness and then discloses an overview of the results in our Corporate Governance Report.

Between December 2020 and February 2021, a third-party organization was entrusted with conducting a survey consisting of meetings with each of the directors and questionnaires for them to complete, with the third party also participating as an observer at meetings of the Board of Directors. Thereafter, using the content of the report on the survey results from a third-party organization as the base, we analyzed and evaluated the effectiveness of the Board of Directors at a meeting of the Board of Directors. Below is an overview of the evaluation results.

**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

**Evaluation results for the fiscal year ended March 2021****① Progress in relation to issues recognized in the FY2019 effectiveness evaluation**

- In the FY2019 effectiveness evaluation, issues were raised including the formulation of a succession plan and improving training opportunities to enhance business understanding among outside directors.
- Of these issues, the succession plan was formulated based on discussion at the Nomination and Compensation Advisory Committee.

## Ensuring Transparent and Fair Management

- In terms of improving training opportunities to enhance business understanding among outside directors, by providing business briefings and on-site tours for outside directors, we worked to improve issues to enhance the effectiveness of the Board of Directors.
- Furthermore, in terms of improving training opportunities to enhance business understanding among directors, by confirming the desires of outside directors, we are aware of the need for continuous improvement.

### ② Principal new issues recognized in the FY2020 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.
- Furthermore, 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. Additionally, we recognized that the disclosure of ESG information is useful in constructive dialogue with our shareholders and that appropriate feedback is being provided on the opinions gained through this dialogue with our shareholders.
- We also recognized that the creation of an internal auditing system is progressing through the creation of internal auditing rules at the Group companies, and that the level of internal auditing throughout the Group is increasing.
- 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.

### Future initiatives

Based on this effectiveness evaluation, the Board of Directors will seek to make further improvements, centered on the following matters, in order to enhance the functionality of the Board of Directors.

- In terms of training opportunities to increase the business understanding of directors, by confirming the desires of the outside directors, we are working to make further improvements.
- In terms of the medium- to long-term strategy, we are working to further improve discussion through opportunities such as submitting as agenda for the Board of Directors.

## Auditing

### Auditing by the Audit and Supervisory Committee

Our Audit and Supervisory Committee has four members, three of whom are outside directors. In addition to members with legal affairs, we appoint members with sufficient expertise on finance and accounting. Below are details on the attendance of each member of the Audit and Supervisory Committee members in the fiscal year ended March 2021.

	Name	Attendance rate (attendance/total number of meetings)
Full-time members	Eiichi Kuga (outside)	13/13 (100%)
	Masaya Hirokawa	13/13 (100%)
Part-time members	Kazuhide Ide (outside)	13/13 (100%)
	Yasunori Eto (outside)	13/13 (100%)

\* Kazuhide Ide resigned at the end of the 34nd Annual General Meeting of Shareholders held on June 23, 2021.

Our Audit and Supervisory Committee meetings are used for purposes such as formulating audit plans, creating audit reports, inquiring about the progress of directors' work, and facilitating discussion with the President and outside directors. The key elements of the audit for the fiscal year ended March 2021 was the company's response and business continuity measures in the face of COVID-19, its safety measures, its Work System Reform and its initiatives related to its Medium-term Business Plan.

Each member audits our directors' work by attending key meetings such as those of the Board of Directors, reviewing documentation about matters such as key decisions, and visiting head office, branch offices, operations facilities, and group companies to assess the current state of operations and finances. Our outside members are particularly instrumental in this, using their specialist knowledge and background to

provide necessary advice and suggestions during discussions of proposals among the Audit and Supervisory Committee. Our full-time members gather information from our executive department and work together with our internal auditing department to ensure the effectiveness of the auditing and supervision by the committee. We took measures such as holding online meetings to prevent the spread of COVID-19.

The key assessment matters (KAM) for our audits were discussed with our account auditors, who reported on the status of the audits and provided explanations where necessary.

The committee works from our Audit and Supervisory Committee Office. Four staff members carry out administrative work necessary for the running of the committee, such as calling committee meetings and creating minutes.

### Internal auditing

JR Kyushu has established an Auditing Department at its head office to serve as an institution for conducting internal audits. The department consists of 14 members. Internal audits are carried out for the purpose of gaining an accurate understanding of the management activities of JR Kyushu and its group companies as well as for improving operational efficiency through appropriate advice and recommendations and contributing to sound business development. Specifically, the Auditing Department carries out audits of the head office, branch offices, on-site operations, and group companies based on auditing plans for each fiscal year. The department reports the results of these audits to the president.

Three meetings were held between the Audit and Supervisory Committee, internal auditors, and account auditors in the fiscal year ended March 2021 to facilitate a strong working relationship between the three parties and share information on audit plans, methods, and results. Additional communication also takes place as necessary between the Audit and Supervisory Committee and the accounting auditor and between the Audit and Supervisory Committee and the internal auditing department to share the necessary information and discuss various matters, enabling more in-depth auditing by all parties involved.



## Ensuring Transparent and Fair Management

**Status of Share Holding****Standards and principles for classification of investment shares**

Investment shares held for the purpose of pure investment are those held in order to receive gains from fluctuations in the value of the shares and dividends associated with the shares. Other shares are classified as investment shares held for purposes other than pure investment (cross-shareholdings policy). These are held according to the following shareholding policy.

**Investment shares held for purposes other than pure investment (listed shares only)**

Given our long-term vision of taking on challenges involving new mobility services (MaaS), we believe that the notion of achieving sustainable growth of the JR Kyushu Group, beginning with our railway business, requires partner companies with which it is possible to maintain cooperative relationships in the long run without being susceptible to factors such as short-term economic developments. Based on this principle, a cross-shareholdings policy is used when it is judged that this will contribute to increasing the value of JR Kyushu in the medium to long term from perspectives such as expanding profits through ongoing business operations and the strengthening of business collaborations and relationships. Shares are reduced when it is judged to be unnecessary to hold the original amount.

Each share held under our cross-shareholdings policy is extensively reviewed at the Board of Directors' meeting each year to determine whether it is appropriate to continue holding it. Factors considered include whether holding the shares is appropriate for achieving our long-term vision, whether the gains achieved by holding the shares is worth the investment cost, and whether there are prospects for future improvement. As a result, processes such as transferee selection and specific consultation to prepare for sale will take place with regards to unnecessary shares for purposes other than pure investment.

Furthermore, for the fiscal year ended March 2021, at a meeting held in August 2020, the Board of Directors conducted assessments of whether or not to hold individual shares for purposes other than pure investment. Initiatives were put in place to reduce those for which the rationale for continued holding is no longer sufficient.

With respect to exercising voting rights of our shares for

purposes other than pure investment, the company casts opposing votes when there are concerns regarding corporate governance, and otherwise exercises its voting rights upon consideration of whether or not a proposal will contribute to enabling growth of the entity concerned, improving its corporate value, or other positive outcomes.

If a company holding shares in JR Kyushu through a cross-shareholdings policy expresses the intent to make changes such as selling the shares, JR Kyushu will not impede the sale through means such as indicating a reduction in the trade.

**Investment shares held for purposes other than pure investment**

	Number of issues	Total amounts in balance sheet (millions of yen)
Unlisted shares	32	2,133
Shares other than unlisted shares	13	23,792

(Reference) Percentage of non-consolidated net assets: 7.7

**Issues for Which the Number of Shares Increased in FY2021/3**

	Number of issues	Total acquisition cost related to the increase in the number of shares (millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	—	—	—

**Issues for Which the Number of Shares Decreased in FY2021/3**

	Number of issues	Total sale value related to the decrease in the number of shares (millions of yen)
Unlisted shares	3	10
Shares other than unlisted shares	—	—

**Number of shares per specified investment stock issue, total amounts in balance sheet, etc.**

Issue	Fiscal year ended March 2021	Fiscal year ended March 2020
	Number of shares Total amounts in balance sheet (millions of yen)	Number of shares Total amounts in balance sheet (millions of yen)
West Japan Railway Company	810,400	810,400
	4,971	5,993
Central Japan Railway Company	338,200	338,200
	5,597	5,857
East Japan Railway Company	707,800	707,800
	5,548	5,786
KYUDENKO CORPORATION	887,800	887,800
	3,755	2,595
Nishi-Nippon Railroad Co., Ltd.	813,300	813,300
	2,404	2,160
ANA HOLDINGS INC.	246,600	246,600
	634	650
Kyushu Electric Power Company, Incorporated	418,700	418,700
	457	363
SAIBUGAS CO., LTD.	72,400	72,400
	229	189
T&D Holdings, Inc.	59,950	59,950
	85	52
Fukuoka Financial Group, Inc.	23,650	23,650
	49	33
Mizuho Financial Group, Inc.	21,200	212,000
	33	26
Dai-ichi Life Holdings, Inc.	9,700	9,700
	18	12
Nishi-Nippon Financial Holdings, Inc.	8,493	8,493
	6	5

\*SAIBUGAS CO., LTD. changed its trade name to SAIBU GAS HOLDINGS CO., LTD. in April 2021.

## Strengthening Risk Management, Rigorous Compliance

### Information Security

#### Building of an information security framework

To strengthen security measures throughout the JR Kyushu Group, we set up a CSIRT in March 2019 to carry out systematic pre-emptive initiatives for information security incidents. Information is gathered and shared and training is conducted during normal operations so that our employees can respond quickly in the event of an incident.

#### Initiatives to improve information security

The fiscal year ended March 2021 saw a rapid increase in demand for access to our internal network from outside the company (working from home, etc.) as a result of the pandemic. We adapted quickly to this change in our business environment by enhancing our network environment, promptly carrying out a full inspection for vulnerabilities in our VPN (Virtual Private Network) connection and addressing any vulnerabilities that were found.

In September 2020, there was one unauthorized point exchange as a result of unauthorized access to our member

service website from an overseas IP address (suspected to be list type account hacking). Our CSIRT played a central role in surveying and responding to the incident. The service website was temporarily closed while we took action to prevent secondary damage, investigated the damage that had occurred and responded to customers who were impacted. Additional security measures were taken after this before resuming the point exchange service in January 2021.

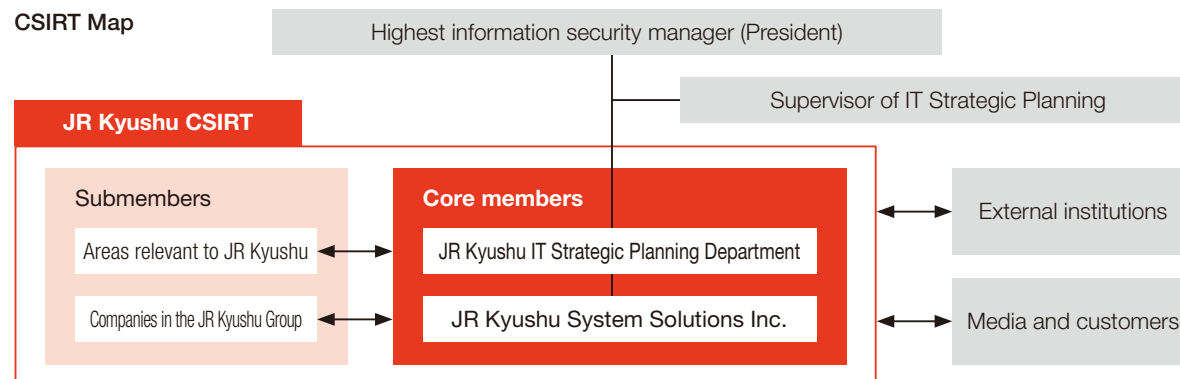
We are conscious that many of our customers were concerned by this incident, and are working to strengthen our security measures to prevent an incident like this from occurring again.

#### Overview of CSIRT

##### CSIRT (Computer Security Incident Response Team)

Name	JR Kyushu CSIRT (JRQ-CSIRT)
Scope	JR Kyushu and other companies in the JR Kyushu Group
Role	<ul style="list-style-type: none"> <li>● Clear communication about incident report desk to ensure early notification of incidents</li> <li>● Rapid response and support in the event of an incident</li> <li>● Information gathering, timely warnings, and security training during normal operations</li> </ul>

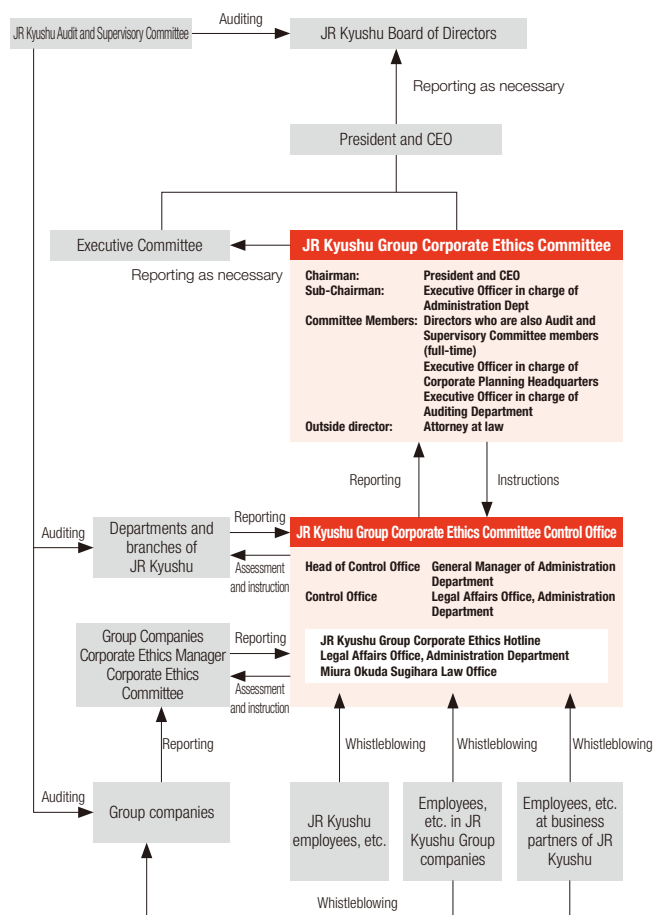
#### CSIRT Map



Reports on completion of vulnerability diagnostics

## Strengthening Risk Management, Rigorous Compliance

## Corporate Ethics Framework Map



## JR Kyushu Group Corporate Ethics Committee

The JR Kyushu Group Corporate Ethics Committee, chaired by the President of JR Kyushu, was formed to establish the corporate ethics of the JR Kyushu Group and adjudicate on matters necessary to ensure full compliance with laws and regulations. Matters reported to the JR Kyushu Group Corporate Ethics Hotline are reported to the JR Kyushu Group Corporate Ethics Committee.

The JR Kyushu Group Corporate Ethics Committee has set the following as focal points for corporate ethics in the fiscal year ending March 2022.

## Focal point 1

Conduct training for JR Kyushu site managers (assistants) and managers of employees at group companies.

## Focal point 2

Ensure that the content of group training requires attendees to think for themselves to improve their thinking skills.

## Internal Whistleblowing System

A JR Kyushu Group Corporate Ethics Hotline is available in both JR Kyushu and an external law office to handle feedback and inquiries about matters such as corporate ethics and law. The hotline can be used by anyone in the JR Kyushu Group or its business partners to report any concerns about business operations or an individual's actions from a corporate ethics or legal perspective. Information provided by whistleblowers will be kept in strict confidence. Whistleblowers will not be treated unfairly on the basis of requesting a consultation.

Consultations have increased in recent years. These are handled appropriately by the consultation desk. Many consultations tend to be about harassment and labor issues.

## Number of reports through the hotline by year

Fiscal year	'18/3	'19/3	'20/3	'21/3
Number of reports	33	39	56	65

Corporate Ethics Initiatives in the JR Kyushu Group  
Employee training

All employees, including those in group companies, receive a copy of the JR Kyushu Group Corporate Ethics Handbook. The handbook incorporates specific examples of corporate ethics initiatives, such as creating a workplace with ethical measures such as harassment prevention and running a fair business that prevents corruption and other ethical issues. In the fiscal year ending March 31, 2021, in order to respond to the diversification of human resources in the JR Kyushu Group (elderly and foreign workers), we created a simplified version of the Corporate Ethics Handbook and its English version as a simpler educational tool. Employees receive annual training on corporate ethics through methods such as e-learning based on the JR Kyushu Group Code of Ethics to ensure legal compliance by every employee.



History of Value Creation Initiatives  
At a Glance

Value Creation Story  
Value Creation Process  
The JR Kyushu Group's Corporate ESG

Message from the President,  
Local Community Invigoration, Pandemic Strategies  
Climate Change Adaptation, Message from the CFO

Ensuring Transparent and Fair Management  
**Strengthening Risk Management, Rigorous Compliance**  
Extensive Communication with Stakeholders

Safety, Service,  
Development of Human Resources

Addressing Environmental Issues

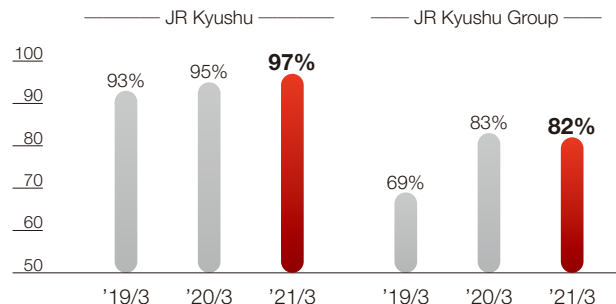
Financial Highlights, Non-Financial Information  
Financial Information  
Investor Information, Consolidated Subsidiary Information

## Strengthening Risk Management, Rigorous Compliance

### Results of corporate ethics awareness survey

The results of the awareness survey given to all employees in the JR Kyushu Group in the fiscal year ended March 2021 showed that 97% of JR Kyushu employees were aware of the JR Kyushu Group Corporate Ethics Hotline, while an average of 82% of employees at group companies were aware of it.

#### Ratio of employees who said that they knew about the JR Kyushu Group Corporate Ethics Hotline



### JR Kyushu Group Corporate Ethics Handbook



Japanese version



English version

### Training for hotline workers

We held our first training for employees who work on the JR Group's corporate ethics hotline to improve their skills for handling issues that are raised. The attorney who advises JR Kyushu gave a talk and roleplays of actual calls to the hotline were used to provide easy-to-understand explanations of key points for handling calls and other information the workers needed to know. The workers were also given a manual on handling calls.



Talk by the attorney who advises us

### Corporate ethics seminar

Since the fiscal year ended March 2019, the JR Kyushu Group has designated October as a month for strengthening corporate ethics. Various corporate ethics initiatives are carried out during this month, including a JR Kyushu Group Corporate Ethics Seminar. In the fiscal year ended March 2021, a guest speaker gave a seminar for site managers about how they can prevent a scandal.

Our corporate attorney and Legal Affairs Office also gave presentations about corporate ethics and about sexual harassment and abuse of power. Management such as site managers and the heads of each branch received training on sexual harassment and abuse of power in response to recent factors such as a revision in the Act on the Comprehensive Promotion of Labour Policies and the recent increase in inquiries about these matters within JR Kyushu.

### Training and seminars held in the fiscal year ended March 2021

<b>Seminars by guest speakers</b>	<ul style="list-style-type: none"> <li>● Seminar on the Companies Act for directors</li> <li>● Seminar for new directors</li> <li>● Seminar on corporate ethics in the JR Kyushu Group</li> <li>● Training for hotline workers</li> </ul>
<b>Presentations by consulting attorney</b>	<ul style="list-style-type: none"> <li>● Workshop on prevention of harassment</li> </ul>
<b>Off-site corporate ethics presentations by Legal Affairs Office</b>	<ul style="list-style-type: none"> <li>● Corporate ethics training during training by position</li> <li>● Corporate ethics training on request by group companies</li> <li>● Corporate ethics training for branches, Transportation Department, etc.</li> </ul>



Harassment seminar

## Extensive Communication with Stakeholders

### Discussions with Customers

We hold discussions with customers to find out their thoughts on the JR Kyushu Group. We hold two to three local meetings in eight regions around Kyushu, where customer advocates who are appointed for a year at a time share a variety of opinions. We also hold two central Discussions with Customers each year, where representatives from each region talk with our management. These activities allow us to gather valuable feedback that we can use to improve the JR Kyushu Group's services and products, as well as allowing us to give customers a more in-depth understanding of the JR Kyushu Group.

For the fiscal year ended March, 2021, we decided to hold only one roundtable meeting for each district and the central roundtable meeting in consideration of the impact of COVID-19. Some meetings were held via web conferencing and other methods. Despite the concerns about the impact of COVID-19, we were able to receive valuable opinions from our customers.



Number of discussions with  
customers **9**

### Opinion Exchange Meetings between Management and Employees

JR Kyushu holds regular opinion exchange meetings between management and employees to promote a transparent organizational culture. Our management visits workplaces throughout Kyushu, where they provide updates on the company and its policies and encourage employees to share their impressions of their daily work along with questions and suggestions. At that meeting, there is a lively exchange of ideas.



Number of feedback sessions **25**

### Dialog with Business Partners

Our basic policies on procurement are disclosed by means such as our website to ensure that our trading partners understand and cooperate with our policies. While COVID-19 impacted parts of our supply chain in the fiscal year ended March 2021, we were able to obtain steady supplies of materials with the help of our trading partners. COVID-19 also meant that we were unable to make as many visits as usual, but we maintained active communication, interviewing our trading partners and telling them about our procurement initiatives.



Visit **6** companies

### Dialog with Shareholders and Investors

JR Kyushu actively creates opportunities for dialog with shareholders and investors through venues such as the General Meeting of Shareholders, presentations of financial results, individual meetings between management and institutional investors, facility tours, and presentations for individual investors.

These took the form of online meetings in the fiscal year ended March 2021 due to COVID-19, but we were able to facilitate mutual communication by answering questions from shareholders and investors. These activities allow us to provide information on the JR Kyushu Group's businesses and growth strategies and hear various feedback. The feedback we receive is shared at meetings of our management team and Board of Directors and used to improve our management.



Number of discussions between management and institutional investors **98**

Number of discussions between management and individual investors **2**

\*The photos on this page are from the fiscal year ended March 2020 and earlier.



## Source of Value Creation

- Safety
- Service
- Development of Human Resources



# Safety

## Fundamental Approach

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

## Safety Control Structure

With proactive involvement from top management, we have established safety management regulations for the purpose of establishing a safety control structure and maintaining and improving transportation safety. In addition, by appropriately operating a PDCA cycle for safety control and implementing activities such as safety audits and safety checks, we carry out checks of our internal safety control structure in an ongoing effort to further ensure safety.

## Safety Promotion Committee

Meetings of our Corporate Safety Promotion Committee are held monthly to share safety information and discuss how to prevent railway accidents, hindrances to transportation, and occupational disasters and how to prevent reoccurrence of any incidents that do occur. Matters such as measures and information that are adopted by the committee are disseminated mainly through Safety Promotion Committee meetings held in each branch or department. Furthermore, to ensure unified safety practices among the whole of the JR Kyushu Group, these Safety Promotion Committee meetings are attended by persons in charge of safety at JR Kyushu Group companies, and measures and safety-related information that are adopted are disseminated to group companies.



Meetings of the Corporate Safety Promotion Committee



Safety Promotion Committees at branches

## Safety principles

**Safety is the greatest thing we owe to our customers.**

1. Ensuring safety is based on exact observance of rules and procedures, and is achieved through our continuous effort.
2. Strict checks and thorough communication are the most important elements of ensuring safety.
3. Everyone in every role must work together to ensure safety.
4. If you are unsure what to do, take the safest action.

## The Two Pillars of Safety

The JR Kyushu Group is working on a three-year Medium-Term Safety Plan (2020-2022) to implement measures that ensure the utmost safety at all times. There are two pillars in these initiatives. The first is a Basic Safety Policy containing key points for each year based on the Medium-Term Safety Plan. This is applied in each department, branch, and group company. The other is actions to ensure safety, centering on key themes each year, based on the unchanging mindset that safety requires initiative.

**Ensuring safety at all times**

Basic Safety Policy

Safety Promotion Campaigns

**Medium-Term Safety Plan**

2020~2022

Safety Framework

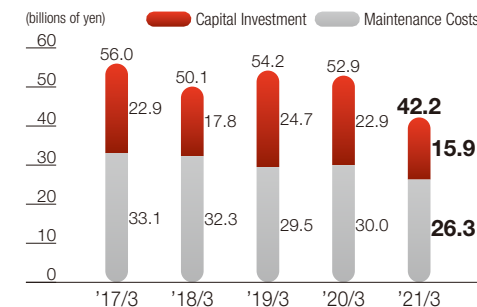
## Setting Targets

To turn our principle of ensuring the utmost safety at all times into tangible improvements, targets are set according to the following principles.

<b>Fatalities Injuries</b>	Accidents causing passenger fatalities or injuries	<b>Eliminate the root cause</b> 0 cases all year
	Disasters causing fatalities to employees, etc.	
	Three major occupational accidents (collisions, electric shock (high voltage), falls)	
<b>Dangerous accidents and incidents</b>	Accidents in the operation of our railway (for which the JR Kyushu Group is responsible)	<b>Aim to eliminate</b> 0 cases/year reached
	Incidents	
	Incidents requiring instruction (hazardous incidents)	
<b>Inconvenient accidents and incidents</b>	(Republished) Signal violations	<b>Target for final fiscal year</b>
	(Republished) Collision violations	
	Accidents in the operation of our railway (for which the JR Kyushu Group is not responsible)	
<b>Faults (transportation faults)</b>	Blocked crossing accidents	10
	Accident due to person on track	10
	Rolling stock faults	15
<b>Incidents requiring instruction (nuisance incidents)</b>	Track faults	0
	Power line faults	0
	Security equipment faults	0
		5

## Capital Investment Related to Safety

In the fiscal year ended March 2021, we invested ¥15.9 billion in replacement of obsolete facilities, safety and disaster-damage prevention measures, measures for reliable transportation, and rolling stock projects. ¥26.3 billion was also spent as repair expenses for the maintenance and management of railway facilities, for a total of ¥42.2 billion.



## Safety

## Initiatives to ensure safety

## Top priorities Initiatives to eliminate signal violations and collision violations\*

## Prevention of signal violations

- Use of measures such as simulator training to ensure that employees understand the importance of carrying out basic operations correctly and are committed to doing so.
- Thorough checks to ensure correct execution of basic operations and ongoing instruction until these become second nature.



## Prevention of collision violations\*

- Thorough training on prevention of collisions for employees, etc.
- Use of train collision warning system to prevent collisions caused by human error.
- Safety patrols for assessment and improvement of workplace conditions.



\* Collisions that violate our rules on collision prevention

## Simulator training

The accident in 2017 that damaged the railway facilities at our Nogata Rolling Stock Center taught us that there are cases where an employee knows something intellectually but cannot act on it in a real situation. To counteract this, we have introduced a simulator on site and have revised our training system to improve employees' understanding of how to handle abnormal situations and ability to respond to these situations. Training takes place on site in small groups and in general training sessions attended by all relevant employees.



On-site simulator

## Ongoing initiatives

## 1 Enhancement of systems to improve safety

Safety audits and inspections, safety conferences, safety discussion gatherings, views shared by employees about safety

## 2 Improvement of the skills of employees, etc. in ensuring safety

Self-improvement, competitions, abnormal event training, various other training

## 3 Prevention of railway accidents, etc.

Preparation of backup equipment, measures for railway accidents and incidents

## 4 Strong measures against intensifying environmental issues

Measures for earthquakes and tsunamis, stronger disaster prevention, case by case measures for situations such as terrorism

## 5 Prevention of accidents involving trains and facilities

Replacement of trains and facilities and renovation of trains



Self-improvement



Measures for sloping surface

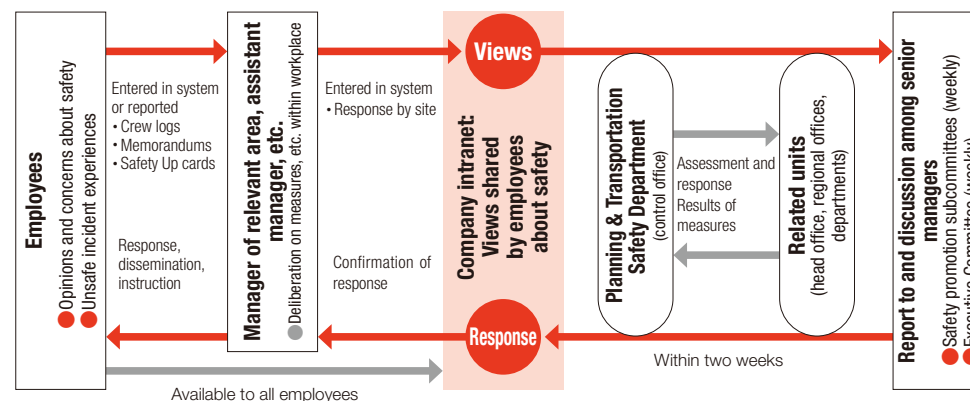


Further installation of ATS-DK

## Views shared by employees about safety

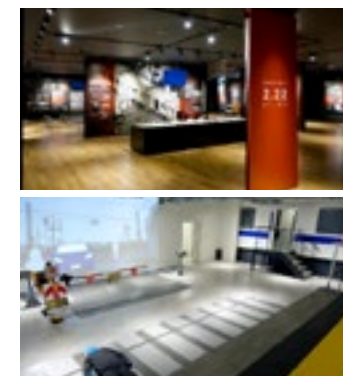
Our system for views shared by employees about safety is used to allow employees to share opinions and concerns about safety, unsafe incident experiences, and unsafe incidents that may occur to prevent accidents and other hazards before they occur. Details and solutions are reported to the Executive Committee within two weeks and information is shared with all employees via our intranet.

## Process for views shared by employees about safety



## Training at the Safety Creation Center

Our Safety Creation Center was opened in January 2011 to keep past accidents and other incidents fresh in our memory, impart a strong understanding of basic operations and safety measures and give our employees the training they need to ensure the safety of our customers and employees. Our fifth round of training was completed by March 2020, making a total of 52,369 employees (including group company employees) who have attended training. In March 2021, a new Safety Creation Center was opened with the rebuilding of our employee training center. The new Safety Creation Center is conducting a sixth round of training that seeks to foster understanding about why our rules are important and equip employees with the ability to put that understanding into practice by thinking for themselves about what they need to do to follow our rules.



## Safety

## Examples of Improvements as a Result of Views Shared by Employees about Safety

## Examples of improvements

## ● View

When an accident occurred due to a person on the track, a police officer who was investigating the site extended a measurement instrument on the track. An employee noticed that the device was near a power line and shouted a warning. This was a near miss—if the employee had noticed even a few seconds later, the officer would have been shocked by the 20,000 volt power line.



## ● Measure

We told our employees that when handling accidents involving a person on the track, they need to warn the police about hazards such as electric shock on the site. We also visited six nearby police stations and provided documentation and posters with information about this hazard.

## Strong measures against intensifying environmental issues: measures for disasters caused by heavy rain

In the fiscal year ended March 2021, we carried out work in 32 areas to reinforce sloping areas alongside the tracks that may be affected by heavy rain or typhoons and prevent rockfall and collapse due to deterioration over time.



Before the measures were carried out



After the measures were carried out

## TOPICS

The seasonal rain front that causes Japan's rainy season persisted near Kyushu in 2020, resulting in record levels of rain in July. This impacted 450 railway facilities on the Hisatsu Line, 145 on the Kyudai Main Line, 26 on the Kagoshima Main Line and 109 on other lines, with 730 occurrences of damage including bridges, tracks and embankments washed away, collapse of cut slopes and debris and fallen trees on lines. Services were suspended on many lines as a result.



A washed away bridge



Washed away tracks



Collapse of cut slopes

We were forced to suspend services between Bungo-Mori and Shonai Stations on the Kyudai Main Line after infrastructure such as embankments, track beds, ballasts and No. 2 Nogamigawa Bridge between Bungo-Nakamura and Noya Stations were washed away. However, the hard-working personnel of the relevant organizations discussed effective recovery methods and did everything they could to carry out a wide range of work as quickly as possible. As a result, services resumed on the entire line from March 1, 2021, around eight months after the disaster.



At the time of the disaster



Restoration



## Safety

## New initiatives

- 1 Maintenance tailored to the condition of rolling stock and facilities
- 2 Disaster measures using external data
- 3 Implementation of ICT for wider use of information
- 4 Use of drones for more accurate maintenance inspections
- 5 Inspections using trains with cameras and sensors
- 6 Use of smart devices to prevent human error

Train approach  
warning  
systemDrone  
inspectionsInspections via  
commercial trains

## Initiatives for verification in order to take the next steps

- 1 Fundamental revision of maintenance cycle by introducing CBM
- 2 Prevention of unsafe actions by employees, etc. through use of sensors and AI
- 3 Use of AI image recognition to detect issues that may endanger passengers
- 4 New maintenance methods using robot technology

AI image  
recognition

Robot suits



CBM of vehicles

## Adoption of RED EYE:

## Using commercial rolling stock to improve efficiency of conventional line inspections

Commercial rolling stock has been fitted with Japan's first camera systems with elemental technology to improve the efficiency of some of our inspection operations in our railway facilities, improving the quality of our facilities and the safety for our personnel. These camera trains are called RED EYE trains.

- Cameras and other equipment fitted at the front of commercial rolling stock reduce the patrol work that needs to be done by personnel and improve quality.
- Japan's first rooftop 4K cameras reduce inspection work and improve safety.

## Conventional inspections and checks

Check area around tracks

A staff member rides on a commercial train to check the area around the tracks and make judgments



## Future inspections and checks

Video footage is automatically transferred for automatic judgments about faulty areas



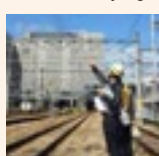
Location of equipment on train



Image of clearance limit analysis results

Inspection of facilities around train lines

A staff member walks around the area to carry out checks and make judgments



Images of the facilities from the rooftop 4K cameras are checked and judged from an inspection office



Equipment on roof of train

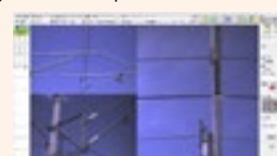


Image of inspection of facilities around train lines using images from cameras

## Development for CBM\* of railway signal facilities

\* Condition-based maintenance. Maintenance that is carried out only when deemed necessary based on the condition of the facilities.

In this development, we are analyzing various data from our ongoing condition monitoring system, past maintenance inspections, and facility faults and using the results to predict when a fault or deterioration will occur in facilities and build a model to assist in decision making about facility repairs.

- Method of development
  1. Accurate repairs of facility faults according to predictions
  2. Proposal of facility replacement plan according to predictions of deterioration

## Development targets

Phase 1  
Mechanization of equipment  
inspection operations

Utilization of  
data

Batch management  
of data

Synergistic  
creation of  
added value

Phase 2  
Data-driven CBM

Safe and efficient facility repairs based on predictions of fault and deterioration times using big data analysis

# Service

## Fundamental Approach

Since 1991, JR Kyushu has worked to enhance service through a variety of measures. In 2003, we formulated the Service Charter, which employees recite each day and always keep in mind. Since the fiscal year ended March 2008, we have accelerated our initiatives to further promote a corporate culture founded on service. Themes are set for each year's activities for further implementation. Our theme for the fiscal year ending March 2022 is further improvement of service based on the mindset "Notice, approach, and reach out - first, smile, greeting, and act immediately!"

### Service Charter

- 1 We are grateful to the customers who select JR Kyushu.
- 2 We listen to customers, think from the customer's perspective, and pursue customer satisfaction.
- 3 We always greet customers with a sense of hospitality and remember that every customer is important.

## Listening to Customer Feedback

We listen to all feedback from passengers to understand what customers are concerned about and what they are not satisfied with. We place the highest importance on responding rapidly to customers' requests.

### Initiatives to Address Customer Feedback

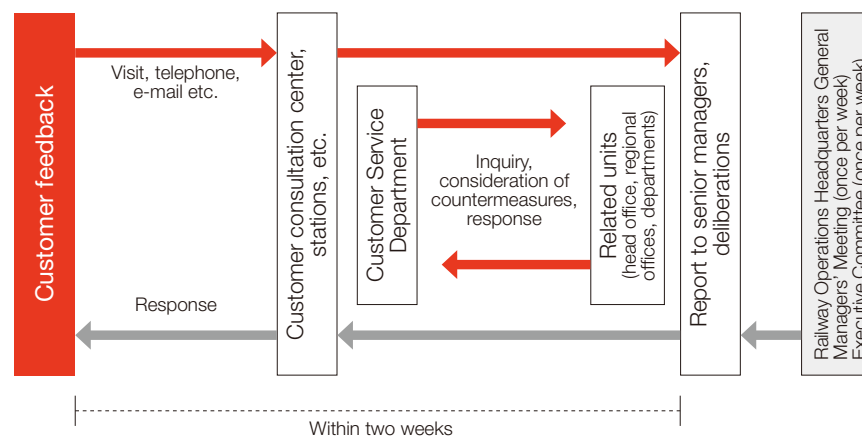
As we mention in our Service Charter, customer feedback is the starting point of our efforts to enhance service. We listen to customer feedback and strive to understand what customers are concerned about and what they are not satisfied with. We place the highest importance on responding rapidly to their requests and on working to enhance service.

In addition to messages received directly

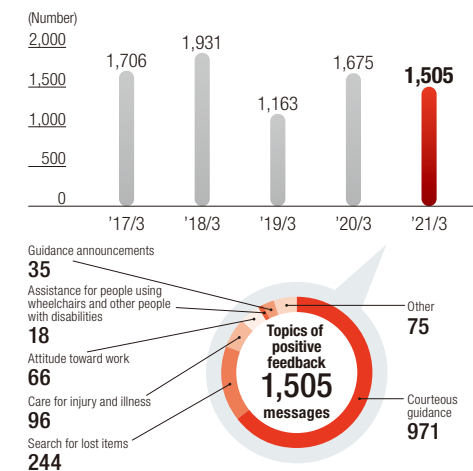
from customers, we seek feedback through various avenues such as online and by phone. We received around 8,200 feedback messages in the fiscal year ended March 2021, containing compliments, feedback, and requests. We strive to report feedback to senior managers, deliberate, and provide a response to the customer within two weeks, and to rapidly share and analyze the feedback within the company and apply it to specific improvement measures.

In the event that it is difficult to make improvements immediately, future measures are considered by the Committee to Enhance Our Corporate Culture Founded on Service, which has the president and other related officers as members. In these ways, we are working to enhance service quality.

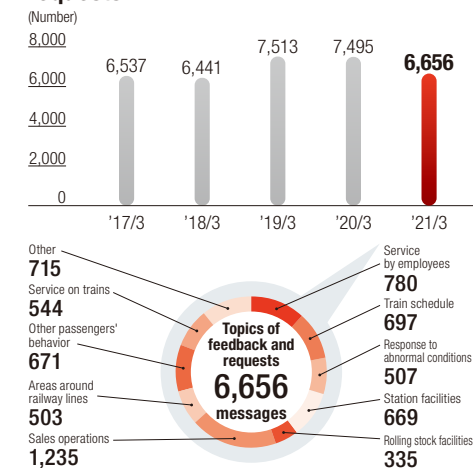
### Flow of Customer Feedback



### Number of compliments



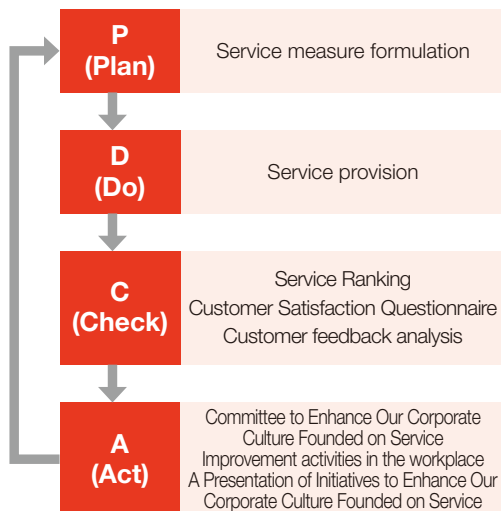
### Number of feedback messages and requests



## Service

## Initiatives to Enhance Service Quality

We are implementing a variety of initiatives to enhance service quality. We periodically obtain the cooperation of customers in answering the Customer Satisfaction Questionnaire, which we use to measure customer satisfaction and to enhance various services based on the content of the evaluations received. We also implement a Service Ranking, which involves formulating evaluation standards for each service and utilizing external research to conduct evaluations. The diagram below shows the flow of initiatives to leverage customer feedback and enhance service quality.



### Service Ranking

In our station, travel, and train crew units, we are fostering a sense of positive competition by quantifying and ranking the results of annual service surveys. Through this initiative, we are working to enhance awareness of customer reception at each worksite and promote active improvement of service.

In a survey in the fiscal year ended March 2021, many respondents said that it was difficult to hear employees' greetings through their masks, and it was also difficult to discern their expressions. In the fiscal year ending March 2022, we will carry out training about facial expressions on a daily basis so that employees' smiles are evident and their greetings can be heard easily despite their masks.

### Committee to Enhance Our Corporate Culture Founded on Service

To comprehensively consider items related to service at JR Kyushu, we implement improvement activities based on the formulation of service strategies, and advance the establishment of a foundation for the enhancement of service quality, a committee chaired by the president and including general managers and regional office manager among its members that meets once per month. Praise and feedback from customers are analyzed and information on initiatives to improve service in each area is shared.

In the fiscal year ended March 2021, we discussed how passengers can be considerate of each other while COVID-19 is happening, and asked parties such as boards of education in each prefecture to communicate to students that they need to wear a mask and keep conversation to a minimum when traveling on trains. We also improved our website in response to feedback from customers saying that the information on services that was provided in the event of a train delay was difficult to understand.

### A Presentation of Initiatives to Enhance Our Corporate Culture Founded on Service

Seven worksites that were selected from within the JR Kyushu Group gave presentations about excellent initiatives in October 2020 that were implemented to enhance our corporate culture founded on service. Employees from the selected worksites enthusiastically announced how they drew on their ingenuity, and these ideas were then rolled out in the worksites of those who attended the meeting. In this way, these ideas were linked to new service improvement initiatives.



A Presentation of Initiatives to Enhance Our Corporate Culture Founded on Service



Customer support training



## Service

## Fostering Awareness of Service

We are carrying out various initiatives to increase awareness of improving service at our group companies and among all of our employees.

## Developing Employees Who Provide Excellent Service

We are rolling out roleplay-based training for all station and onboard employees based on likely scenarios such as service at the ticket gates and on board trains, as well as situations such as passengers who need to be accompanied and assistance for blind passengers using a cane. A Customer Company Championship is also held for our station and onboard staff, with regional and company-wide competitions. Employees compete to improve customer satisfaction, working

on elements such as speech and demeanor. We invite elderly passengers and passengers with disabilities to attend customer support training about the best ways for station and onboard staff to assist passengers who may need help. In the fiscal year ended March 2020, we began awarding qualifications as Service Care-Fitters\*. Over 60 employees now hold this qualification. We will continue to pursue initiatives to ensure passengers' safety, peace of mind, and comfort as they use our railway services.

\* An employee who learns the spirit of hospitality and assistance techniques for helping the elderly or people with disabilities, and is able to help them while putting them at ease. (Source: Website of The Nippon Care-Fit Education Institute.)

## Examples of Training

Name of training	Number of participants	Overview
Customer reception seminar	Approx. 40 people	This training aims to enhance guidance and customer service abilities. Participants learn how to ensure that the type of service that is necessary on the front lines is well established in worksites, and they acquire know-how about responding to feedback from customers.
Customer Support training	Approx. 140 people	To enable customers with physical disabilities and elderly customers to use stations and trains with peace of mind, this training aims to have employees on the front lines (station employees, train crew members, etc.) learn about new accessibility laws and regulations and acquire knowledge and skills related to appropriate support, and then apply this training in each workplace.
E-learning	All employees	This training aims to deepen understanding of "Toward a Corporate Culture Founded on Service 2021"
Training for the Service Care-Fitters qualification	Approx. 60 people	Employees learn the techniques and hospitality necessary to make train travel stress-free for elderly passengers and passengers with disabilities.

## Initiatives to Enhance a Culture of Mutual Praise

We believe that through praise we can draw out the motivation and independence of employees and further enhance service based on the added value created by each employee. We are implementing a range of activities on that basis.

Specifically, we have established a variety of recognition systems for employees who have received compliments from customers. Employees' pay slips contain compliments and messages of gratitude from customers, and employees can send each other thank you cards to express their gratitude to each other. Employees who have provided outstanding service and received messages of gratitude from customers and colleagues are recognized each month with awards. A Service Round-Table Discussion is held twice a year, where employees who have received awards exchange opinions with the President and the general manager of the Customer Service Department. In addition, we recognize employees who have provided especially superior service through the Service of the Year Awards. We will use the excellent initiatives of award winners as a reference in ongoing work to share information to facilitate the provision of services that are aligned with the sentiments of customers.



Service Round-Table Discussion



Service of the Year Awards



## Service

## The service provided by the train attendants on the D&S Train 36+3 (Sanju-Roku plus San) express

On October 16, 2020, we launched a new D&S Train called 36+3 (Sanju-Roku plus San) express. This service travels through every prefecture in Kyushu in five days, and passengers spend each day enjoying a different line or theme. The onboard service is like Kyushu on wheels, with a variety of onboard events, meals and local hospitality that showcases all of the highlights of Kyushu. This is helping to create a buzz in local communities and promote tourism in these areas.

The Japanese for 39 (*san-kyu*) sounds like "thank you", and the service represents passengers, local people and JR Kyushu coming together in a ring of gratitude. With protection from COVID-19 of paramount importance, the train crew completely relearned how to provide the best service while keeping everyone safe. They also visited the communities along each route to learn all about the mindsets of the people who live there and reflect that in the service they provide on board 36+3 (Sanju-Roku plus San) express.

The 36+3 (Sanju-Roku plus San) express staff will continue to challenge themselves to provide even more surprising, awe-inspiring and joyful experiences for all passengers and share what makes Kyushu great to increase the value of the Kyushu brand and encourage more people to visit.



## The service people need during the pandemic

15% of all customer feedback in the fiscal year ended March 2021 expressed anxiety related to COVID-19. Particularly frequent feedback included complaints about rule violations such as passengers not wearing a mask or talking loudly, and complaints about crowding on trains. With that said, we also received a lot of praise about empathetic service that customers had received from our employees, which highlighted our passengers' high expectations for service that focuses on people. We will further improve our measures against the three main conditions that increase transmission of COVID-19 (closed spaces, crowds and close contact) while being mindful of how our customers are feeling and ensuring their safety and peace of mind.

### Feature 1

#### Improving our hospitality

We need to consciously make sure the expressions and words that make great service are not lost behind the masks and protective screens. We are carrying out "service patrols" to further improve our hospitality. We check elements of employee performance such as customer service and cleaning at around 140 locations, including stations and trains, and give feedback in the moment to the supervisors at each location. This gives employees an objective confirmation of their workplace's service quality, develops their ability to notice and observe things and creates a positive cycle between noticing and solving issues.

### Feature 2

#### Improving our support

In our customer support training, we sought to improve employees' support skills, particularly in the age of COVID-19.

Masks make verbal communication difficult for those with hearing impairments, so our employees are providing support by writing things or pointing. Before physically assisting customers with visual impairments, employees let the customer know that they have sanitized their hands. Our customer support training has improved our employees' ability to respond flexibly to different customers' needs and situations.

### Feature 3

#### Improving our practical skills

At our Customer Company Championship for the fiscal year ended March 2021, participants demonstrated service adapted for measures against COVID-19, including showing a friendly expression through their mask and telling customers with a white cane that employees' hands are sanitized.



# Development of Human Resources

## Fundamental Approach

As part of our aim to develop employees who are eager to learn and take on challenges, we are implementing initiatives based on the themes of a corporate culture that emphasizes learning, a workplace environment that fosters action, comfortable environments that are easy to work in, and satisfaction.

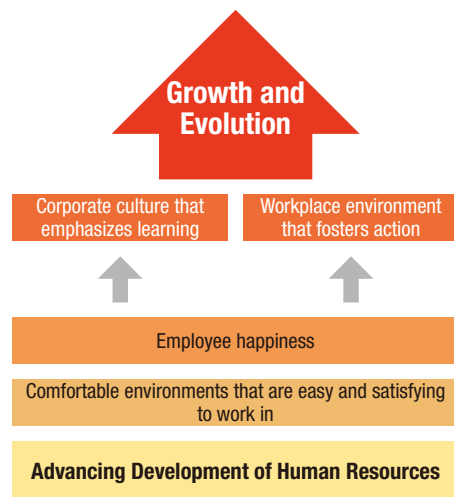


Image of new training center for employees

Kyushu Railway Company

## Corporate Culture that Emphasizes Learning, Workplace Environment that Fosters Action

Development of Human Resources is a major pillar of the corporate culture we are striving to build in the JR Kyushu Group. To ensure the sustainable growth of the JR Kyushu Group, each and every employee needs to learn and challenge themselves to achieve continuous growth and evolution.

It is also important for employees at all levels to be self-aware and conscious of the knowledge and skills required in their daily

work in order to make the JR Kyushu Group a strong organization.

The JR Kyushu Group has many educational systems for employees who are motivated to learn, grow, and change themselves. We use these to help our employees learn and become the best they can be.

### Our declaration: "Let's learn! Let's try!"

#### Our vision for our employees

In addition to dedicating themselves to our core principles of safety and service, employees must recognize that they are the foundation of sustainable growth of the JR Kyushu Group. Employees must never settle for how they are now—they must apply their experience and the things they have learned to bold new challenges and work to make the group even better in future

#### Employees must be willing to learn and grow and give 100% to their learning

- Employees must give 100% to growing as an employee, either through our various training programs or through their own self-learning
- Employees must place importance on having the desire to learn and must dedicate themselves to improving their knowledge of our work

#### Employees must apply their knowledge and experience both to their own growth and evolution and that of the company

- Employees must apply their knowledge and experience to improving their service and contributing to the improvement of their workplace and the company as a whole
- Employees must involve themselves in instruction and training to pass on their techniques and skills to more junior employees and employees they are managing

#### Employees must place importance on working relationships and work to build a positive workplace and encourage other employees

- Employees must actively communicate with their supervisors, colleagues, and employees they are managing during the course of their daily work, using internal systems as necessary, to create a transparent environment that is easy to work in
- Managers must apply the knowledge of health, harassment, etc. that they have gained through training and self-learning to build a good working environment

## Basic Training Plan

Our basic training plan for the fiscal year ending March 2022 centers on the concept "Let's learn! Let's try!" to foster a mindset in which JR Kyushu Group employees understand our vision for our employees and work on their growth. We are working on further sharing human resources development initiatives among the JR Kyushu Group and taking them further.



Conduct Training Competition



"Let's learn! Let's try! 2021"  
We issue a booklet describing the main points of our training plan and details of our employee training to disseminate this information to all employees.



History of Value Creation Initiatives  
At a Glance

Value Creation Story  
Value Creation Process  
The JR Kyushu Group's Corporate ESG

Message from the President,  
Local Community Invigoration, Pandemic Strategies  
Climate Change Adaptation, Message from the CFO

Ensuring Transparent and Fair Management  
Strengthening Risk Management, Rigorous Compliance  
Extensive Communication with Stakeholders

Safety, Service,  
**Development of Human  
Resources**

Addressing Environmental Issues

Financial Highlights, Non-Financial Information  
Financial Information  
Investor Information, Consolidated Subsidiary Information

## Development of Human Resources

### Future Creation Program HIRAMEKI

From the fiscal year ended March 2019, we started the Future Creation Program HIRAMEKI as a representative initiative for our "workplace environment that fosters action." This is a new business proposal system to which any JR Kyushu employee can submit ideas, regardless of their years of service at JR Kyushu or experience. A key feature of this system is that when an idea is proposed and adopted, the employee who made the

proposal is assigned to the new business project. This is not a system where people make proposals and then let someone else implement them. Personnel reassignments are a part of the system, which fosters an eagerness to contribute directly to the realization of a new business idea.

We received 366 proposals between the fiscal year ended March 2019 and the fiscal year ended March 2021.

### HIRAMEKI proposals that have led to projects

Year of proposal	Details of proposal	Submitted by
'19/3	Establishment of a business succession fund	Accounting Division, Finance & Accounting Dept.
'19/3	Project to restore old houses	Kagoshima Railway Operations Dept. Headquarters (Engineering)
'20/3	Businesses using space in stations	Rolling Stock Division, Transportation Dept.
'20/3	Subscriptions for samples of <i>shochu</i> (distilled spirits)	Accounting Division, Finance & Accounting Dept.

### Comments from a HIRAMEKI proposal-maker: Businesses using space in stations, '20/3

I thought that putting box-shaped booths in stations or creating co-working spaces there would be a new way to increase the value of stations, so I submitted a proposal through the HIRAMEKI program for proposing new forms of business. I got the idea because I had always felt that the empty space in stations that wasn't being used could hold opportunities to generate more revenue, and when I saw colleagues and employees who joined the company at the same time as me submitting proposals, I decided to submit one too. My proposal was adopted and in June 2021, our first shared office and co-working space was opened in the basement of Amu Plaza Hakata. I had never started a business before, so there was a lot I didn't know and I encountered one struggle after another, but with the help of the staff around me and everyone who was involved in the project, I managed to get this business off the ground. While it was often hard, starting a new business from scratch has been a valuable experience for me.



**Kenichi Kusaba**  
Business Development  
Headquarters  
Planning & Development Division,  
Planning & Development Dept.

## Comfortable environments that are easy and satisfying to work in

JR Kyushu strives to ensure that our workplaces are healthy, comfortable and safe for all employees.

### Health Management

On April 1, 2021, we published the JR Kyushu Group Health Declaration to further promote health-related management in the JR Kyushu Group. In addition to establishing basic policies based on the JR Kyushu Group Health Declaration, JR Kyushu will spend the fiscal year ending March 2022 carrying out a variety of activities to promote specific actions in which employees work more actively to improve their health, based on the slogan "I will get healthy! Starting and then continuing".

We treat this as an important measure in the company's management and engage in work such as establishing a framework for the

promotion of health management, with our president as the supervisor of health-related management. We report on this to the Board of Directors.

We have also established a Health Management Office within the company. The office's activities include workplace visits and health consultations, with a central role played by industrial physicians and public health nurses. In these ways, we are working to support employee health management.

We were recognized as "Health and Productivity Management: Outstanding Organization" for the first time as a result of our initiatives in health-related management thus far. We will carry out future health-related management with the aim of earning this certification again.



### Progress in implementation of basic policy for health management in the fiscal year ending March 2022 (KPIs)

Item		Target for the end of '22/3	Results for '21/3	Results for '20/3
Knowledge and learning	Employees who have attended an annual health checkup	100%	100.0%	100.0%
	Employees who have received a stress check	100%	99.9%	99.9%
	Employees who are subject to special health guidance	15% or less	20.2%	21.2%
	Special health guidance given to relevant employees	75% or more	— (note)	68.6%
	Employees who have not received a comprehensive health exam in 3 years	15% or less	30.3%	27.1%
Execution	Participants in Minna De Hokatsu <sup>*1</sup>	50% or more	41.9%	37.1%
	Employees who smoke	25% or less	28.6%	29.6%
	Employees who regularly eat breakfast <sup>*2</sup>	75% or more	70.9%	69.6%
	Employees who have received a flu vaccination	65% or more	79.1%	62.5%
	Percentage of annual paid leave used <sup>*3</sup>	85% or more	77.0%	78.9%

<sup>\*1</sup> A walking event held by JR-Kenpo      <sup>\*2</sup> At least five days per week (self-reported to health checkup personnel)

<sup>\*3</sup> Calculated based on 20 days given per year      (Note) Not calculated as this is being conducted from October 2020 to September 2021

## Development of Human Resources

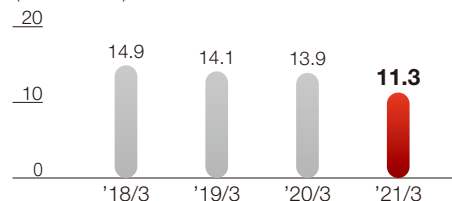
## Prevention of overworking

To prevent overworking and promote a good work-life balance, as a general rule, employees must not do more than eight hours of overtime in one day, and overtime and working on nonwork days must total less than 45 hours per month and 360 hours per year. Our main initiatives are as follows.

- Working hours are assessed through objective records using equipment such as an IC card
- Regular monitoring of overtime and work on non-work days
- Employees whose overtime and work on non-work days exceed 80 hours per month to meet with an industrial physician
- Overtime and work on non-work days for each quarter are reported at a meeting of the Work System Reform Committee, which is attended by management.

## Average overtime

(hours/month)



## Building Systems that Support Diverse Working Styles

Changes in our management environment include a decreasing working population due to a declining birth rate and an aging population, as well as the diversification of values regarding working style. To respond flexibly to these changes, we have taken steps to establish systems that support diverse working styles. From the fiscal year ending March 2021, we have raised the maximum age to 70 for employees who wish to work past the age of 65.

In particular, we are implementing initiatives to support the employees who are raising the next generation of children. We also established a new system from October 2020 in which employees can take up to five days per month off for childcare purposes.

We are particularly strong in supporting those who are raising the next generation—we acquired the Kurumin mark (given to companies that bolster the next generation by supporting employees who are raising children.) for our previous five action plans. We are actively working to make our work environment even more supportive of employees who are balancing work and childcare.

## 6th General Business Owners' Action Plan According to the Act on Advancement of Measures to Support Raising Next-Generation Children

Plan period: April 1, 2018 - March 31, 2021

## Target 1

**We revised our working practices to create an environment where it is easier for employees to balance work and childcare.**

Action plan	<ul style="list-style-type: none"> <li>● Strengthen initiatives to provide time for childcare.</li> <li>● Consider systemic reform, etc. to enable work-life balance.</li> </ul>
Results (progress)	<ul style="list-style-type: none"> <li>● Established flex time system</li> <li>● Established telecommuting</li> <li>● Expanded rehiring</li> <li>● Employees can use accumulated leave to take care of their children in situations such as a sudden closure of elementary schools, etc.</li> <li>● Established childcare leave (5 days per month)</li> <li>● Established paternity leave</li> </ul>

## Target 2

**Meet or exceed the following standards for male employees' use of childcare leave, etc. At least one male employee taking childcare leave, etc.; at least 15% of accumulated leave used for childcare purposes.**

Action plan	<ul style="list-style-type: none"> <li>● Continue to provide employees with details about childcare leave, etc.</li> </ul>
Results (progress)	<ul style="list-style-type: none"> <li>● 34.9% of accumulated leave taken for childcare purposes (April 2018 - March 2021)</li> <li>● Regular notices on our noticeboard using Hatarakikata Kaikaku Kihon No Ki<sup>*1</sup></li> <li>● The latest information on internal systems was put in the online version of Famisapo<sup>*2</sup></li> <li>● Video notifications were given about changes to internal systems</li> </ul>

## Target 3

**Encourage employees to take annual paid leave. Ensure that at least 50% is taken.**

Action plan	<ul style="list-style-type: none"> <li>● Create conditions that make it easy for employees to take annual paid leave.</li> </ul>
Results (progress)	<ul style="list-style-type: none"> <li>● 78.7% of annual paid leave taken (April 2018 - March 2021)</li> <li>● Use of annual paid leave is indicated as a deviation score and ranked by Shokuba No Genki Banzuke<sup>*3</sup> and employees with a low ranking are encouraged to take leave.</li> <li>● Information on the use of annual leave in each area is sent (visualized) each month.</li> <li>● Dates are set for encouraging employees to take annual leave (before and after long holiday periods)</li> </ul>

<sup>\*1</sup> A communication tool for providing regular notifications about subjects such as initiatives to reform our working practices. The name is Japanese for "the basics of reform in working practices".

<sup>\*2</sup> A booklet on our systems for supporting employees who are balancing work with taking care of a family. The name is an abbreviation for "family support" in Japanese.

<sup>\*3</sup> A workplace awards system based on indexes related to work-life balance (leaving work on time, usage of annual leave, etc.) health-related management and improvement activities. The name means "workplace health rankings".

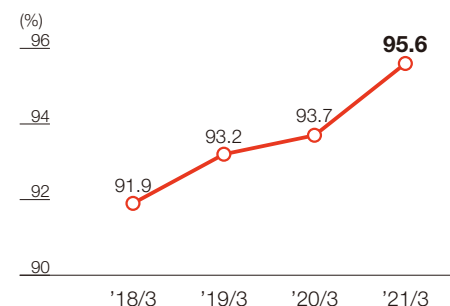
## Development of Human Resources

**Creating workplaces where women  
will thrive**

JR Kyushu has formulated an action plan for the promotion of women's participation and advancement in our company based on the Act on Promotion of Women's Participation and Advancement in the Workplace. During the period of the plan that extended from April 1, 2016 to April 1, 2019, we achieved our objective to raise our ratio of female managers to 6%. For the period of our current plan (April 1, 2019 to March 31, 2022), we have announced the objective of a retention rate of 95% or more for female employees. We are working to establish a workplace environment that facilitates the continual participation and advancement of women.

In November 2019, we received grade 2 Eruboshi certification from the Ministry of Health, Labour and Welfare, recognizing our strong implementation of initiatives to promote the participation and advancement of women according to the Act on Promotion of Women's Participation and Advancement in the Workplace. We are building on this progress to create a working environment where women can continue their career and thrive at JR Kyushu. We are actively working to facilitate the participation and advancement

of women so that all of our employees have something to aim for and a workplace that brings them fulfillment.

**Retention of Female Employees****Action plan for the promotion of women's participation and advancement in our company**

Target period	Plan	FY2021/3 results
2016/4/1 - 2019/4/1	Raise our ratio of female managers to 6%	6.3%
2019/4/1 - 2022/3/31	Lower the ratio of female employees leaving their jobs to less than 5%	4.4%

**Employee awareness survey**

JR Kyushu conducts regular surveys to assess employees' awareness. The survey ascertains employees' awareness about their job and workplace. We analyze factors that influence employees' awareness according to their age and nature of their work and apply this data to future measures to invigorate our organization and improve employee satisfaction.

The results of our survey in the fiscal year ended March 2020 indicated that while our employees felt optimistic about JR Kyushu's prospects for future growth, they felt that they were going through the motions in their work and their loyalty to the company was somewhat low. We responded to this by enhancing our open training, creating a system allowing employees to propose new business ideas, continuing measures such as actively praising employees for improvements in their daily work and considering discussion sessions in each department and branch.

In the survey we conducted in the fiscal year ended March 2021, there was an increase in satisfaction scores such as employees' satisfaction with their workplaces and supervisors and their loyalty to the company. However, there was also an increase in employees who were anxious about the company's results, growth and/or development, and there is still a need for initiatives that engage employees who feel that they are just going through the motions in their work. Based on these results, we will redouble our efforts to communicate clearly about subjects such as initiatives related to our Medium-Term Business Plan and facilitate self-improvement and workplace improvement based on our Basic Training Plan.

We also received feedback at a Board of Directors' meeting that it is important to use this survey as a tool for dialog with employees and carry out PDCA cycles based on this survey.



\* Numbers should be low for "sense of routine in work" and "sense of burden in workload."



## Development of Human Resources

## TOPICS Message from the General Manager of Human Resources Department

In the JR Kyushu Group, we believe that development of human resources is the source of our value creation, and it is one of our key ESG issues (materiality).

The unprecedented situation caused by COVID-19 has strengthened our appreciation of how important our employees are, and re-affirmed the fact that a company's employees are its driving force when it comes to surviving major changes in the business environment.

**Health management**

**When employees are healthy, the company and society are healthy**

With all of this in mind, we published the JR Kyushu Group Health Declaration in April 2021. Development of human resources was already foundational in our company, and we were already carrying out initiatives to keep our employees healthy, but this declaration was an announcement to both internal and external parties about our resolve to actively promote health management from the perspective of

corporate ESG.

Thus far, our health initiatives have been strongly rooted in legal compliance, which falls under governance, the "G" in "ESG". We now need to approach this issue from the social (S) perspective too, and treat this as a more crucial management issue than before. Health management is valuable to employees, the company and society as a whole, which means that we must not see it as a transitory task but work on health-related initiatives on an ongoing basis.

**Employee awareness survey**

**Visualizing comfortable environments that are easy and satisfying to work in**

At JR Kyushu, we actively facilitate dialog through discussion sessions with management and employees and workplace visits by executives. We feel that this has created a culture of open communication in our organization. With that said, the listing of JR Kyushu in the stock market has drawn the attention of various stakeholders, and we believe that it is important to not only assess matters such as employees' awareness through the perceptions and measures of those within the company but to ascertain and visualize their awareness in an objective way and communicate our findings to external parties in a way that is easy to understand. With this in mind, we began conducting an employee awareness survey in the fiscal year ended March 2020.

I am truly happy that the results from our survey in the fiscal year ended March 2021 showed that employees still had a high level of satisfaction in their workplace and trust in their supervisors despite the upheaval caused by COVID-19.

On the other hand, I think it is an issue that so many employees feel like they are going through the motions in their work. While some of this is due to the nature of railway operations, we are working to provide opportunities for employees to challenge themselves while solidly maintaining the level of safety and service that needs to be maintained consistently on a daily basis. One example of this is our open training, which we have worked on since the last fiscal year. The Human Resources Dept. will look for new ways to make employees feel fulfilled.

**Working to achieve ongoing growth Diversity**

The JR Kyushu Group has come together to take on challenges and achieve growth and development in various areas of business. We are proud that so many of our employees are strong in soft areas such as a sense of responsibility and communication skills.

However, we are conscious that we lack diverse perspectives and the ability to look outside our group. In order for the JR Kyushu Group to keep growing in future, we need to make diversity a part of who we are. We need to have people like women, people with disabilities and elderly people involved in our work, and we need to shift from our traditional focus on hiring younger people to include mid-career workers who will bring specialized skills and knowledge, or we need to understand the diverse backgrounds of the employees we have.

We will also continue loaning employees to companies outside the JR Kyushu Group, as this is likely to be another way to bring diverse

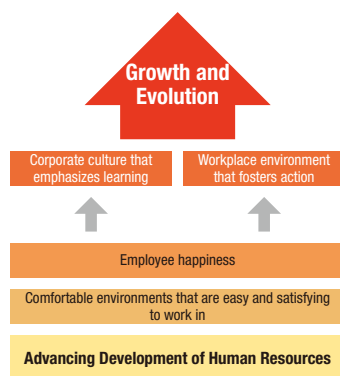
experiences to our workplaces.

A particular area of focus is the promotion of women's participation and advancement in workplaces. We believe that it is important to remove the barriers that make it difficult for women to continue working, and we are taking measures to increase retention of female employees. We have actively appointed women in positions such as site managers and officers of our group companies to give them management experience. Two of those women are now executive officers. New generations of female managers are also being trained, with women now accounting for more than 6% of our management.

In order to utilize diverse perspectives and enhance organizational strength, it is important to link each initiative, such as improving work-life balance and supporting diverse work styles. We are conscious of the importance of HR strategies like this from a management perspective, and we believe that workplaces where our employees are happy and thrive in their work are the key to ongoing growth of the JR Kyushu Group.



**Motomichi Miura**  
Executive Officer and  
General Manager of Human  
Resources Dept.





## Building a Sustainable Society

- Addressing Environmental Issues



## Addressing Environmental Issues

### Basic Policy on Environmental Conservation Activities

The JR Kyushu Group has established a Basic Principle and Basic Policies on environmental conservation activities, and is carrying out activities of this nature.

Our railway business is the cornerstone of JR Kyushu. Trains are an energy-efficient, environmentally friendly way to travel and we have worked to make them even more so through measures such as adopting energy-saving train cars to achieve more efficient energy usage and reducing CO<sub>2</sub> emissions to combat global warming. In February 2021, we announced our agreement with the TCFD, and announced that we are aiming to achieve net-zero CO<sub>2</sub> emissions by 2050.

Pollutants that place a burden on the environment are properly managed and treated and we work to recycle resources and reduce waste to further reduce our environmental footprint.

#### Basic Principle

The JR Kyushu Group will make concerted efforts to implement environmental conservation and thereby contribute to the creation of a sustainable society.

#### Basic Policies

1. By introducing environmental conservation technologies and using originality and ingenuity in relation to these, we will promote efficient energy use and strive to reduce CO<sub>2</sub> emissions, which are a cause of global warming.
2. We will not only promote waste reduction and recycling and strive for efficient use of resources but also manage and dispose of environmental pollutants appropriately.
3. We will strive to provide safe and comfortable transportation so that even more customers can use environmentally friendly railways.

### Environmental Management System

The JR Kyushu Group has constructed an environmental management system for the implementation of environmental conservation activities.

In 1999, in order to continuously implement environmental conservation measures, we established the Ecology Committee, which is chaired by the president, as a body to deliberate and decide on necessary matters including the basic policies. The committee has four specialized subcommittees and serves as an organization for work such as creating action plans to tackle various environmental issues, setting targets, reporting results and implementing activities. In 2019, we established the ESG Strategy Committee to implement corporate ESG and facilitated cooperation between this committee and the Ecology Committee.

In August 2021, we merged the Ecology Committee and ESG Strategy Committee to further implement initiatives to tackle environmental issues such as climate change as part of our corporate ESG. In addition, all of our group companies are part of our Special Sub-Committee on Environmental Management, which enables all-encompassing group-wide cooperation in environmental conservation activities.

### ISO14001 Certification

The Kokura Rolling Stock Center has obtained ISO14001, an international certification for environmental management systems.

Three companies in the JR Kyushu Group have also obtained this certification (one as an affiliate of the Kokura Rolling Stock Center).



#### Environmental Management System Map

(as of August 2021)





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Strengthening Risk Management, Rigorous Compliance  
Extensive Communication with Stakeholders

Safety, Service,  
Development of Human Resources

**Addressing Environmental  
Issues**

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## Addressing Environmental Issues

### Working to achieve net-zero CO<sub>2</sub> emissions by 2050

The JR Kyushu Group is aiming for net-zero CO<sub>2</sub> emissions by 2050.

In the fiscal year ended March 2021, we reduced unit energy consumption by 3.6% compared to the fiscal year ended March 2012, exceeding the target of 2.5% we set for ourselves in the JR Kyushu Low-Carbon

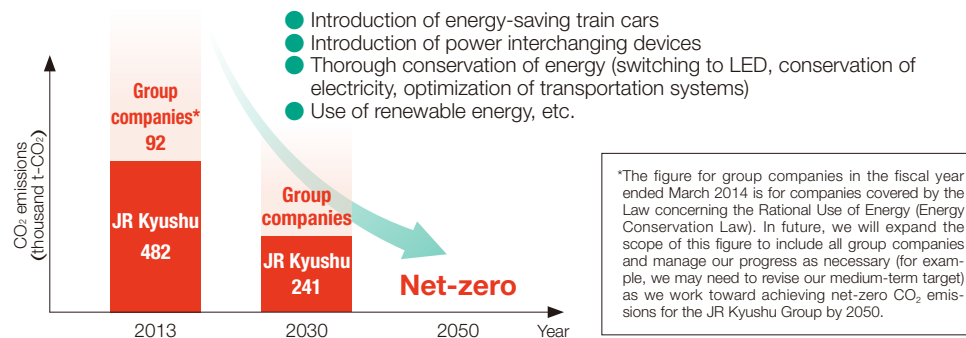
Society Action Plan, which primarily aims to tackle global warming.

Our new target is to cut CO<sub>2</sub> emissions for JR Kyushu by 50% between the fiscal year ended March 2014 and the fiscal year ending March 2031.

### The JR Kyushu Group is aiming for net-zero CO<sub>2</sub> emissions by 2050

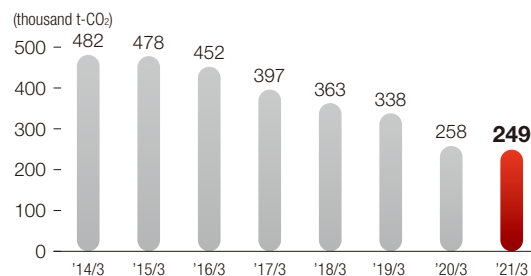
Medium-term target for 2030: Cut CO<sub>2</sub> emissions for JR Kyushu by 50% compared to the 2013 fiscal year

#### Vision for emission reduction by 2050



#### Changes in CO<sub>2</sub> emission levels

Our CO<sub>2</sub> emissions generated by energy consumption have been reduced by 48% between the fiscal year ended March 2014 and the fiscal year ended March 2021. We will now further reduce our carbon dioxide emission to meet our medium-term target in 2030 and our final target of net-zero carbon dioxide emissions by 2050.



### Initiatives to reduce CO<sub>2</sub> emissions

While reducing our emissions compared to 2013 will hinge on the power source structure of our electricity suppliers, we have also taken measures to conserve energy within the JR Kyushu Group, such as introducing energy-saving train cars and power interchanging devices.

We will build on these measures in future as we actively work toward meeting our medium-term target in 2030 and our final goal of cutting carbon dioxide emissions by 2050.

#### Introduction of energy-saving train cars

The introduction of energy-saving train cars is an initiative that JR Kyushu has been constantly implementing since its establishment. For our electric trains, we have been introducing cars that incorporate lightweight car bodies made of stainless steel and aluminum as well as VVVF inverters and regeneration brakes that use electricity efficiently. Meanwhile, for our diesel trains, we have been introducing cars equipped with high-efficiency engines that require less fuel consumption, and we have also been replacing the engines in our existing diesel trains with high-efficiency engines. Noteworthy is the fact that all Kyushu Shinkansen cars are energy-saving train cars.

In the fiscal year ended March 2021, we produced 27 new energy-saving train cars: 18 in the new YC1 series diesel-electric rolling stock equipped with a storage battery and 9 in the 821series AC suburban-type rolling stock. As a result, energy-saving train cars accounted for 80.1% of our total rolling stock as of the fiscal year ended March 2021.

#### 821 series AC suburban-type rolling stock

This series includes a main circuit system that utilizes full SiC technologies in order to reduce the environmental burden. In comparison with the existing 415 series rolling stock, electricity consumption has been reduced by about 70%.



#### YC1 series diesel-electric rolling stock equipped with storage battery

In this series, the regenerative power created during braking is used to charge the storage battery, and then utilized during acceleration, providing the advantage of effective use of energy. In comparison with existing diesel trains (KIHA66/67 series), fuel consumption has been reduced by about 20%.



#### Introduction of new power interchanging device in the Shin-Miyama feeder station

In November 2019, the first power interchanging device on our Shinkansen line was introduced in the Shin-Miyama feeder station. Introducing this device enables flexible interchanging of power. The regenerative power created when the train decelerates is used to run the train in areas where power is supplied from a different transformation station, enabling effective use of power. Introducing this device is expected to enable around 3% of the Kyushu Shinkansen's energy to be used more effectively.



#### Rigorous energy saving through measures such as introduction of LED lighting and power saving

We have been switching to LED lighting in stations such as Hakata and Kokura, with around 42,000 LED lights installed by the end of the fiscal year ended March 2021. We are also taking measures to save electricity, such as turning off lights in areas where they are not needed in locations such as station offices, and managing air conditioning appropriately.

## Addressing Environmental Issues

## Environmentally friendly initiatives

## Onboard sales initiative on 36+3 (Sanju-Roku plus San) express

In October 2020, we launched the 36+3 (Sanju-Roku plus San) express service. To reduce our plastic usage, the containers accompanying the multi-tiered boxes used for the lunch and dinner plan and the containers used for the bento boxes are made from the wood of fast-growing falcata trees systematically planted in Southeast Asia instead of plastic. Additionally, since the trees used to make these containers absorb CO<sub>2</sub> efficiently, the CO<sub>2</sub> produced in the disposal of the containers is offset through photosynthesis as they grow.



## Use of biodiesel

To celebrate the full opening of the Hohi Main Line in August 2020, our Kumamoto Branch switched some of the fuel used on the Aso Boy! limited express service from Kumamoto to Beppu to environmentally friendly biodiesel made by refining used household oil. A household oil collection point was set up temporarily in Kumamoto Station and the oil donated by members of the community was used to power trains on the Hohi Main Line.



## Use of solar power

JR Kyushu Electric System Company is operating a megasolar power generation business to harness renewable energy by making effective use of unused land. This enables us to sell power without emitting greenhouse gases.

Solar panels are also used on the roofs of buildings such as factories belonging to JR Kyushu Linen Co., Ltd., Sanki Construction Co., Ltd., JR Kyushu Farm Co., Ltd. and JR Kyushu Resort Development Co., Ltd.

Company name	Power station	Power estimated to be generated over 1 year
JR Kyushu Electric System Company	Miyakonojo Solar Power Station	Around 2,100 MWh
	Kusu Solar Power Station	Around 2,400 MWh
JR Kyushu Linen	Factory roof	Around 270 MWh
Sanki Construction	Head office roof	Around 81 MWh
	Nagasaki branch roof	Around 14 MWh
JR Kyushu Farm	Iizuka branch roof, etc.	Around 20 MWh
JR Kyushu Resort Development	Warehouse and garage roofs	Around 34 MWh



## Resource recycling initiatives

The JR Kyushu Group is helping to build a recycling society by implementing measures to make effective use of resources through the three Rs: reduce, reuse, recycle.

## Initiatives for paperless practices and reduction of copy paper usage

We are working to make processes such as internal meetings paperless through measures such as using monitors and projectors and introducing an internal system to digitalize ledgers. We are also working to reduce the use of copy paper. The individual recognition feature of IC cards is used to visualize how much copy paper each department is using and measures are taken accordingly. Around 40% less copy paper was purchased in the fiscal year ended March 2021 than in the previous year.

## Waste reduction and recycling initiatives

JR Hakata City Co., Ltd. is taking various measures to reduce waste and recycle, including thorough instructions to tenants, sorting waste into 20 types and repurposing 100% of food waste as animal feed and other materials. In October 2020, they won the Grand Prize at the 10th Fukuoka City Environmental Action Awards.

## Clothing recycling campaign

In October 2020, JR Hakata City Co., Ltd. launched an event combining the environment and fashion. Anata No Icchaku Ga Ashita No Dareka No Icchaku Ni (Your Clothes Today, Someone Else's Tomorrow) was a campaign for people to recycle clothing that they no longer wore or needed.

The campaign lasted for just three days, but in that time over 572 people donated around 589.5kg of clothing—enough to fill 63 boxes. At the recycling plant, personnel checked the tags and sorted the clothes by material. Clothing made of polyester was turned into raw polyester material and the rest was reused or repurposed into new resources to the greatest extent possible.

JR Hakata City is continuing to create opportunities to think about the environment together with customers while enjoying fashion.



## Addressing Environmental Issues

## Biodiversity initiatives

## Tree planting

JR Kyushu Trading Co., Ltd. has formed the JR Kyushu Trading Mori Yunomae forestry agreement with the municipal government of Yunomae Town in Kumamoto Prefecture, along with local companies and other organizations. The company has been involved in forestry conservation activities since 2019. Around 70 people, including employees, took part in a tree planting festival in 2020, where they planted seedlings of cedar trees.

Caterpillar Kyushu Ltd. has also formed the Caterpillar Forest agreement for forestry creation and maintenance with the Nichinan City government as part of the Miyazaki prefectural government's company forest system.

Our Kumamoto branch also took part in a tree planting activity on Mt. Kimpo (Kumamoto City) run by NPO21 Kumamoto Kimpo-Ariake Environmental Council in March 2021. The team worked together with over 300 other volunteers, including members of the community, to plant trees such as Edo Higan cherry trees, which will protect the environment of Mt. Kimpo and enable regeneration in the Ariake Sea.

Planting trees helps to create biodiversity and reduce CO<sub>2</sub>. The forest planted through JR Kyushu Trading Mori Yunomae in the fiscal year ended March 2020 is estimated to absorb around 12 tons of CO<sub>2</sub>, while Caterpillar Forest is expected to absorb around 108 tons as a result of future activities.



Kyushu Railway Company

## Management of Chemical Substances

JR Kyushu appropriately manages and disposes of chemical substances that affect the environment in accordance with the relevant laws.

## Measures against CFCs

As CFCs are known to damage the ozone layer, we register any CFCs used at each of our locations and record filling and collection volumes when using or disposing of CFCs. All CFCs are appropriately managed. In accordance with the Act on Rational Use and Proper Management of Fluorocarbons that was enacted in April 2015, we are carrying out measures such as inspections to prevent CFC leakage. In the fiscal year ended March 2021, our total leakage of CFCs was 1,131t-CO<sub>2</sub>, which we reported to the relevant minister in the Japanese government according to the on Rational Use and Proper Management of Fluorocarbons.

## Management of PCB waste

PCBs (polychlorinated biphenyls) were previously used as insulating oils for our rolling stock and electrical facilities, but we have now switched to non-PCB oils by phasing out or re-designing older trains and facilities. Waste from used PCBs is managed according to the relevant laws and regulations. We now use mineral oil as our insulating oil. As equipment without zero PCB certification may contain traces of PCBs in its insulating oil, we are analyzing PCB in the oil, storing the oil appropriately, and successively disposing of it.

## Initiatives under the PRTR Act

Chemical substances used in each area of our business are appropriately managed according to the PRTR Act (Act concerning Pollutant Release and Transfer Register).

## Green bonds

In April 2021, we issued green bonds.

Before issuing the bonds, we created a green bond framework according to the Green Bond Principles 2018 set by the International Capital Market Association (ICMA) and the Green Bond Guidelines 2020 set by the Ministry of the Environment.

To ensure that the bonds conform to the Green Bond Principles 2018 and the Green Bond Guidelines 2020 and the necessary transparency is provided, a third-party evaluation has been conducted by Sustainalytics and the Rating and Investment Information Center.

Our green bonds are a corporate ESG initiative that demonstrates to stakeholders such as customers, communities, shareholders, investors and employees that we are working toward what we aim to be.



► See our website for details  
[https://www.jrkyushu.co.jp/company/ir\\_eng/library/greenbond/](https://www.jrkyushu.co.jp/company/ir_eng/library/greenbond/)

## The Environmental Footprint of JR Kyushu

## INPUT Resource input

## Energy usage

<b>Crude oil converted</b>	<b>168,000 kℓ</b>
● <b>Electricity</b>	<b>595,074,000 kWh</b> (Electricity for railway division only: 580,318,000 kWh)
● <b>Gas</b>	<b>223,000m<sup>3</sup></b>
● <b>Other fuels</b>	<b>15,000 kℓ</b>

## Resource usage

<b>Water</b>	<b>663,000m<sup>3</sup></b> (4,576,000m <sup>3</sup> for the whole JR Kyushu Group)
<b>Copy paper (converted to A4)</b>	<b>29,411,000 sheets</b>



## OUTPUT Environmental footprint

CO<sub>2</sub> emissions generated by energy consumption

<b>249,000t-CO<sub>2</sub></b>
(Emissions for railway division only: 243,000 t-CO <sub>2</sub> )





## Data Section

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Extensive Communication with Stakeholders

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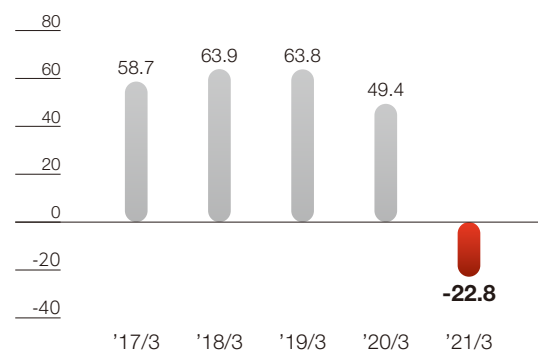
Addressing Environmental Issues

**Financial Highlights**, Non-Financial Information  
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## Financial Highlights

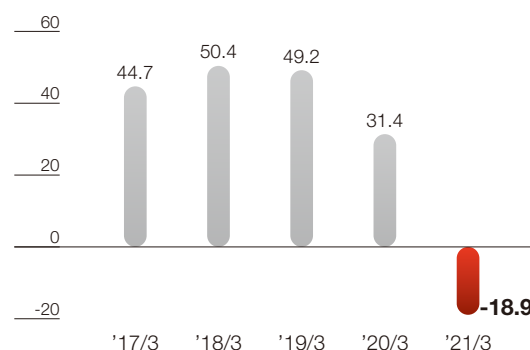
### Operating Income (Loss)

(billions of yen)



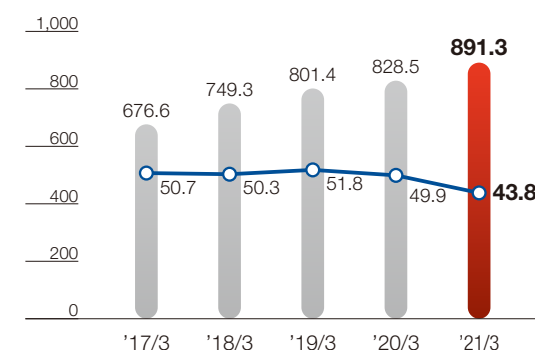
### Net Income (Loss) Attributable to Owners of the Parent

(billions of yen)



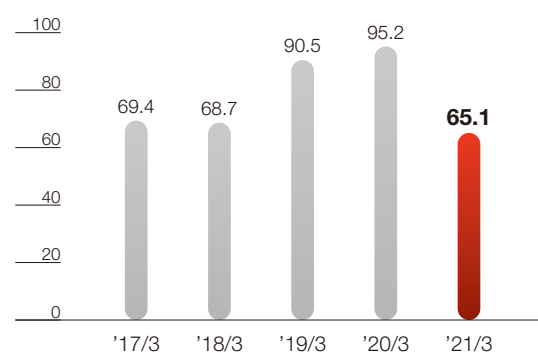
### Total Assets/Equity Ratio

■ Total assets (billions of yen) ● Equity ratio (%)



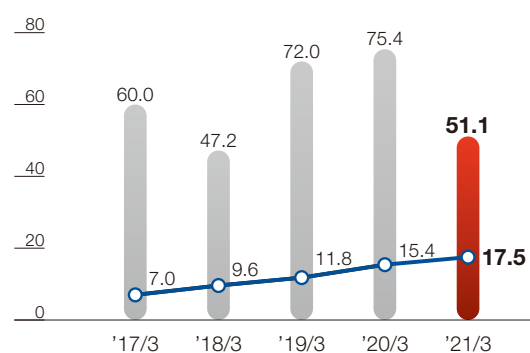
### Capital Investment Amounts

(billions of yen)



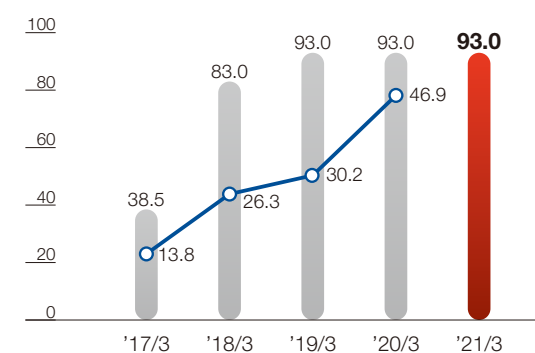
### Capital Investment Amounts/Depreciation Costs (Non-Consolidated)

■ Capital investments (billions of yen) ● Depreciation costs (billions of yen)



### Dividends per Share/Consolidated Dividend Payout Ratio

■ Dividend amount (yen) ● Consolidated Dividend Payout Ratio (%)



\*In FY '20/3, shares in JR Kyushu (total of 2,698,400 shares with a total value of ¥9.9 billion) were acquired and canceled.

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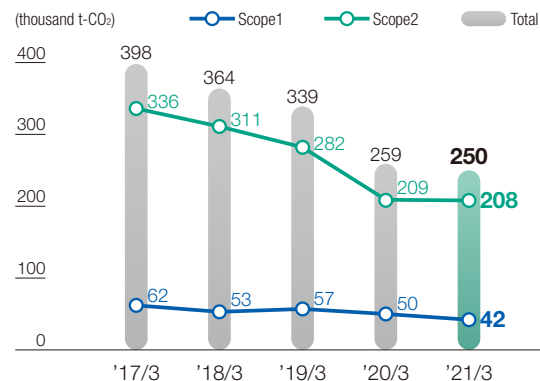
## Non-Financial Information

\*Other non-financial information is disclosed in our ESG Data Book.

► ESG Data Book

[https://www.jrkyushu.co.jp/company/ir\\_eng/esg/](https://www.jrkyushu.co.jp/company/ir_eng/esg/)

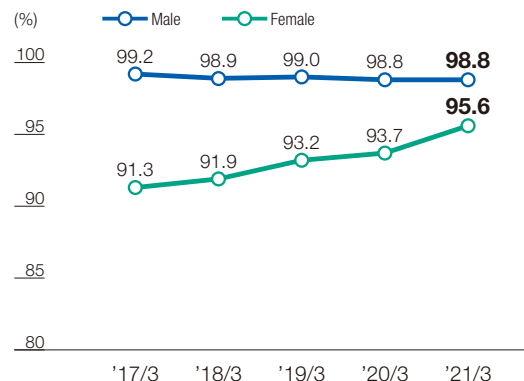
### GHG Emissions



\*Scope: Kyushu Railway Company alone

\*Figures for the fiscal year ended March 2019 and the fiscal year ended March 2020 have been retrospectively adjusted to prior periods.

### Employee Retention Rate



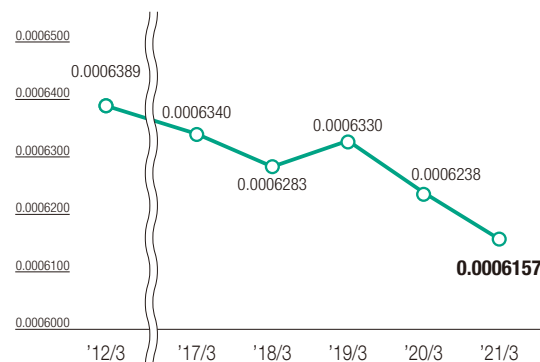
\*Scope: Kyushu Railway Company alone

### Ratio of Independent Outside Directors



\*Scope: Kyushu Railway Company alone

### Unit Energy Consumption

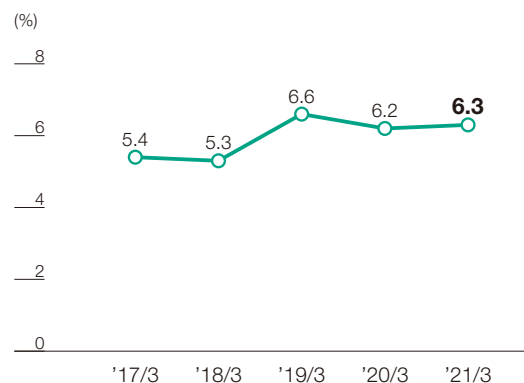


\*Scope: Kyushu Railway Company alone

\*Unit energy consumption = energy consumption (electricity, fuel, etc.)/Car-kilometers

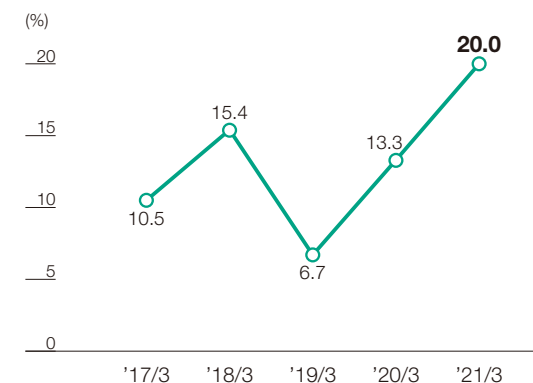
\*Figures for the fiscal year ended March 2019 and the fiscal year ended March 2020 have been retrospectively adjusted to prior periods.

### Ratio of Female Managers



\*Scope: Kyushu Railway Company alone

### Ratio of female directors



\*Scope: Kyushu Railway Company alone



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### CONSOLIDATED FIVE-YEAR SUMMARY

(billions of yen)

	Former Segments				Current Segments	
	FY2017/3	FY2018/3	FY2019/3		FY2020/3	FY2021/3
<b>OPERATING REVENUES</b>	382.9	413.3	440.3		<b>432.6</b>	<b>293.9</b>
Transportation Segment	176.4	183.7	185.0	181.8	<b>173.7</b>	<b>95.2</b>
Real Estate and Hotels Segment	67.4	69.4	72.6	90.0	<b>90.7</b>	<b>80.1</b>
Retail and Restaurant Segment	100.4	103.1	104.0	104.0	<b>104.6</b>	<b>51.4</b>
Construction Segment	79.3	88.0	91.7	93.8	<b>99.3</b>	<b>96.5</b>
Other Segment	60.9	67.4	89.8	72.6	<b>72.1</b>	<b>63.6</b>
<b>OPERATING INCOME (LOSS)</b>	58.7	63.9	63.8		<b>49.4</b>	<b>(22.8)</b>
Transportation Segment	25.7	29.2	27.4	27.4	<b>19.8</b>	<b>(37.6)</b>
Real Estate and Hotels Segment	22.6	23.2	23.7	25.4	<b>19.1</b>	<b>9.9</b>
Retail and Restaurant Segment	3.4	3.6	3.4	3.4	<b>2.8</b>	<b>(2.5)</b>
Construction Segment	5.9	6.2	6.5	6.2	<b>6.5</b>	<b>6.9</b>
Other Segment	2.5	2.4	3.5	2.2	<b>2.2</b>	<b>1.7</b>
<b>EBITDA</b>	73.2	81.8	85.4		<b>75.0</b>	<b>4.6</b>
Transportation Segment	28.5	34.3	34.4	34.3	<b>29.5</b>	<b>(26.5)</b>
Real Estate and Hotels Segment	31.1	32.0	33.1	35.6	<b>30.5</b>	<b>22.2</b>
Retail and Restaurant Segment	5.1	5.3	5.0	5.0	<b>4.4</b>	<b>(1.1)</b>
Construction Segment	6.7	7.0	7.5	7.2	<b>7.6</b>	<b>8.0</b>
Other Segment	3.3	3.9	6.3	4.1	<b>4.3</b>	<b>3.7</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	44.7	50.4	49.2		<b>31.4</b>	<b>(18.9)</b>
<b>CAPITAL INVESTMENT AMOUNTS (NON-CONSOLIDATED)</b>	60.0	47.2	72.0		<b>75.4</b>	<b>51.1</b>
<b>DEPRECIATION COSTS (NON-CONSOLIDATED)</b>	7.0	9.6	11.8		<b>15.4</b>	<b>17.5</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	28.5	87.6	41.4		<b>60.4</b>	<b>(10.3)</b>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	(18.3)	(68.3)	(74.6)		<b>(76.9)</b>	<b>(53.9)</b>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	(0.6)	(9.1)	5.6		<b>3.3</b>	<b>105.8</b>
<b>TOTAL ASSETS</b>	676.6	749.3	801.4		<b>828.5</b>	<b>891.3</b>
<b>TOTAL LIABILITIES</b>	328.2	366.1	380.7		<b>410.2</b>	<b>495.9</b>
<b>TOTAL EQUITY</b>	348.4	383.2	420.7		<b>418.2</b>	<b>395.4</b>
<b>PER SHARE FIGURES (YEN)</b>						
Net Income (Loss)	279.70	315.07	307.75		<b>198.16</b>	<b>(120.83)</b>
Net Assets	2,144.00	2,357.27	2,592.83		<b>2,630.51</b>	<b>2,483.43</b>
Dividends	38.50	83.00	93.00		<b>93.00</b>	<b>93.00</b>
<b>FINANCIAL RATIO (%)</b>						
Equity Ratio	50.7	50.3	51.8		<b>49.9</b>	<b>43.8</b>
Operating Income to Operating Revenues	15.3	15.5	14.5		<b>11.4</b>	<b>(7.8)</b>
Payout Ratio	13.8	26.3	30.2		<b>46.9</b>	—
<b>OTHERS</b>						
Number of Passengers (Million)	331	337	338		<b>337</b>	<b>251</b>
Number of Employees	16,922	17,297	17,765		<b>17,450</b>	<b>15,663</b>
Number of Shares Outstanding (Thousand)	160,000	160,000	160,000		<b>157,301</b>	<b>157,301</b>

\*1 Operating revenues, operating income or losses, and EBITDA for each segment are before cancellation of transactions between segments.

\*2 EBITDA for each segment consists of operating income plus depreciation costs.

\*3 Changes such as the Partial Amendments to Accounting Standard for Tax Accounting (ASBJ Statement No. 28, February 16, 2018) were enacted from the beginning of the fiscal year ended March 2019. These accounting standards have been applied retroactively to key management indexes for the fiscal year ended March 2018.

\*4 Our Board Benefit Trust (BBT) was introduced from the fiscal year ended March 2020. When calculating the net assets per share for the fiscal year ended March 2020, common shares in JR Kyushu that were held in trust and recorded as treasury stock are included in the treasury stock deducted from the total issued shares at the end of the fiscal year. When calculating the net income per share for the fiscal year ended March 2020, common shares in JR Kyushu that were held in trust and recorded as treasury stock are included in the treasury stock deducted from the average number of shares throughout the fiscal year.

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**Analysis of Results of Operations****Operating Revenues**

Operating revenues decreased 32.1% from the previous fiscal year to ¥293.914 billion, a second consecutive decrease. This is due to factors such as a reduction in revenues from railway transportation due to the impact of the COVID-19 pandemic.

**Operating Expenses**

Operating expenses decreased 17.3% from the previous fiscal year to ¥316.788 billion. Transportation, other services and operating expenses decreased 17.7% from the previous fiscal year to ¥225.037 billion. This was due to factors such as the transfer of some of our stock in JR KYUSHU DRUG ELEVEN CO., LTD. (now DRUG ELEVEN CO., LTD.). Selling, general and administrative expenses decreased 16.5% from the previous fiscal year to ¥91.750 billion. This was due to factors such as the transfer of some of our stock in JR KYUSHU DRUG ELEVEN CO., LTD. (now DRUG ELEVEN CO., LTD.).

**Operating Income (Loss)**

The JR Kyushu Group had an operating loss of ¥22.873 billion (in the previous fiscal year, we achieved operating income of ¥49.406 billion).

**Non-Operating Income and Expenses**

Non-operating income increased 115.3% from the previous fiscal year to ¥6.163 billion. This is due to factors such as the subsidies for employment adjustment we received. Non-operating expenses increased 57.8% from the previous fiscal year to ¥2.612 billion. This is due to factors such as an increase in interest expenses.

**Ordinary Income (Loss)**

The JR Kyushu Group had an ordinary loss of ¥19.323 billion (in the previous consolidated fiscal year, we achieved ordinary income of ¥50.613 billion).

**Extraordinary Gains and Losses**

Extraordinary gains decreased 12.2% from the previous fiscal year to ¥30.265 billion. This due to factors such as a decrease in proceeds from construction grants received. Extraordinary losses decreased 20.9% from the previous fiscal year to ¥33.208 billion. This is due to factors such as a decrease in losses from provision for cost reduction of fixed assets.

**Net Income (Loss) Attributable to Owners of the Parent**

The JR Kyushu Group had a net loss attributable to owners of the parent of ¥18.984 billion (in the previous fiscal year, net income attributable to owners of the parent was ¥31.495 billion).

**Segment Overview (Operating Revenues)****Transportation Segment**

Operating revenues in the transportation segment decreased 45.1% from the previous fiscal year to ¥95.294 billion. This is due to factors such as a reduction in revenues from railway transportation on Shinkansen and conventional lines, which fell 48.2% to ¥76.325 billion from the previous fiscal year, due to the impact of the COVID-19 pandemic. Passenger-kilometers on Shinkansen trains fell 55.5% year-on-year to 868 million. Commuter pass revenue decreased 12.5% from the previous fiscal year to ¥2.464 billion and non-commuter pass revenue decreased 59.5% to ¥20.027 billion. Overall revenue fell 57.0% to ¥22.492 billion. Passenger-kilometers on conventional lines fell 33.9% year-on-year to

4.696 billion. Commuter pass revenue decreased 20.0% from the previous fiscal year to ¥23.821 billion and non-commuter pass revenue decreased 54.0% to ¥30.011 billion. Overall revenue fell 43.4% to ¥53.833 billion.

**Construction Segment**

Operating revenues in the construction segment decreased 2.9% from the previous fiscal year to ¥96.523 billion. This is due to a decrease in construction.

**Real Estate and Hotels Segment**

Operating revenues in the real estate and hotels segment decreased 11.7% from the previous fiscal year to ¥80.127 billion. This is due to factors such as a decrease in hotel sales and rental revenue due to the impact of COVID-19.

**Retail and Restaurant Segment**

Operating revenues in the retail and restaurant segment decreased 50.8% from the previous fiscal year to ¥51.488 billion. This was due to factors such as the transfer of some of our stock in JR KYUSHU DRUG ELEVEN CO., LTD. (now DRUG ELEVEN CO., LTD.) and the stagnation of personal consumption as a result of COVID-19.

**Other Segment**

Operating revenues in other segment decreased 11.8% from the previous fiscal year to ¥63.641 billion. This is due to factors such as a decrease in sales of construction materials and the transfer of the leasing and installment financing business.

## Financial Information

**Financial Status Analysis**

Total assets as of the end of the fiscal year ended March 2021 increased 7.6% compared to the end of the previous fiscal year to ¥891.379 billion. Due to a decrease in securities and other factors, current assets increased 24.6% compared to the end of the previous fiscal year to ¥200.906 billion. Fixed assets increased 3.5% from the end of the previous fiscal year to ¥690.472 billion due to factors such as an increase in tangible fixed assets.

Meanwhile, total liabilities increased 20.9% compared to the end of the previous fiscal year to ¥495.971 billion. Due to a decrease in the current portion of long-term debt and other factors, current liabilities fell 27.7% compared to the end of the previous fiscal year to ¥144.681 billion. Due to factors such as the issuing of company bonds and an increase in long-term debt, fixed liabilities rose 67.2% compared to the end of the previous fiscal year to ¥351.290 billion.

Furthermore, total equity decreased 5.5% compared to the end of the previous fiscal year to ¥395.408 billion. This is due to factors such as the net loss attributable to owners of the parent during this fiscal year and a decrease in retained earnings such as dividend payments.

**Cash Flows**

Cash and cash equivalents at the end of the fiscal year ended March 2021 increased ¥41.201 billion year-on-year to ¥65.019 billion.

Net cash used in operating activities was ¥10.361 billion due to factors such as the decrease in revenues from railway transportation (in the same period of the previous fiscal year, ¥60.468 billion was earned through operating activities).

Net cash used in investment activities was ¥53.912 billion, down ¥23.031 billion year-on-year, due to a decrease in spending on fixed assets and other factors.

Net cash provided by financing activities came to ¥105.870 billion, up ¥102.5 billion year-on-year as a result of factors such as long-term debt and the issuing of company bonds.

**Dividend Policy**

We consider the return of profits to shareholders to be an important component of our business, and we place importance on the provision of stable shareholder returns over the long term. Over the period to the fiscal year ending March 2022, we are aiming for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93.0. In addition, we are implementing treasury stock repurchases as the situation requires in order to increase capital efficiency.

While COVID-19 severely impacted our results in this fiscal year, this policy has enabled us to deliver end-of-year dividends of ¥93.0 per share.

In addition, the Articles of Incorporation state that JR Kyushu may, by resolution of the Board of Directors, distribute interim dividends with a record date of September 30 of each year. The decision-making bodies for the payment of dividends from retained earnings is the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

JR Kyushu has paid dividends from retained earnings twice a year—an interim dividend and a year-end dividend—since we were first listed, but for this fiscal year we chose to pay one dividend at the end of the fiscal year instead of including an interim dividend, so that we could fully ascertain how our results were impacted by COVID-19.

**Risk Factors**

Our railway network connects Kyushu's major cities through services such as the Kyushu Shinkansen. In addition to the railway business, we are developing businesses centered around Kyushu in fields that are highly compatible with the railway business, including our real estate (station building commercial facilities, condominiums, hotels, etc.), retail and restaurant businesses.

Of the items included in this report relating to factors such as the current business and financial situation, those that may have a significant impact on the judgment of investors are indicated in this section.

However, it should be noted that this is not a comprehensive list of all risks related to JR Kyushu Group and its contents are based on the assessment of the JR Kyushu Group as of the end of the fiscal year ended March 2021.

**Risk Factors**

- 1 Risks related to infectious diseases
  - 2 Risks related to population trends such as declining birthrate and aging population
  - 3 Risks related to natural disasters
  - 4 Risks related to economic trends and international affairs
  - 5 Risks related to the Medium-Term Business Plan
  - 6 Risks related to information technology (IT)
  - 7 Risks related to protection of personal data
  - 8 Risks related to competition
  - 9 Risks related to the value of the group's assets
  - 10 Risks related to third-party service providers and business partners
  - 11 Risks related to environmental regulations and climate change
  - 12 Risks related to the Transportation Group
  - 13 Risks related to the Real Estate and Hotels Group
- (Refer to our Risk Factors for details.)

[https://www.jrkyushu.co.jp/company/ir\\_eng/library/integrated\\_report/](https://www.jrkyushu.co.jp/company/ir_eng/library/integrated_report/)



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# CONSOLIDATED BALANCE SHEETS

Kyushu Railway Company and Consolidated Subsidiaries

(millions of yen)

	FY2020/3	FY2021/3
<b>ASSETS</b>		
Current assets		
Cash and time deposits	23,817	<b>22,927</b>
Notes and accounts receivable-trade	38,707	<b>50,857</b>
Fares receivable	4,126	<b>1,059</b>
Securities	—	<b>42,096</b>
Merchandise and finished goods	19,702	<b>13,583</b>
Work in process	28,364	<b>20,429</b>
Raw materials and supplies	7,574	<b>8,352</b>
Other	39,082	<b>41,646</b>
Allowance for doubtful accounts	(82)	<b>(47)</b>
Total current assets	161,293	<b>200,906</b>
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	268,654	<b>284,255</b>
Machinery, rolling stock and vehicles (net)	32,578	<b>38,047</b>
Land	147,736	<b>153,553</b>
Leased assets (net)	19,953	<b>19,664</b>
Construction in progress	40,133	<b>28,498</b>
Other (net)	8,935	<b>8,002</b>
Net property, plant and equipment	517,992	<b>532,021</b>
Intangible assets	6,280	<b>3,940</b>
Investments and other assets		
Investment securities	38,835	<b>45,162</b>
Deferred tax assets	51,768	<b>55,252</b>
Net defined benefit assets	720	<b>873</b>
Other	52,537	<b>54,062</b>
Allowance for doubtful accounts	(838)	<b>(840)</b>
Total investments and other assets	143,024	<b>154,510</b>
Total non-current assets	667,297	<b>690,472</b>
Total assets	828,590	<b>891,379</b>

(millions of yen)

	FY2020/3	FY2021/3
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Notes and accounts payable trade	32,460	<b>31,942</b>
Short-term loans	10,572	<b>6,885</b>
Current portion of long-term debt	30,421	<b>4,674</b>
Payables	63,841	<b>47,952</b>
Accrued income taxes	3,666	<b>2,749</b>
Fare deposits received with regard to railway connecting services	1,175	<b>3,060</b>
Railway fares received in advance	4,720	<b>4,737</b>
Accrued bonuses	8,922	<b>5,814</b>
Other	44,467	<b>36,864</b>
Total current liabilities	200,248	<b>144,681</b>
Non-current liabilities		
Debt	40,000	<b>80,000</b>
Long-term debt	60,556	<b>159,383</b>
Lease obligations	10,482	<b>11,522</b>
Allowance for safety and environmental measures	1,609	<b>1,412</b>
Provision for loss on disaster	1,732	<b>3,773</b>
Liability for retirement benefits	53,801	<b>50,507</b>
Asset retirement obligations	1,690	<b>1,462</b>
Other	40,171	<b>43,227</b>
Total non-current liabilities	210,043	<b>351,290</b>
Total liabilities	410,291	<b>495,971</b>
<b>EQUITY</b>		
Shareholders' equity		
Common stock	16,000	<b>16,000</b>
Capital surplus	224,024	<b>224,021</b>
Retained earnings (deficit)	176,329	<b>150,017</b>
Treasury stock	(599)	<b>(594)</b>
Total common stock	415,754	<b>389,445</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,422	<b>7,079</b>
Deferred gains or losses on hedges	15	<b>—</b>
Foreign currency translation adjustments	158	<b>(186)</b>
Defined retirement benefit plans	(7,057)	<b>(6,148)</b>
Total accumulated other comprehensive income	(2,461)	<b>743</b>
Non-controlling interests	5,004	<b>5,218</b>
Total equity	418,298	<b>395,408</b>
TOTAL LIABILITIES AND EQUITY	828,590	<b>891,379</b>

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### CONSOLIDATED STATEMENTS OF INCOME

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(millions of yen)

	FY2020/3	FY2021/3
<b>OPERATING REVENUES</b>	432,644	<b>293,914</b>
<b>OPERATING EXPENSES</b>		
Transportation, other services and cost of sales	273,400	<b>225,037</b>
Selling, general and administrative expenses	109,838	<b>91,750</b>
Total operating expenses	383,238	<b>316,788</b>
<b>OPERATING INCOME (LOSS)</b>	49,406	<b>(22,873)</b>
<b>NON-OPERATING INCOME</b>		
Interest income	71	<b>79</b>
Dividend income	443	<b>613</b>
Gains on assets held in trust	1,330	<b>1,715</b>
Subsidies for employment adjustment	—	<b>2,151</b>
Other	1,016	<b>1,604</b>
Total non-operating income	2,863	<b>6,163</b>
<b>NON-OPERATING EXPENSES</b>		
Interest expense	1,298	<b>1,727</b>
Loss on investments in investment securities	23	<b>369</b>
Other	333	<b>515</b>
Total non-operating expenses	1,655	<b>2,612</b>
<b>ORDINARY INCOME (LOSS)</b>	50,613	<b>(19,323)</b>
<b>EXTRAORDINARY GAINS</b>		
Construction grants received	29,419	<b>19,599</b>
Gain on sales of shares of subsidiaries and associates	764	<b>9,144</b>
Other	4,291	<b>1,522</b>
Total extraordinary gains	34,475	<b>30,265</b>
<b>EXTRAORDINARY LOSSES</b>		
Losses from provision for cost reduction of fixed assets	29,333	<b>19,339</b>
Impairment losses	7,939	<b>6,580</b>
Provision for loss on disaster	686	<b>3,491</b>
Disaster-damage losses	682	<b>1,879</b>
Other	3,355	<b>1,917</b>
Total extraordinary losses	41,997	<b>33,208</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	43,091	<b>(22,265)</b>
<b>INCOME TAXES Current</b>	6,916	<b>3,386</b>
<b>Refund</b>	—	<b>(908)</b>
<b>Deferred</b>	4,181	<b>(5,982)</b>
<b>TOTAL INCOME TEXES</b>	11,097	<b>(3,503)</b>
<b>NET INCOME (LOSS)</b>	31,993	<b>(18,761)</b>
<b>NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	498	<b>222</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	31,495	<b>(18,984)</b>

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

(millions of yen)

	FY2020/3	FY2021/3
<b>NET INCOME (LOSS)</b>	31,993	<b>(18,761)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain on available-for-sale securities	(7,272)	<b>2,646</b>
Deferred gains or losses on hedges	(114)	<b>(15)</b>
Foreign currency translation adjustments	60	<b>(193)</b>
Defined retirement benefit plans	533	<b>900</b>
Total other comprehensive income	(6,792)	<b>3,338</b>
<b>COMPREHENSIVE INCOME</b>	25,200	<b>(15,423)</b>
Total comprehensive income attributable to:		
Owners of the parent	24,722	<b>(15,609)</b>
Non-controlling interests	478	<b>186</b>

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## Financial Information

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyushu Railway Company and Consolidated Subsidiaries

(millions of yen)

	FY2020/3	FY2021/3
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes	43,091	(22,265)
Depreciation costs	26,748	29,379
Impairment loss	7,939	6,580
Losses from provision for cost reduction of fixed assets	29,333	19,339
Increase in provision for loss on disaster	686	3,491
Loss on disaster	682	1,879
Increase (Decrease) in allowance for doubtful accounts	(516)	(17)
Increase (Decrease) in liability for retirement benefits	(4,527)	(1,937)
Increase (Decrease) in allowance for safety and environmental measures	(270)	(196)
Interest and dividends income	(515)	(692)
Interest expense	1,298	1,727
Construction grants received	(29,419)	(19,599)
Gain on sales of shares of subsidiaries and associates	(764)	(9,144)
(Increase) decrease in trade receivables	6,160	(10,622)
(Increase) decrease in inventories	(3,940)	4,523
Increase (Decrease) in trade payables	(1,672)	7,446
Gains on assets held in trust	(1,330)	(1,715)
Subsidies for employment adjustment	—	(2,151)
Other	397	(11,102)
Subtotal	73,378	(5,077)
Interest and dividends income received	507	668
Interest expense paid	(994)	(1,624)
Gain on assets held in trust received	1,394	1,713
Loss on disaster paid	(4,422)	(3,479)
Income taxes paid	(9,394)	(4,226)
Amount received as subsidies for employment adjustment	—	1,663
Net cash provided by operating activities	60,468	(10,361)

(millions of yen)

	FY2020/3	FY2021/3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment, and Intangible assets	(109,947)	(95,205)
Purchases of investment securities	(21,706)	(2,687)
Proceeds from sale of money held in trust	12,259	—
Proceeds from construction grants	17,998	24,797
Collection of short-term loans receivable	16,647	4,220
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	12,311
Other	7,805	2,650
Net cash provided by (used in) investing activities	(76,943)	(53,912)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	995	(3,146)
Proceeds from long-term loans payable	15,550	103,636
Repayment of long-term loans payable	(4,034)	(30,111)
Payments for long-term accounts payable	(345)	(259)
Proceeds from issuance of bonds	20,000	40,000
Proceeds from lease and guarantee deposits received	1,380	5,752
Repayments of lease and guarantee deposits received	(937)	(1,621)
Purchases of treasury stocks	(10,598)	—
Cash dividends paid	(15,680)	(7,314)
Cash dividends paid to non-controlling shareholders	(72)	(7)
Other	(2,887)	(1,057)
Net cash used in financing activities	3,369	105,870
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	58	(198)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(13,047)	41,397
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	36,865	23,817
<b>DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION</b>	—	(196)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	23,817	65,019



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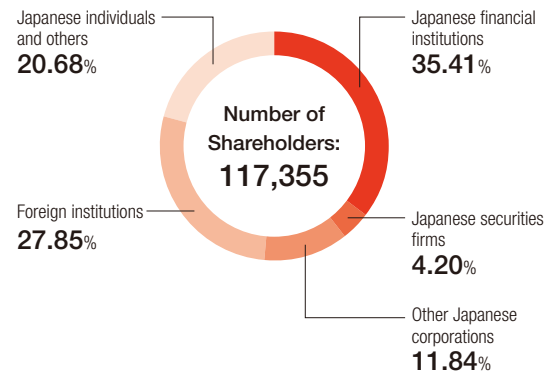
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## Investor Information

Stock Exchange Listings	Tokyo Stock Exchange, First Section Fukuoka Stock Exchange
Securities code	9142
Business year	April 1 to March 31 of the following year
Record Date for Voting Rights	Every March 31
Ordinary General Meeting of Shareholders	Meeting held every June
Record Date for Dividends	Year-end: Every March 31 Interim: Every September 30 *Record date in case of dividend payment
Share Unit Number	100 shares
Total Number of Authorized Shares	640,000,000 shares
Total Number of Issued Shares	157,301,600 shares

(as of March 31, 2021)

### Distribution of Share Ownership by Type of Shareholder (as of March 31, 2021)



Major Shareholders(as of March 31, 2021)	% Voting rights
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.98
Custody Bank of Japan, Ltd. (Trust Account)	4.64
RAILWAY HOLDINGS, L.L.C. Standing proxy: Operations Headquarters, Morgan Stanley MUFG Securities Co., Ltd.	4.55
STATE STREET BANK WEST CLIENT - TREATY 505234 Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department	2.84
Taiyo Life Insurance Company	2.03
NIPPON LIFE INSURANCE COMPANY	1.99
Custody Bank of Japan, Ltd. (Trust Account7)	1.57
Meiji Yasuda Life Insurance Company	1.54
Custody Bank of Japan, Ltd. (Trust Account5)	1.43
Central Japan Railway Company	1.32

## Consolidated Subsidiary Information

### Transportation Group

Holding Company for Houhi Main Line\*1  
JR Kyushu Bus Company  
JR Kyushu Jet Ferry Inc.  
JR Kyushu Service Support Co., Ltd.  
JR Kyushu Linen Co., Ltd.

### Construction Group

KYUTETSU CORPORATION  
Sanki Construction Co., Ltd.  
JR Kyushu Housing Company  
JR Kyushu Engineering, Ltd.  
JR Kyushu Electric System Company  
JR Kyushu Consultants Company

### Real Estate and Hotels Group

JR Hakata City Co., Ltd.  
JR Kokura City Inc.  
JR Nagasaki City Inc.  
JR Oita City, Inc.  
JR Kumamoto City Co., Ltd.  
JR Kagoshima City Inc.  
JR Miyazaki City Co., Ltd.  
JR Kyushu Building Management Co., Ltd.  
JR Kyushu-Rent-A-Car & Parking Co., Ltd.  
JR Kyushu Senior Life Support, Inc.  
JR Kyushu Huis Ten Bosch Hotel Co., Ltd.  
JR Kyushu Hotels Inc.  
JR Kyushu Station Hotel Kokura Inc.

Oyama Yumekobo, Inc.  
JR Kyushu Business Development (Thailand) Co., Ltd.  
JR Kyushu Ekibiru Holdings Inc.  
JR Kyushu Capital Management (Thailand) Co., Ltd.\*1  
JR Kyushu Hotels And Resorts Holdings Inc.  
AHJ Ekkamai Company Limited\*2  
AJ Charoen Nakhon Company Limited\*2

### Retail and Restaurant Group

JR Kyushu Retail, Inc.  
JR Kyushu Food Service Inc.  
JR Kyushu Fast Foods Inc.  
Inc Train D'or  
Manbou Corp.  
JR Kyushu Farm Co., Ltd.\*1  
JR KYUSHU DRUG ELEVEN CO., LTD.\*2 \*3

### OTHER GROUP COMPANIES

JR Kyushu Agency Co., Ltd.  
Caterpillar Kyushu Ltd.  
JR Kyushu Resort Development Co., Ltd.  
JR Kyushu Trading Co., Ltd.  
JR Kyushu Life Service Co., Ltd.  
JR Kyushu System Solutions Inc.  
JR Kyushu Business Partners Company  
JR Kyushu Secom Inc.\*2

\*1 While we own less than 50% of the voting rights, this is still considered a consolidated subsidiary as we control the company to all intents and purposes.

\*2 Company accounted for using the equity method

\*3 JR KYUSHU DRUG ELEVEN CO., LTD. changed its name to DRUG ELEVEN CO.,LTD. in May 2021.

(as of March 31, 2021)



#### For More Information

Strategy Management Department  
Corporate Planning Headquarters (IR)  
E-mail: [ir.info@jrkyushu.co.jp](mailto:ir.info@jrkyushu.co.jp)  
URL: [https://www.jrkyushu.co.jp/company/ir\\_eng/](https://www.jrkyushu.co.jp/company/ir_eng/)  
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#### Revision History

Date of Publication	Revision details
Aug. 31, 2021	First Edition
Aug. 31, 2022	P32 Correction the description of Structure of the Board of Directors
	P34 Correction the description of Skill sets in the Board of Directors
	P36 Correction description regarding Strengthening our corporate governance framework based on communication with investors and third-party evaluations, Governance Transition (table), and Ratio of independent outside directors (graph)
	P37 Correction the description of Corporate Governance Structure (table)
	P68 Correction the description of Non-Financial Information (Ratio of Outside Directors)