

(Translation)

February 17, 2021

To whom it may concern:

Company Name: Kyushu Railway Company
Name of Representative: Toshihiko Aoyagi, President and CEO
Securities Code: 9142
Tokyo Stock Exchange (First Section) and Fukuoka Stock Exchange
Inquiries: Public Relations Department
TEL +81-92-474-2541

Announcement of Support for TCFD Recommendations and Disclosure of Climate-Related Information

JR Kyushu announces its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which was established by the Financial Stability Board, and its participation in the TCFD Consortium, which was established by companies that support TCFD. In addition, JR Kyushu has disclosed climate-related information. The details are as follows.

1. Background

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 ESG material issues and has advanced measures to address the climate change issue.

In September 2020, 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 has completed the scenario analysis. Accordingly, we are announcing our support for TCFD recommendations and our participation in the consortium, and we are disclosing climate-related information.

Moving forward, the Company will advance information disclosure aligned with the TCFD recommendations. In addition, the Company will advance environment-related initiatives and contribute to the realization of a sustainable society.

2. Information Disclosure Aligned with TCFD Recommendations

As outlined in the accompanying document, JR Kyushu has disclosed information in the areas that TCFD recommends companies, etc., track and disclose: governance, strategy, risk management, and metrics and targets. This information is provided on the following web site.

https://www.jrkyushu.co.jp/company/ir_eng/esg/pdf/210217_tcf_d_en.pdf

End

Information Disclosure Aligned with TCFD Recommendations

Support for TCFD

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 ESG material issues 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.

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 CO₂ 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. Moving forward, in accordance with the TCFD recommendations, the Company will advance information disclosure from four perspectives: governance, strategy, risk management, and metrics and targets. In addition, the Company will advance environment-related initiatives and contribute to the realization of a sustainable society.

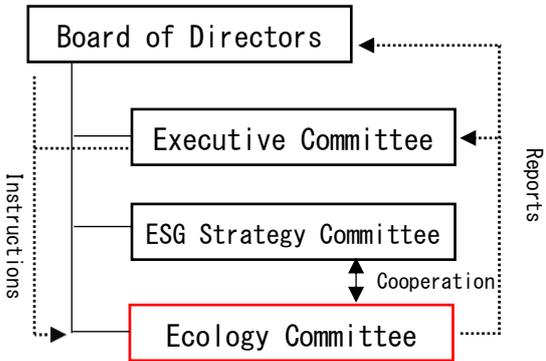
Governance

Environmental initiatives, including the climate change issue, are one of the Group's ESG material issues, and we have established an environmental management system. We have established the Ecology Committee as an institution for discussing and making decisions about basic policies and necessary matters related to the environment, including the climate change issue. The President and CEO serves as the chair of this committee.

The Ecology Committee confirms that business activities are being advanced in line with the basic philosophy and basic policies, and confirms the status of progress in regard to voluntary targets for supporting the resolution of the climate change issue.

In addition, when necessary, the Board of Directors receives reports about important matters that have been discussed at the Ecology Committee and provides instructions.

Furthermore, at the meeting of the Ecology Committee held in January 2021, the committee decided that the Group would aim to achieve net-zero CO₂ emissions by 2050 and contribute to the realization of a de-carbonized society, which was subsequently discussed and approved by the Board of Directors. Going forward, we will advance existing measures, such introducing energy-saving rolling stock in the railway business and saving energy in buildings. In addition, we will move ahead with the formulation of a road-map for net-zero CO₂ emissions by 2050.



Strategy

1. Risks and Opportunities

The risks associated with climate change are classified as risks related to the transition to a lower-carbon society (transition risks) and physical impacts (physical risks). We considered various risks and opportunities in the railway business, and the results are as follows.

		Type	Evaluation	Risks	Opportunities
Transition	Policy/regulation	Increase in carbon tax (Increase in carbon price)	Large	(Medium to long term) · Energy procurement cost increase · Materials procurement cost increase due to rise in price of iron and steel · Decrease in sales due to passing of procurement costs on to wages	(Medium to long term) · Insignificant influence on energy procurement costs from measures to address trend toward energy saving and de-carbonization
		Regulations related to carbon emissions and the use of fossil fuels	Moderate	(Medium to long term) · Increase in development/manufacturing costs for rolling stock to address regulations (Long term) · Difficulty in operating diesel rolling stock if unable to address regulations	(Medium to long term) · Increase in sales accompanying maintenance of environmental superiority of railways resulting from early adoption of de-carbonization
	Market	Change in energy mix Change in energy prices	Large	(Medium to long term) · Energy procurement cost increase · Decrease in sales due to passing of energy procurement costs on to wages	(Medium to long term) · Lower costs and higher sales due to introduction/expansion of renewable energy businesses accompanying advances in photo-voltaic power generation and electricity storage technologies
	Technologies	Adoption of next-generation technologies	Large	(Medium to long term) · Decline in sales due to decrease in environmental superiority of railways resulting from adoption of electric vehicles, etc. · Failure of investment in new technologies for environmentally friendly rolling stock, etc. (Long term) · Decrease in sales following loss of railway superiority due to adoption of self-driving technologies for automobiles, etc.	(Short to medium term) · Lower costs due to adoption of self-driving technologies for railways (Medium to long term) · Decrease in costs due to efficient inspection operations accompanying advances in weather forecasting · Increase in sales accompanying active use of public transportation due to adoption of MaaS (Long term) · 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
	Reputation	Changes in customer preferences	Large	(Short to medium term) · 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	(Short to medium term) · 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
		Change in reputation among investors	Small	(Short to medium term) · Decline in reputation among investors if environmental measures are not considered to be aggressive	(Short to medium term) · Attraction of ESG investment due to shift to low-carbon, environmentally friendly businesses
Physical	Acute	Increased frequency/severity of natural disasters	Large	(Short term) · Decrease in sales due to disaster recovery cost increases and service suspensions accompanying increased or longer incidents of rain/strong winds (Short to medium term) · Influence on business continuity due to supply chain interruption · Decline in asset value in regions with high disaster risk	(Medium to long term) Decrease in disaster restoration costs and increase in sales due to operation of a railway business that is disaster resilient.
	Chronic	Rise in average atmospheric temperature	Large	(Short term) · Increase in air-conditioning costs · Increase in costs to address heatstroke · Increase in costs due to breakdown of electrical equipment and other railway assets and to rail buckling (Short to medium term) · Decline in sales due to trend toward refraining from going out	-

2. Scenario Analysis and Future Policies and Initiatives

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). 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.

In addition, under the 4°C scenario, due to the increasing frequency/severity of natural disasters caused by climate change, there will be damage to railway assets and an increase in maintenance costs, as well as a decline in sales due to the suspension of operations.

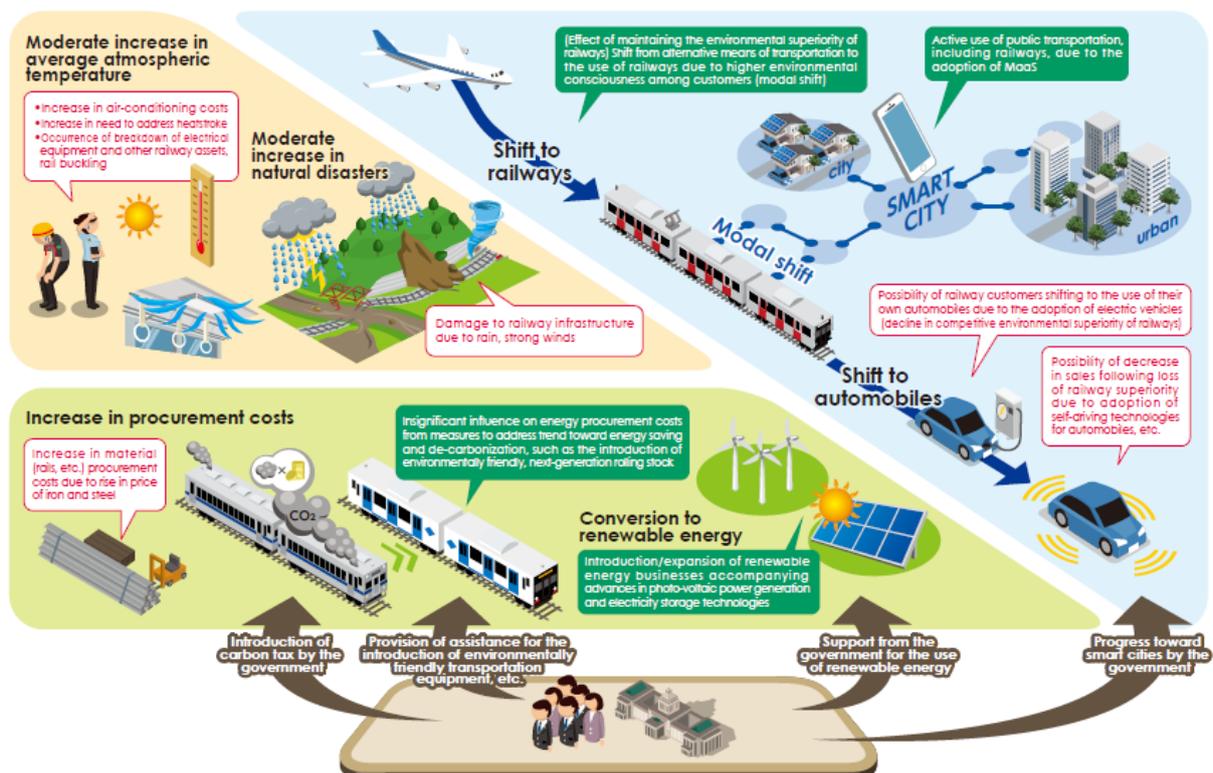
For society and for the Company, The Group will work to advance initiatives for the achievement of the 2°C world to facilitate the realization of a sustainable society.

* Including IEA 2020 scenario of 2.7°C or higher

<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

◇Global outlook under 2°C scenario (2050)



Risk Management

The Group's Ecology Committee, which is chaired by the President and CEO, plans, formulates, and manages the progress of measures to reduce CO₂ emissions. In addition, to identify and evaluate the influences of climate change on the Group's businesses, we analyze climate change risks and opportunities, and in the Ecology Committee, reports are made at least once per year. In addition, reports are made to the Board of Directors as necessary.

Metrics and Targets

To address the issue of climate change, in September 2015 we formulated the JR Kyushu Low-Carbon Society Action Plan as a set of new voluntary targets. The plan for railway operations, with a target fiscal year of FY2031/3, calls for the percentage of energy-saving rolling stock to be 83%, and for unit energy consumption to be down 2.5% compared with FY2012/3. Results in FY2020/3 were an energy-saving rolling stock percentage of 79.2% and unit energy consumption down 3.7% compared with FY2012/3.

Moving forward, we will consider the formulation of a medium-term target of net-zero CO₂ emissions by 2050 as well as specific measures, and we will formulate a road-map.