(Tanslation)

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Securities Code: 9142)
May 27, 2020

To our shareholders:

Toshihiko Aoyagi
Representative Director and President,
Corporate Officer
Kyushu Railway Company
3-25-21, Hakata-ekimae, Hakata-ku, Fukuoka, Japan

Notice of the 33rd Annual General Meeting of Shareholders

Kyushu Railway Company (the "Company") is pleased to announce the 33rd Annual General Meeting of Shareholders of the Company (the "Meeting"), which will be held as indicated below.

In view of the current spread of the novel coronavirus disease (COVID-19) the Company makes the following request to ensure the safety of shareholders and prevent the spread of infections. Whenever possible please review the Reference Documents for the General Meeting of Shareholders as described hereinafter, and exercise your voting rights beforehand in writing (postal mail) or via the internet, etc. to arrive or be submitted no later than Monday, June 22, 2020, 5:30 p.m. (JST). We request that shareholders who do attend the meeting in person to consider the necessary precautions, such as wearing a mask, etc.

Guidance for exercising voting rights

If you are able to attend the Meeting

Submission to Receptionist at the Meeting

You are kindly requested to present the enclosed voting form at the reception.

If you are unable to attend the Meeting

Exercise of voting rights by mail

Please indicate your approval or disapproval of the proposals on the enclosed voting form, and return it so that your vote is received no later than 5:30 p.m. (JST) on Monday, June 22, 2020.

Exercise of voting rights via the internet

Please access the website for exercising voting rights (https://www.web54.net). Use the "voting right exercise code" and "password" described in the enclosed voting form, and follow the directions on the screen to register your approval or disapproval of the proposals no later than 5:30 p.m. (JST) on Monday, June 22, 2020.

To Institutional Investors

The electronic voting platform operated by Investor Communications Japan Inc. (ICJ, Inc.) is available for the institutional investors.

Details

1. Date and Time: Tuesday, June 23, 2020, at 10:00 a.m. (JST) (Reception starts at 9:00 a.m.)

2. Venue: Banquet hall "TSUKUSHI," Main building 3F, Hotel Nikko Fukuoka
2-18-25, Hakata-ekimae, Hakata-ku, Fukuoka, Japan

3. Purpose of the Meeting

Matters to be reported

1. Report on the Business Report and the Consolidated Financial Statements for the 33rd fiscal year (from April 1, 2019 to March 31, 2020), and the results of audits of the Consolidated Financial Statements by the accounting auditor and the Audit & Supervisory Committee
2. Report on the Non-Consolidated Financial Statements for the 33rd fiscal year (from April 1, 2019 to March 31, 2020)

Matters to be resolved

<Proposals from the Company (Proposals 1 to 3)>

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Proposal No. 3: Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

<Proposals from Shareholders (Agenda Items 4 to 7)>

Agenda Item 4: Amendment to Articles of Incorporation regarding Disclosure of Revenues, EBITDA, Net Operating Income and appraised cap rates for each of the Company's commercial and residential real estate assets

Agenda Item 5: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

Agenda Item 6: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

Agenda Item 7: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

◎ If you exercise your voting rights by the voting form, a voting form on which neither approval nor disapproval is indicated of each proposal will be deemed to indicate an approval for Company proposals and a disapproval for shareholder proposals.

◎ If your voting rights are exercised multiple times by the voting form or via the internet, etc. the last vote received by the Company will be deemed to constitute the effective exercise of your voting rights. Please note that, if your vote cast via the internet, etc. and your voting form are received on the same day, the vote via the internet, etc. will be deemed to constitute the effective exercise of your voting rights.

◎ If you are to attend the Meeting, you are kindly requested to present the enclosed voting form at the reception.

◎ Of documents attached to this notice, "Systems for Ensuring the Appropriateness of Business Activities and the Operation Status of the Systems," "Consolidated Statements of Changes in Net Assets," "Notes to Consolidated Financial Statements," "Non-Consolidated Statements of Changes in Net Assets," and "Notes to Non-Consolidated Financial Statements" are not included in this notice since they are disclosed on the Company's corporate website pursuant to laws, regulations, and the Company's Articles of Incorporation.

The Business Report audited by the Audit & Supervisory Committee and Consolidated and Non-Consolidated Financial Statements audited by the Audit & Supervisory Committee and the accounting auditor consist of "Systems for Ensuring the Appropriateness of Business Activities and the Operation Status of the Systems," "Consolidated Statements of Changes in Net Assets," "Notes to Consolidated Financial Statements," "Non-Consolidated Statements of Changes in Net Assets," and "Notes to Non-Consolidated Financial Statements."

◎ Should there be any revisions to Reference Documents for the General Meeting of Shareholders, Business Reports, or Consolidated or Non-Consolidates Financial Statements, revised information will be posted on the Company's corporate website on the internet.

◎ Please be advised that no gift or equivalent is intended to be provided at the General Meeting of Shareholders.

Company's corporate website	http://www.jrkyushu.co.jp

Guidance for Exercising Voting Rights

For details of the proposals for this Annual General Meeting of Shareholders and the Board of Directors' opinion on them, please refer to Reference Documents for the General Meeting of Shareholders below on pages 4–48.

Furthermore, for this Annual General Meeting of Shareholders, one shareholder presented shareholder proposals (Agenda Items 4 to 7), and the Company's Board of Directors is against these proposals. For details, please refer to the Reference Documents for the General Meeting of Shareholders below on pages 4–48.

We request those who are in agreement with the opinion of the Company's Board of Directors to vote for Proposals 1 to 3, and against Agenda Items 4 to 7.

Reference Documents for the General Meeting of Shareholders

<Proposals from the Company (Proposals 1 to 3)>

Proposal No. 1: Appropriation of Surplus

The Company positions the return of profits to shareholders as one of the most important management policies. As such, the Company adopts a basic policy of carrying out stable and continuous dividend payments in accordance with its business performance.

In the fiscal year under review, based on the policy of a minimum dividend of ¥93.0 per share, the Company considered the business performance of the fiscal year and set its fiscal year-end dividend at ¥46.50 per share.

If this proposal is approved and adopted as proposed, the total dividend for the fiscal year ended March 31, 2020 will be ¥93 per common share including the interim dividend of ¥46.50.

(1) Type of dividend property

Cash

(2) Allotment of dividend property to shareholders and its total amount

¥46.50 per Company's common share

Total: ¥ 7,314,524,400

(3) Effective date of dividends from surplus

June 24, 2020

Reference: Shareholder Return

◆Revision of Shareholder Return Policy (revised on November 5, 2019)

<Before change>

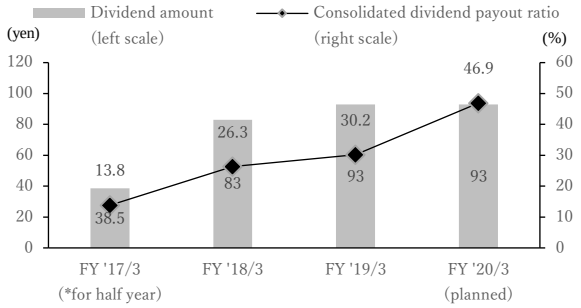
The Company places importance on the stable provision of return to shareholders over the long term.
For each fiscal year through FY2021, the Company intends to provide stable dividend, aiming for a total payout ratio of 35%, and implement share repurchase depending on the situation.

<After change>

The Company places importance on the stable provision of return to shareholders over the long term.
For each fiscal year through FY2021, the Company will aim for a consolidated dividend payout ratio of 35%, with the minimum dividend per share of ¥93.0.
In addition, the Company will implement a share repurchase depending on the situation to increase capital efficiency.

◆Trends in dividends per share and consolidated dividend payout ratio

	Annual dividend amount per share	Consolidated dividend payout ratio
FY 3/2019	¥ 93	30.2%
FY 3/2020 (planned)	¥ 93	46.9%



◆Acquisition of treasury stock

In accordance with the new shareholder return policy, treasury stock was acquired to enhance shareholder return and capital efficiency

<Result of acquisition>
Acquisition period: November 6, 2019 to January 8, 2020
Total number of shares acquired: 2,698,400 shares
Total amount of acquisition price: ¥9,999,684,000
Furthermore, all the 2,698,400 shares* acquired above were cancelled on February 25, 2020.
* 1.69% of the total issued shares prior to the cancellation.

Proposal No. 2: Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all eleven (11) directors (excluding directors who are Audit and Supervisory Committee members; the same shall apply hereinafter in this proposal) will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the Company requests the election of eleven (11) directors.

With regard to this proposal, the Company has decided the details thereof upon consultation with the Company's Nomination and Compensation Advisory Committee, composed of eight Independent Outside Directors and one Inside Director, and after receiving the recommendation that this proposal is appropriate from a perspective of establishing a management structure and strengthening its commitment for achieving the medium-term business plan and 2030 Long-Term Vision, and of further enhancing corporate value.

Furthermore, the Company's Audit and Supervisory Committee has judged that each candidate meets the Company's selection standard for candidates for director, and judges all of the candidates to be competent to serve as directors of the Company having considered their achievements, expertise, and so forth.

(1) Approach to the composition of the Board of Directors to enhancing corporate value

The Group is active in transportation service businesses starting with the railway business, as well as the real estate and hotel business, distribution and restaurants business, and construction business, and its mission is sustainable business operations centered in the Kyushu region. To fulfill this mission, while considering the overall balance of the Board of Directors, the Board of Directors selects diverse Director candidates with varying expertise and experience and works to optimize personnel to effectively and efficiently exercise those capabilities.

(2) Strengthening the corporate governance system considering dialogue with investors and third-party evaluations

In June 2018, the Company transitioned to a company with audit and supervisory committee while also adopting Corporate Officer System with aims that include strengthening the supervisory function of its Board of Directors, speeding up managerial decision-making, achieving efficient corporate management, and separating the task of business execution from those of managerial decision-making and the supervisory function.
The current composition of the Board of Directors includes five Independent Outside Directors out of eleven Directors who are not Audit & Supervisory Committee members, and three Independent Outside Directors out of four Directors who are Audit & Supervisory Committee members, ensuring the effectiveness of management oversight by having the majority of the Board of Directors be composed of Independent Outside Directors. Furthermore, based on the diverse experience and expertise of the Independent Outside Directors selected at last year's General Meeting of Shareholders with knowledge in the fields of the real estate business, finance, and IR, we held even deeper discussions at meetings of the Board of Directors. Additionally, we have established a Nomination and Compensation Advisory Committee with an extremely high level of independence, composed of eight Independent Outside Directors and one Inside Director and chaired by an Independent Outside Director. Furthermore, as part of our efforts to improve governance, we held exchanges of opinions among analysts, institutional investors, and Independent Outside Directors, working to improve the transparency of the Board of Directors. This issues awareness and these initiatives are based on evaluations and discussions at the Board of Directors evaluations implemented every year. In the fiscal year ended March 31, 2020, we confirmed the effects of initiatives in an effectiveness evaluation using third-party organizations and are holding discussions at meetings of the Board of Directors to further improve effectiveness.

◆Major Actions for Reinforcing Corporate Governance

FY2018	FY2019	FY2020 and beyond
• Transitioned to a company with audit and supervisory committee • Introduced a corporate officer system in conjunction with the change in supervisory committee structure • Introduced third-party evaluation in evaluating the effectiveness of the Board of Directors • Established the Nomination and Compensation Advisory Committee (with an Outside Director appointed as chairman)	• Established the position of Chief Financial Officer (CFO) • Appointed two (2) additional Outside Directors with expertise on real estate, IR and finance • Raised the percentage of Outside Directors to 53.3% (8/15). • Introduced the performance-linked share-based remuneration plan “Board Benefit Trust” • Revision of the amount of remuneration for directors • Reinforcement of the management of business segments (the establishment of holding companies in station building and hotel businesses and a change in segment classification)	✓ Governance enhancement recognized as an invariably important management issue ✓ Incessant improvement and reinforcement of governance to be performed both in form and content

(3) Initiatives by the Board of Directors

In creating the JR Kyushu Group Medium-Term Business Plan 2019–2021 released March 19, 2019, the Company placed an emphasis on strengthening earnings capabilities in the real estate business, which strategically aims to develop local communities, alongside the core railway business. Furthermore, having reached an awareness on the importance of realizing the appropriate allocation of management resources for strategic business portfolio creation, at last year’s Annual General Meeting of Shareholders, the Company newly selected two Independent Outside Directors with abundant experience and deep insight in the real estate business, finance, and IR fields.
After appointing these Directors, at the Company’s Board of Directors, we are discussing the revision of our financial strategy and business strategy while focusing on the perspective of shareholder returns. Particularly in terms of improving the balance sheet, which our shareholders and investors have indicated has excess assets, after clarifying the Chief Financial Officer (CFO), who is also a member of the Board of Directors, as a result of evaluations to realize an optimal capital structure, in addition to announcing changes to our shareholder return policy on November 5, 2019, after last year’s Annual General Meeting of Shareholders, the decision was made to purchase treasury stock (¥10.0 billion). Furthermore, after revising our business portfolio, we are selling three businesses.
While the business environment is rapidly deteriorating, from the standpoint of fulfilling our promise to our shareholders to the extent possible, Proposal No. 1 (P4), the year-end dividend for the fiscal year ended March 31, 2020 was set at the ¥46.5 per share initially forecasted (total dividend of ¥93 including the interim dividend of ¥46.5).

(4) Discussions at the Nomination and Compensation Advisory Committee Toward the Selection of 2020 Director Candidates

While considering the opinions of our shareholders and investors calling for further enhanced ESG including diversity at the Board of Directors, in preparation for this General Meeting of Shareholders, the Company’s Nomination and Compensation Advisory Committee discussed the skillset of the Board of Directors required to realize medium- to long-term improvement in corporate value, taking into consideration the serious impact from COVID-19 that the Group presently faces, and reached the position

that it is necessary to improve our personnel that promotes ESG management and diversity with the existing Board of Directors composition as the foundation.
The Company's Nomination and Compensation Advisory Committee conducted multiple evaluations and held multiple discussions, from the above standpoints, on the quality, results, and expertise of the multiple (re)appointed candidates for Outside Director including the current Directors and the three candidates for Director being proposed by the shareholder for selection. As a result, the Nomination and Compensation Advisory Committee provided the response at the Board of Directors that the candidates for Director associated with the company proposal including Kuniko Muramatsu, a newly appointed candidate for independent Outside Director with corporate experience, ESG management expertise, and experience as an Outside Director of a listed company, are optimal as candidates for Director of the Company. Based on this response, the Company's Board of Directors proposed these candidates for Director to this Annual General Meeting of Shareholders.

(5) A New Director Structure and Skillset Suited to the Company's Management and Management Oversight

The Company's Board of Directors is composed of Inside Directors with sufficient knowledge and experience in the main businesses operated by the Group and Outside Directors who conduct effective monitoring and oversight from an independent and objective standpoint, and from the perspective of the effectiveness of oversight functions, we believe it is appropriate that the Board of Directors be composed of a majority of Outside Directors.
Furthermore, the Company defines the knowledge and experience necessary for the Company's Board of Directors as the railway and mobility services, real estate and local community development, and ESG and sustainability, the important fields for the Company to fulfill its mission of sustainable business operations centered in the Kyushu region, and defines the knowledge and experience believed necessary by the Company from the perspective of corporate management as corporate management, legal and risk management, finance and M&A, and personnel and compensation, and has nominated these diverse candidates for Director that have this knowledge and experience.
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.
In the new Director structure that is part of the company proposal organized based on the above approach, the total number of Directors remains unchanged at 15, the number of Independent Outside Directors remains unchanged at eight (53% of Directors are Independent Outside Directors), and the number of female Directors increased from one to two (13% of Directors are women). Furthermore, the skillset is listed on P8.

[Skillset in the New Director Structure in the Company Proposal]

Name	Positions, etc.	Area of expertise the Company expects from candidates for Directors in particular						
		Railways/ mobility services	Real estate/ local community development	ESG/ sustainability	Corporate management	Legal affairs/ risk management	Finance/ M&A	Human resources/ remuneration
Koji Karaike	Chairman Corporate Officer		●		●			
Toshihiko Aoyagi	President Corporate Officer	●		●	●			●
Ryuji Tanaka	Senior Managing Corporate Officer		●					
Yoji Furumiya	Senior Managing Corporate Officer	●				●		

Name	Positions, etc.	Area of expertise the Company expects from candidates for Directors in particular						
		Railways/ mobility services	Real estate/ local community development	ESG/ sustainability	Corporate management	Legal affairs/ risk management	Finance/ M&A	Human resources/ remuneration
Toshihiro Mori	Managing Corporate Officer	●		●			●	
Hiroyuki Fukunaga	Senior Corporate Officer	●						
Masayoshi Nuki Outside Independent	Advisor, Kyushu Electric Power Company, Incorporated			●	●			●
Izumi Kuwano Outside Independent Female	President, Kabushiki Kaisha Tamanoyu		●		●			
Toshihide Ichikawa Outside Independent	Adviser, Mitsui Fudosan Co., Ltd.		●		●			●
Shinji Asatsuma Outside Independent	Former Director, Kansai Paint Co., Ltd.				●	●	●	
Kuniko Muramatsu Outside Independent Female	Representative Director, Wellness Systems Institute			●	●	●		●
Eiichi Kuga Audit & Supervisory Committee Member Outside Independent	Chairman of Audit and Supervisory Committee					●		
Masaya Hirokawa Audit & Supervisory Committee Member							●	●
Kazuhide Ide Audit & Supervisory Committee Member Outside Independent	Advisor, The Chikuho Bank, Ltd.				●		●	

Name	Positions, etc.	Area of expertise the Company expects from candidates for Directors in particular						
		Railways/ mobility services	Real estate/ local community development	ESG/ sustainability	Corporate management	Legal affairs/ risk management	Finance/ M&A	Human resources/ remuneration
Yasunori Eto Audit & Supervisory Committee Member Outside Independent	Attorney at law, Bengoshi Hojin Hino Sogo Law Office					●		

(6) Candidates for Director

The candidates for director are as follows:

No.	Name		Current positions and responsibilities in the Company	Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020
1	**Koji Karaike**	Reelection	Representative Director and Chairman Corporate Officer Chairman of the Board of Directors	12/12 (100%)
2	**Toshihiko Aoyagi**	Reelection	Representative Director and President Corporate Officer Chief Corporate Officer In charge of Auditing Department	11/12 (91.6%)
3	**Ryuji Tanaka**	Reelection	Director and Senior Managing Corporate Officer Director General of Business Development Headquarters	11/12 (91.6%)
4	**Yoji Furumiya**	Reelection	Director and Senior Managing Corporate Officer Director General of Railway Operations Headquarters General Manager of Northern Kyushu Regional Head Office In charge of Shanghai Branch Office	12/12 (100%)
5	**Toshihiro Mori**	Reelection	Director and Managing Corporate Officer Chief Financial Officer 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	10/10 (100%)
6	**Hiroyuki Fukunaga**	New election	Senior Corporate Officer Deputy Director General of Railway Operations Headquarters Director General of Cruise Train Division General Manager of Transportation Department	—
7	**Masayoshi Nuki**	Reelection Outside Independent	Director	11/12 (91.6%)

No.	Name		Current positions and responsibilities in the Company	Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020
8	**Izumi Kuwano**	Reelection Outside Independent Female	Director	11/12 (91.6%)
9	**Toshihide Ichikawa**	Reelection Outside Independent	Director	9/10 (90.0%)
10	**Shinji Asatsuma**	Reelection Outside Independent	Director	10/10 (100%)
11	**Kuniko Muramatsu**	New election Outside Independent Female	—	—

(Note) Since Messrs. Toshihiro Mori, Toshihide Ichikawa and Shinji Asatsuma were newly selected at the 32nd Annual General Meeting of Shareholders held on June 21, 2019, the number of the meetings of the Board of Directors held during their period in office differs from that for other directors.

(7) The brief biographies of the candidates

The brief biographies of the candidates are as follows.

Candidate No.	**Koji Karaike**	Reelection
1	Date of Birth: April 2, 1953	Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Number of the Company's shares owned: 4,257 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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.
June 1997	General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
June 2000	Representative Director and President, JR Kyushu Food Service Inc.
June 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
June 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
June 2006	Managing Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
June 2008	Managing Director and Deputy Director General, Corporate Planning Headquarters, Kyushu Railway Company
June 2008	Senior Managing Director and Representative Director, General Manager of Corporate Planning Headquarters, Kyushu Railway Company
June 2009	Representative Director and President, Kyushu Railway Company
June 2014	Representative Director and Chairman, Kyushu Railway Company
June 2018	Representative Director and Chairman, Corporate Officer, Kyushu Railway Company (current)

<Current responsibility in the Company>
Chairman of the Board of Directors

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director

Mr. Koji Karaike has a wealth of knowledge and expertise regarding business management. He has taken part in business management of the Company for 17 years since appointed as Director in 2003. He was appointed President from June 2009, and in this role he built a management foundation suitable for a listed company by strengthening the total capabilities of the Group, and promoted community development that shows the charm of Kyushu through various businesses such as railways and station buildings. As Chairman of the Board of the Directors since June 2014, he has supervised overall business management of the Company, etc. The Company has nominated him as a candidate for director again in light of his achievements, capabilities, and corporate management experience, as well as his outstanding personality and insight, with the expectation that he will use his abilities to realize the sustainable growth of the Company and increase its corporate value over the medium and long term.

Special interests in the Company: There is no special interest between Mr. Koji Karaike and the Company.

Candidate No. 2	Reelection **Toshihiko Aoyagi** Date of Birth: August 19, 1953 Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 11/12 (91.6%) Number of the Company's shares owned: 6,776 shares
	**Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company** Apr. 1977 Joined Japanese National Railways Apr. 1987 Joined Kyushu Railway Company June 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 June 2004 General Manager of Kagoshima Regional Office, Kyushu Railway Company June 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 June 2008 Director, General Manager of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company June 2008 Managing Director, General Manager of Railway Operations Headquarters and General Manager of Planning Department of Railway Operations Headquarters, Kyushu Railway Company June 2010 Managing Director, General Manager 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, General Manager of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company June 2012 Senior Managing Director, General Manager of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company June 2013 Senior Managing Director and Representative Director, General Manager of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company June 2014 Representative Director and President, Kyushu Railway Company June 2018 Representative Director, President and Corporate Officer, Kyushu Railway Company

	June 2019	Representative Director, President and Corporate Officer and Chief Corporate Officer, Kyushu Railway Company (current)
	<Current responsibility in the Company> Chief Corporate Officer, In charge of Auditing Department <Important information on concurrent posts> None	
Reasons for nomination as candidate for director Mr. Toshihiko Aoyagi has a wealth of experience in the railway business, which is the Company's primary business, has taken part in business management of the Company for 15 years since appointed as Director in 2005 and he has been responsible for overall administration of business management of the Company in the capacities as Representative Director and Senior Managing Director from June 2013 and Representative Director and President from June 2014. As Representative Director and President, he has a wealth of knowledge and expertise regarding business management, having increased the Company’s corporate value and overseen the public listing of its stock, in addition to changing the corporate structure, introducing the corporate officer system, constructing the current governance system by working on initiatives such as changing the officer remuneration system, etc. The Company has nominated him as a candidate for director again in light of his achievements, capabilities, and corporate management experience, as well as his outstanding personality and insight, with the expectation that he will use his abilities to realize the sustainable growth of the Company and increase its corporate value over the medium and long term through the promotion of important strategies such as strengthening ESG management and creating a system to support it as top management of the Group.		
Special interests in the Company: There is no special interest between Mr. Toshihiko Aoyagi and the Company.		

Candidate No. 3	**Ryuji Tanaka** Date of Birth: August 11, 1954	Reelection Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 11/12 (91.6%) Number of the Company's shares owned: 2,363 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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.
June 2010	Director, Deputy Director General of Business Development Headquarters and General Manager of Planning Department of Business Development Headquarters, Kyushu Railway Company
June 2011	Director, Deputy Director General of Business Development Headquarters and General Manager of Planning & Development Department of Business Development Headquarters, Kyushu Railway Company
June 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
June 2017	Senior Managing Director, Director General of Business Development Headquarters, Kyushu Railway Company
June 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
June 2019	Director and Senior Managing Corporate Officer, Director General of Business Development Headquarters, Kyushu Railway Company (current)

<Current responsibility in the Company>
Director General of Business Development Headquarters

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director

Mr. Ryuji Tanaka has a wealth of experience and board expertise as he was primarily engaged in the operation of business development, and currently has assumed the post of Director and Senior Managing Corporate Officer and Director General of Business Development Headquarters. Since June 2010, he has participated in the management of the Company as a director, helping to increase the corporate value of the Group, particularly through the real estate and hotel business. The Company has nominated him as a candidate for director again in light of his achievements, capabilities, and corporate management experience, as well as his outstanding personality and insight, with the expectation that he will use his abilities to play a central role in strategic community development of areas where the Company is based, and in the growth and evolution of new business domains, as well as reflect this knowledge in discussions at meetings of the Board of Directors.

Special interests in the Company: There is no special interest between Mr. Ryuji Tanaka and the Company.

Candidate No. 4	**Yoji Furumiya** Date of Birth: November 26, 1962	Reelection Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Number of the Company's shares owned: 3,542 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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
June 2010	General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
June 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
June 2012	General Manager of Administration Department, Kyushu Railway Company
June 2012	Director and General Manager of Administration Department, Kyushu Railway Company
Sept. 2012	Director, General Manager of Cruise Train Division of Railway Operations Headquarters and General Manager of Administration Department, Kyushu Railway Company
June 2013	Director, General Manager of Administration Department, Kyushu Railway Company
June 2016	Managing Director, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
June 2018	Director and Managing Corporate Officer, Director General of Railway Operations Headquarters and General Manager of Northern Kyushu Regional Head Office, Kyushu Railway Company
June 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 (current)

<Current responsibility in the Company>
Director General of Railway Operations Headquarters
General Manager of Northern Kyushu Regional Head Office
In charge of Shanghai Branch Office

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director

Mr. Yoji Furumiya has a wealth of experience and broad expertise as he was primarily engaged in railway business operation and currently has assumed the post of Director and Senior Managing Corporate Officer and Director General of Railway Operations Headquarters. Since June 2012, he has participated in the management of the Company as a director, helping to increase the corporate value of the Group by driving technology innovation and building an efficient business operation system, particularly in the railway business. The Company has nominated him as a candidate for director again in light of his achievements, capabilities, and corporate management experience, as well as his outstanding personality and insight, with the expectation that he will use his abilities to play a central role in further increasing the corporate value of the Group and creating sustainable mobility services through the strengthening of Group management, as well as reflect this knowledge in discussions at meetings of the Board of Directors.

Special interests in the Company: There is no special interest between Mr. Yoji Furumiya and the Company.

Candidate No. 5	**Toshihiro Mori** Date of Birth: March 1, 1969	Reelection Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 10/10 (100%) Number of the Company's shares owned: 638 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

Apr. 1991	Joined Kyushu Railway Company
May 2007	Director, Drug Eleven Holdings Co., Ltd.
June 2009	President, Drug Eleven Holdings Co., Ltd.
May 2011	General Manager of Fund Management Department, Kyushu Railway Company
June 2013	General Manager of Finance & Accounting Department, Kyushu Railway Company
June 2014	General Manager of Marketing & Sales Department of Railway Operations Headquarters, Kyushu Railway Company
June 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
June 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
June 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
June 2019	Director and 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)

<Current responsibility in the Company>
Chief Financial Officer
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

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director

Mr. Toshihiro Mori has a wealth of experience and board expertise as he was primarily engaged in finance operations, and currently has assumed the post of Director and Managing Corporate Officer, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department. From June 2019, he served as Chief Financial Officer and participated in management as a director, and contributed to increasing the corporate value of the Group through the promotion of ESG management, the drawing up of financial strategies and the strengthening of IR. The Company has nominated him as a candidate for director again in light of his achievements, capabilities and corporate management experience, as well as his outstanding personality and insight, with the expectation that he will use his abilities to play a central role in further increasing the corporate value of the Group through the strengthening of ESG management, financial strategy and IR, as well as reflect this knowledge in discussions at meetings of the Board of Directors.

Special interests in the Company: There is no special interest between Mr. Toshihiro Mori and the Company.

Candidate No. 6	**Hiroyuki Fukunaga** Date of Birth: May 10, 1963	New candidate Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: — Number of the Company's shares owned: 915 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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

＜Current responsibility in the Company＞
Deputy Director General of Railway Operations Headquarters
Director General of Cruise Train Division
General Manager of Transportation Department
<Important information on concurrent posts>
None

Reasons for nomination as candidate for outside director

Mr Hiroyuki Fukunaga has a wealth of experience and broad expertise, having worked primarily in the transportation sector before going on to serve as General Manager of Shinkansen Operational Management Department, Director General of Cruise Train Division and General Manager of Transportation Department. Serving as Senior Corporate Officer, Deputy Director General of Railway Operations Headquarters, Director General of Cruise Train Division and General Manager of Transportation Department, he is currently contributing to increasing the corporate value of the Group by implementing detailed transportation-oriented initiatives, and establishing an efficient transportation organization that meets the demand for each train line. The Company has nominated him as a candidate for director in light of his achievements and capabilities, as well as his outstanding personality and insight, with the expectation that he will use his abilities to play a central role in increasing safety and service levels along with improving profitability in the railway business, as well as reflect this knowledge in discussions at meetings of the Board of Directors.

Special interests in the Company: There is no special interest between Mr. Hiroyuki Fukunaga and the Company.

Candidate No. 7	**Masayoshi Nuki** Date of Birth: January 27, 1945	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 11/12 (91.6%) Number of the Company's shares owned: 2,936 shares Tenure as outside director of the Company: 7 years



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

Apr. 1968	Joined Kyushu Electric Power Company, Incorporated
June 2000	General Manager of Public Relations Department, Kyushu Electric Power Company, Incorporated
July 2001	Administration Officer, General Manager of Public Relations Department, Kyushu Electric Power Company, Incorporated
June 2003	Administration Officer, General Manager of Kagoshima Branch Office, Kyushu Electric Power Company, Incorporated
July 2003	Executive Officer, General Manager of Kagoshima Branch Office, Kyushu Electric Power Company, Incorporated
June 2007	Director and Managing Executive Officer, General Manager of Business Development Division and General Manager of Information Communication Division, Kyushu Electric Power Company, Incorporated
June 2009	Representative Director and Vice President, General Manager of Customer Services Division, Kyushu Electric Power Company, Incorporated
June 2010	Representative Director and Vice President, Kyushu Electric Power Company, Incorporated
Apr. 2012	Representative Director and Chairman, Kyushu Electric Power Company, Incorporated
June 2013	Director, Kyushu Railway Company (current)
June 2018	Senior Executive Adviser, Kyushu Electric Power Company, Incorporated (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
Senior Executive Adviser, Kyushu Electric Power Company, Incorporated
Chair of Fukuoka Association of Corporate Executives

Reasons for nomination as candidate for outside director

Mr. Masayoshi Nuki has a wealth of experience and board expertise as he has been long engaged in business management of Kyushu Electric Power Company, Incorporated and also bears heavy responsibilities in the business circles in Kyushu area, contributing to the development and revitalization of the regional economy. Since June 2013, he has strengthened the way that sustainable management should be in the infrastructure industry and cooperation in Kyushu, and contributed to regional development, and provided the Company with valuable opinions related to human resources, remuneration, etc. as top management of a listed company from an independent position as outside director, contributing to the sustainable growth of the Company and its increase in corporate value over the medium and long term. The Company has nominated him as a candidate for outside director as the Company expects him to supervise the business management and perform checking function over it based on his perspective with those experience and insights as a specialist in regional economic revitalization and business management.

Special interests in the Company: Although the Company has a business relationship with Kyushu Electric Power Company, Incorporated including payment of the electricity costs, over the last three fiscal years the Company's income from Kyushu Electric Power Company, Incorporated has amounted to less than 1% of the Company's annual consolidated net sales, and Kyushu Electric Power Company, Incorporated's income from the Company has amounted to less than 1% of Kyushu Electric Power Company, Incorporated's annual consolidated net sales. Consequently, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

Candidate No. 8	**Izumi Kuwano** Date of Birth: August 1, 1964	Reelection Outside Independent Female Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 11/12 (91.6%) Number of the Company's shares owned: 626 shares Tenure as outside director of the Company: 6 years



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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

<Current responsibility in the Company>
None

<Important information on concurrent posts>
Representative Director and President, Kabushiki Kaisha Tamanoyu
Outside Director, Oita Bank, Ltd.

Reasons for nomination as candidate for outside director

Ms. Izumi Kuwano has a wealth of experience and broad expertise as she has been long engaged in business management of Kabushiki Kaisha Tamanoyu and has played an active role in tourism and community development. Since June 2014, she has provided the Company with valuable advice related to the promotion of tourism measures in Kyushu, etc. from an independent position as outside director, contributing to the sustainable growth of the Company and its increase in corporate value over the medium and long term. The Company has nominated her as a candidate for outside director as the Company expects her to supervise the business management and perform checking function over it based on her perspective with those experiences and insights as a professional of tourism and business management.

Special interests in the Company: Although the Company has a business relationship with Kabushiki Kaisha Tamanoyu including payment of hotel accommodation fees, over the last three fiscal years the monetary value of the transactions from Tamanoyu has amounted to less than 1% of the Company's annual consolidated net sales, and the monetary value of the transactions from the Company has amounted to less than 2% of Tamanoyu's annual consolidated net sales and consequently, the candidate satisfies the requirements for an independent outside director as stipulated by the Company. Moreover, although the Company has a business relationship with Oita Bank, Ltd., which includes borrowing of funds, the monetary value of the transactions has amounted to less than 1% of the total annual consolidated assets of the Company over the last three fiscal years. Accordingly, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

Candidate No. 9	**Toshihide Ichikawa** Date of Birth: September 27, 1954	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 9/10 (90.0%) Number of the Company's shares owned: – shares Tenure as outside director of the Company: 1 year



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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.
June 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.
June 2013	Specially Appointed Advisor, Mitsui Fudosan Co., Ltd.
June 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)
June 2019	Director, Kyushu Railway Company (current)

<Current responsibility in the Company>
None

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

Reasons for nomination as candidate for outside director

Mr. Toshihide Ichikawa has a wealth of expertise and experience regarding the real estate and housing business, and insight regarding management from his experience as a director, having been involved primarily in the housing development and building business, with a record of achievements in community development that is charming and overflows with activity as General Manager of Tokyo Midtown Development Department, in addition to serving as Chief Operating Officer of Accommodations Business Division, who comprehends various lifestyle spaces, from the lease business to hotels, from the perspective of the length of stay and services. Since June 2019, he has provided the Company with valuable advice related to real estate development, which is a pillar of the Company's growth strategy, and human resources, remuneration, etc. as top management of a listed company from an independent position as outside director, contributing to the sustainable growth of the Company and its increase in corporate value over the medium and long term. The Company has nominated him as a candidate for outside director as the Company expects him to supervise the business management and perform checking function over it based on his perspective with those experiences and insights as a professional of real estate and business management, particularly given his high level of skill and expertise in projects of a similar scale and multipurpose nature to the urban development projects that the Group aspires to carry out.

Special interests in the Company: There is no special interest between Mr. Toshihide Ichikawa and the Company. There is no business relationship between the Company and Mitsui Fudosan Co., Ltd. and Mitsui Home Co., Ltd. Therefore, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

Candidate No. 10	**Shinji Asatsuma** Date of Birth: February 2, 1961	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 10/10 (100%) Number of the Company's shares owned: – shares Tenure as outside director of the Company: 1 year



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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.
June 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.
June 2019	Retired from Kansai Paint Co., Ltd.
June 2019	Director, Kyushu Railway Company (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
None

Reasons for nomination as candidate for outside director

Mr. Shinji Asatsuma has a wealth of knowledge and expertise regarding judicial affairs, finance and accounting as he has been engaged principally in administration operations at Kansai Paint Co., Ltd. He has been responsible for IR, contributing towards providing information to shareholders and investors and increasing corporate value, and has been involved in management as a director. Since June 2019, he has provided the Company with valuable advice related to financial strategy from an independent position as outside director, and has promoted understanding regarding the Company's financial strategy through meetings for the exchange of opinions with investors at the briefing on quarterly financial results, contributing to the sustainable growth of the Company and its increase in corporate value over the medium and long term. The Company has nominated him as a candidate for outside director as the Company expects him to supervise the business management and perform checking function over it based on his perspective with those experiences and insights as a professional of finance, IR and business management.

Special interests in the Company: There is no special interest between Mr. Shinji Asatsuma and the Company.
There is no business relationship between the Company and Kansai Paint Co., Ltd. Therefore, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

Candidate No. 11	**Kuniko Muramatsu** Date of Birth: September 1, 1958	New candidate Outside Independent Female Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: – Number of the Company's shares owned: – shares Tenure as outside director of the Company: – years



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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
Sept. 2009	Retired form Texas Instruments Japan Limited
Oct. 2009	Chief Researcher, Business Ethics Research Center
Jan. 2010	Representative Director, Welness Systems Institute (current)
Jan. 2014	Director, Japan Professional Football League (J.LEAGUE)
Apr. 2016	Representative Director, GEWEL (retied March 2019)
June 2016	Outside Director, C'BON COSMETICS Co., Ltd. (retired June 2019)
June 2016	Outside Director, YOKOWO CO., LTD. (current)
Apr. 2018	Councilor, Japan Professional Football League (current)
Apr. 2018	Senior Researcher, Business Ethics Research Center (current)
June 2019	Outside Director, NEC Networks & System Integration Corporation (current)

<Current responsibility in the Company>
None

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

Reasons for nomination as candidate for outside director

Ms. Kuniko Muramatsu has served as General Manager of Public Relations Department, Head of corporate ethics office as well as the officer in charge of diversity promotion at a foreign-affiliated semiconductor manufacturer. After this, she resolved to create a foundation for a sustainable society, and while establishing and managing a company on her own, she worked as an advisor for the promotion of the improvement of corporate ethics, CSR and diversity. Furthermore, she deepened her knowledge of not only the promotion of local regions, but Kyushu itself through her activities as Director of the Japan Professional Football League, etc. The Company has nominated her as a candidate for outside director as the Company expects her to supervise the business management and perform checking function regarding the promotion of ESG management through the utilization of personnel and organizational revitalization by strengthening risk management and promoting diversity specifically from the perspective of corporate ethics based on her viewpoint from her deep knowledge and insight regarding the promotion of corporate ethics, CSR, sustainability and diversity cultivated through her practical experience and career history at operating companies.

Special interests in the Company: As the Company has no business relationship with Wellness Systems Institute and YOKOWO CO., LTD., the candidate satisfies the requirements for an independent outside director as stipulated by the Company. Although the Company has a business relationship with NEC Networks & System Integration Corporation including payment for construction work, over the last three fiscal years the Company's income from that company has amounted to less than 1% of the Company's annual consolidated net sales, and said company's income from the Company has amounted to less than 1% of said company's annual consolidated net sales. Consequently, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

(Notes)

1. Candidates Mr. Masayoshi Nuki, Ms. Izumi Kuwano, Messrs. Toshihide Ichikawa and Shinji Asatsuma and Ms. Kuniko Muramatsu are candidates for outside director.
2. The Company has entered into limited liability agreements with Mr. Masayoshi Nuki, Ms. Izumi Kuwano, Messrs. Toshihide Ichikawa and Shinji Asatsuma to limit their liability under Article 423, paragraph 1 of the Companies Act to the minimum liability amount stipulated by laws and regulations. If their reelection is approved, the Company will continue the said limited liability agreements with them.
   In addition, if the election of Ms. Kuniko Muramatsu is approved, the Company will enter into the same agreements with her.
3. Candidates Mr. Masayoshi Nuki and Ms. Izumi Kuwano, Messrs. Toshihide Ichikawa and Shinji Asatsuma satisfy the requirements for an independent officer as provided for by the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and satisfy the Company's Independence Standard for Outside Officers (on page 39), and the Company has submitted notification concerning their designation as independent officer to each exchange. If their reelection is approved, the Company plans to maintain their positions as independent officer.
4. Candidate Ms. Kuniko Muramatsu satisfies the requirements for an independent officer as provided for by the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and satisfies the Company's Independence Standard for Outside Officers (on page 39), and the Company plans to designate her as independent officer and submit notification concerning her designation as independent officer to each exchange if her election is approved.

Proposal No. 3: Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

The terms of office of all four (4) Directors who are Audit and Supervisory Committee Members will expire at the close of this Annual General Meeting of Shareholders. Therefore, it is proposed that four (4) Directors who are Audit and Supervisory Committee Members be elected.
As for this proposal, the Audit and Supervisory Committee of the Company has already given their consent to this proposal in accordance with the provisions of Article 344-2, paragraph 1 of the Companies Act.

(1) List of candidates
The candidates are as follows:

No.	Name		Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020	Attendance at meetings of the Audit & Supervisory Committee during the fiscal year ended March 31, 2020
1	**Eiichi Kuga**	Reelection Outside Independent	12/12 (100%)	13/13 (100%)
2	**Masaya Hirokawa**	Reelection	12/12 (100%)	10/10 (100%)
3	**Kazuhide Ide**	Reelection Outside Independent	12/12 (100%)	12/13 (92.3%)
4	**Yasunori Eto**	Reelection Outside Independent	12/12 (100%)	13/13 (100%)

(Note) Since Mr. Masaya Hirokawa was newly selected at the 32nd Annual General Meeting of Shareholders held on June 21, 2019, the number of the meetings of the Audit & Supervisory Committee held during his period in office differs from that for other directors.

(2) The brief biographies of the candidates

The brief biographies of the candidates are as follows.

Candidate No. 1	**Eiichi Kuga** Date of Birth: September 1, 1956	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Attendance at meetings of the Audit & Supervisory Committee during the fiscal year ended March 31, 2020: 13/13 (100%) Number of the Company's shares owned: 1,287 shares Tenure as outside director of the Company: 2 years



Career summary, position and responsibility in the Company

Apr. 1981	Joined National Police Agency
Apr. 2006	Director-General of Kagoshima Prefectural Police
Sept. 2007	Director-General of Tokyo Metropolitan Government Office for Youth Affairs and Public Safety
Sept. 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
June 2016	Full-time Audit & Supervisory Board member, Kyushu Railway Company
June 2018	Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director who is an audit and supervisory committee member

Mr. Eiichi Kuga has a wealth of experience and broad insight as he has been long engaged in police administration. As full-time audit & supervisory board member of the Company and then as a director who is an audit and supervisory committee member since June 2018, he has performed auditing from various angles based on his experience and insight, working to ensure healthy and appropriate business management. The Company has nominated him as a candidate for outside director who is an audit and supervisory committee member as the Company expects him to continue to utilize this experience and record of achievement in audits of the Company, etc.

Although he does not have experience of being involved in corporate management except for serving as outside officer, the Company determined that he will be able to carry out the duties of an outside director who is an audit and supervisory committee member appropriately for the aforementioned reason.

Special interests in the Company: There is no special interest between Mr. Eiichi Kuga and the Company.

Candidate No. 2	**Masaya Hirokawa** Date of Birth: April 3, 1962	Reelection Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Attendance at meetings of the Audit & Supervisory Committee during the fiscal year ended March 31, 2020: 10/10 (100%) Number of the Company's shares owned: 3,114 shares



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

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
June 2008	General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
June 2011	General Manager of Planning Department of Business Development Headquarters, Kyushu Railway Company
June 2012	General Manager of Finance & Accounting Department, Kyushu Railway Company
June 2013	General Manager of Kumamoto Regional Office, Kyushu Railway Company
June 2013	Director, General Manager of Kumamoto Regional Office, Kyushu Railway Company
June 2015	Director, Deputy Director General of Corporate Planning Headquarters and General Manager of Strategy Management Department of Corporate Planning Headquarters, Kyushu Railway Company
June 2016	Director, General Manager of Administration Department, Kyushu Railway Company
June 2017	Managing Director, General Manager of Administration Department, Kyushu Railway Company
June 2018	Director and Managing Corporate Officer, General Manager of Administration Department, Kyushu Railway Company
June 2019	Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
None

Reasons for nomination as candidate for director who is an audit and supervisory committee member

Mr. Masaya Hirokawa has a wealth of experience and board expertise as he has held positions such as General Manager of IT Strategic Planning Division of Corporate Planning Headquarters, General Manager of Strategy Management Department of Corporate Planning Headquarters, General Manager of Planning Department of Business Development Headquarters, General Manager of Finance & Accounting Department, General Manager of Kumamoto Regional Office and General Manager of Administration Department. Since June 2013, he has participated in the management of the Company as a director, helping to increase the corporate value of the Group, and since June 2019, as director who is an audit and supervisory committee member, he has worked to ensure the soundness and appropriateness of management by carrying out audits from various angles based on that experience and insight. The Company has nominated him as a candidate for outside director who is an audit and supervisory committee member as the Company expects him as an audit and supervisory committee member who is familiar with the inside Company to utilize this experience and record of achievement in the swift information sharing with the audit and supervisory committee and internal coordination in audit services.

Special interests in the Company: There is no special interest between Mr. Masaya Hirokawa and the Company.

Candidate No. 3	**Kazuhide Ide** Date of Birth: January 3, 1942	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Attendance at meetings of the Audit & Supervisory Committee during the fiscal year ended March 31, 2020: 12/13 (92.3%) Number of the Company's shares owned: 1,287 shares Tenure as outside director of the Company: 2 years



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

Apr. 1964	Joined The Kangyo Bank Ltd. (currently Mizuho Financial Group, Inc.)
Apr. 1989	Manager of Related Business Department of Planning Division, The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)
June 1990	Manager of Lottery Department, The Dai-Ichi Kangyo Bank, Ltd.
June 1992	Director, Manager of Personnel and Planning Dept., The Dai-Ichi Kangyo Bank, Ltd.
May 1994	Director, Manager of Personnel Dept., The Dai-Ichi Kangyo Bank, Ltd.
Apr. 1995	Director and Managing Officer, The Dai-Ichi Kangyo Bank, Ltd.
Mar. 1997	Retired from The Dai-Ichi Kangyo Bank, Ltd.
Apr. 1997	Advisor, The Chikuho Bank, Ltd.
June 1997	Representative Director and Vice President, The Chikuho Bank, Ltd.
Apr. 1999	Representative Director and President, The Chikuho Bank, Ltd.
Apr. 2006	Representative Director and Chairman, The Chikuho Bank, Ltd.
June 2012	Director and Chairman, The Chikuho Bank, Ltd.
June 2015	Outside Audit & Supervisory Board member, Kyushu Railway Company
June 2016	Chairman, The Chikuho Bank, Ltd.
June 2018	Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)
July 2018	Counselor, The Chikuho Bank, Ltd. (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
Counselor, The Chikuho Bank, Ltd.

Reasons for nomination as candidate for outside director who is an audit and supervisory committee member

Mr. Kazuhide Ide has a wealth of experience and a broad insight particularly in the financial field as corporate business manager as he has been long engaged in business management of The Chikuho Bank, Ltd. As full-time audit & supervisory board member of the Company and then as a director who is an audit and supervisory committee member since June 2018, he has performed audits from various angles based on his experience and insight, working to ensure healthy and appropriate business management. The Company has nominated him as a candidate for outside director who is an audit and supervisory committee member as the Company expects him to continue to utilize this experience and record of achievement in audits of the Company, etc.

Special interests in the Company: Although the Company has a business relationship with The Chikuho Bank, Ltd. including borrowing funds, over the last three fiscal years the transaction amount with The Chikuho Bank, Ltd. has amounted to less than 1% of the Company's consolidated total assets at the end of each fiscal year. Consequently, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

Candidate No. 4	**Yasunori Eto** Date of Birth: December 21, 1967	Reelection Outside Independent Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020: 12/12 (100%) Attendance at meetings of the Audit & Supervisory Committee during the fiscal year ended March 31, 2020: 13/13 (100%) Number of the Company's shares owned: 276 shares Tenure as outside director of the Company: 2 years



Career summary, position and responsibility in the Company, and important information on concurrent posts outside the Company

Apr. 1995	Appointed as a public prosecutor
Apr. 2009	Deputy Chief Prosecutor, Kagoshima District Public Prosecutors Office
Apr. 2011	Public prosecutor, Osaka District Public Prosecutors Office
Sept. 2011	Retired as Public prosecutor
Oct. 2011	Registered as an attorney at law
	Attorney at law, Bengoshi Hojin Hino Sogo Law Office (current)
June 2018	Director, Audit and Supervisory Committee member, Kyushu Railway Company (current)

<Current responsibility in the Company>
None

<Important information on concurrent posts>
Attorney at law

Reasons for nomination as candidate for outside director who is an audit and supervisory committee member

Mr. Yasunori Eto has a wealth of experience and a broad insight as public prosecutor and attorney at law. As a director who is an audit & supervisory committee member since June 2018, he has performed audits from various angles based on his experience and insight, particularly from the standpoint of legal risk, working to ensure healthy and appropriate business management. The Company has nominated him as a candidate for outside director who is an audit and supervisory committee member as the Company expects him to continue to utilize this experience and record of achievement in audits of the Company, etc.
Although he does not have experience of being involved in corporate management except for serving as outside officer, the Company determined that he will be able to carry out the duties of an outside director who is an audit and supervisory committee member appropriately for the aforementioned reason.

Special interests in the Company: There is no special of interest between Mr. Yasunori Eto and the Company.
There is no business relationship between the Company and Bengoshi Hojin Hino Sogo Law Office. Therefore, the candidate satisfies the requirements for an independent outside officer as stipulated by the Company.

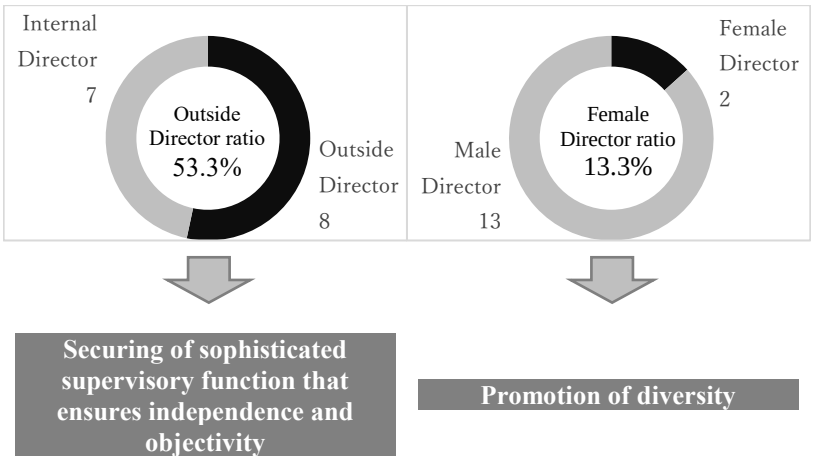
(Notes)
1. Candidates Messrs. Eiichi Kuga, Kazuhide Ide and Yasunori Eto are candidates for outside director.
2. The Company has entered into limited liability agreements with Messrs. Eiichi Kuga, Kazuhide Ide and Yasunori Eto to limit their liability under Article 423, paragraph 1 of the Companies Act to the minimum liability amount stipulated by laws and regulations. If their reelection is approved, the Company will continue the said limited liability agreements with them.
3. Candidates Messrs. Eiichi Kuga, Kazuhide Ide and Yasunori Eto satisfy the requirements for an independent officer as provided for by the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and satisfy the Company's Independence Standard for Outside Officers (on page 39), and the Company has submitted notification concerning their designation as independent officer to each exchange. If their reelection is approved, the Company plans to maintain their positions as independent officer.

Reference Documents for the General Meeting of Shareholders

◆Constitution of the Board of Directors
The Company's Board of Directors appoints a diverse range of director candidates with varying expertise and experience, while considering a balance in the Board of Directors as a whole, and, at the same time, aims to optimize members for the effective and efficient performance of the Board's functions. At present, the Board is composed of inside directors who are well acquainted with the operations of each Headquarters and multiple outside directors who offer advice on the basis of their broad expertise and perform highly effective and efficient monitoring and supervision from an independent standpoint. Besides electing female directors, persons who have sufficient expertise on finance and accounting are elected for Audit and Advisory Committee members, in addition to those having knowledge on legal affairs.

◆Election and Dismissal of Directors
In nominating Directors, candidates chosen on the basis of the selection standard specified by the Board of Directors in terms of a high sense of ethics, personality, character, management ability, etc. are determined by the Board of Directors in light of a report by the Nomination and Compensation Advisory Committee. If a Director ceases to satisfy the selection standard noted above, significantly impairs the corporate value of the Company through negligence of their duties or falls under any reason for disqualification, the Board of Directors will deliberate on the dismissal of the said Director in light of a report of the Nomination and Compensation Advisory Committee and proposes it to the General Meeting of Shareholders. In nominating a candidate for a Director who is an Audit and Supervisory Committee member, a consent by the Committee is supposed to be obtained in advance.

The constitution of the Board of Directors elected on the basis of the above policy upon approval and adoption of Proposals No.2 and No.3 will be as follows.



Independence Standard for Outside Officers

Outside officers (directors and other officers, if any) of the Company shall be deemed to be independent if they do not fall under any of the following items:

1. a current executive (a person who executes operations, such as executive director, executive officer, corporate officer, or employee; hereinafter, the same) of the Company or any of its subsidiaries (hereinafter, "Group companies"), or someone who has served in such a position in any of the past 10 fiscal years
2. a spouse or relative by blood or marriage within the second degree of a current executive of a Group company (to the extent such an executive is at a level equivalent to important employee or upper), or of someone who has served in such a position in any of the past three fiscal years.
3. an entity of whom the Company is a major business partner (that is, a recipient of payment from the Company in excess of 2% of said recipient's average consolidated sales over the period of the preceding three fiscal years), or, in the event such an entity is a corporation, an executive of said corporation
4. a major business partner of the Company (that is, an entity that makes payments to the Company that account for over 2% of the Company's average consolidated sales over the period of the preceding three fiscal years), or, in the event such a business partner is a corporation, an executive of said corporation
5. a major lender to the Company (that is, an entity that provides loans to the Company in excess of 2% of the Company's average consolidated assets among the preceding three fiscal year-ends), or, in the event such a lender is a corporation, an executive of said corporation
6. a legal expert, etc., whose remuneration received from the Company, other than officers' remuneration, exceeds ¥10 million in the current fiscal year or on average per annum over the period of the preceding three fiscal years, or, if such an expert belongs to a corporation, such a person who receives payments from the Company exceeding 2% of the consolidated sales of said corporation over the same period
7. a director or executive of an organization that receives donations in excess of ¥10 million in the current fiscal year or on average per annum from the Company over the period of the preceding three fiscal years
8. a major shareholder of the Company (that is, a shareholder who holds 10% or more of the total number of voting rights of the Company), or, in the event such a shareholder is a corporation, an executive of said corporation
9. a spouse or relative by blood or marriage within the second degree of a person who falls under any of items 3. through 8. above (to the extent such an executive is at a level equivalent to important employee or upper)
10. in addition to the preceding items 1. through 9., a person who is unable to independently perform duties as an independent outside officer due to a conflict of interest with the Company or to other exceptional circumstances

Reference: Initiatives Related to Corporate Governance

◆Corporate Governance Policy

The Company aims to be a corporation in which customers, local community members, business partners, employees and their families, and shareholders can have lasting trust. To this end, the Company is establishing and improving frameworks and systems for decisive and prompt decision making as well as appropriate disclosure of information, while guaranteeing transparency and fairness in management. The Company strives to further enhance corporate governance in order to achieve sustainable growth and increased medium- to long-term corporate value.

◆Evaluation of the Effectiveness of the Board of Directors

Recognizing that securing the effectiveness of the Board of Directors leads to the medium to long term improvement of corporate value, the Company conducts hearings with the directors and gives questionnaires to them for the purpose of advancing analysis and evaluation in related to said efficiency and then discloses an overview of the results in the Corporate Governance Report.

Between November 2019 and January 2020, 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. Using the content of the report from the third-party organization as a base, the results of the survey, and issues arising thereby, were reported to a meeting of the Board of Directors held in February 2020. An overview of the results of this evaluation is on page 41.

1. Overview of results

(1) Conclusion

The overall evaluation was that the Board of Directors is functioning effectively.

(2) Evaluation process

(i) Persons evaluated

All directors

(ii) Evaluation method

A third-party organization was entrusted with conducting a survey, as follows.

- Questionnaire (anonymous form)
- Participation as an observer at meetings of the Board of Directors
- Individual interviews

(iii) Evaluation items

The major categories of the questionnaire were as follows.

I Composition and management of the Board of Directors
II Management and business strategies
III Corporate ethics and risk management
IV Evaluation and remuneration of management
V Dialogue with shareholders, etc.

(3) Evaluation results

(i) Progress in relation to issues recognized in the FY2018 effectiveness evaluation

In the FY2018 effectiveness evaluation, issues raised included the clarification of risks involved in individual resolutions, the formulation of a succession plan, and the appointment and dismissal of the CEO.

With regard to the clarification of risks involved in individual resolutions, it was confirmed that steady improvements have been achieved through a rethinking of Board of Directors materials and of explanations given at Board of Directors meetings.

In relation to the issues of the formulation of a succession plan, and the appointment and dismissal of the CEO, it was recognized that further improvements should be made, throughout such measures as more in-depth discussions centered on the Nomination and Compensation Advisory Committee established in March 2019.

(ii) Principal new issues recognized in the FY2019 effectiveness evaluation

After the transition to a company with audit and supervisory committee system in June 2018, directors who were also Audit and Supervisory Committee members, and who had deepened their understanding in relation to business execution through auditing, began participating in discussions of the Board of Directors and exercising voting rights, confirming that the effectiveness of the Board of Directors has improved from the perspective of corporate governance.

In addition, it was confirmed that by delegating authority for important parts of business execution to directors in accordance with the Articles of Incorporation and resolutions passed by the Board of Directors, for certain matters that are particularly important for the management of the Company, the Board of Directors has been able to secure sufficient time for more in-depth discussions before taking decisions, through such measures as tabling discussion items across multiple meetings of the Board.

Furthermore, through the appointment of two additional outside directors, who are knowledgeable in the areas of real estate, finance and IR in June 2019, the number of outside directors on the Board of Directors rose to represent to a majority (53.3%). As a result, it is confirmed that this diverse base of experience and expertise has enabled more meaningful discussions at meetings of the Board of Directors.

In terms of new issues, it was recognized that there is a need to increase the number of opportunities for outside directors to further facilitate their understanding of the business of the Company.

2. 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 relation to the issues of the formulation of a succession plan, and the appointment and dismissal of the CEO, more in-depth discussions will be conducted, primarily by the Nomination and Compensation Advisory Committee established in March 2019.
- With regard to the need to increase the number of study opportunities for outside directors to further facilitate their understanding of the business of the Company, we are seeking to improve the situation through measures such as providing explanations of the Company business, or tours of facilities, to outside directors.

<Shareholder Proposals (Agenda Items 4 to 7>
Agenda Items 4 to 7 are proposals made by shareholder (1 shareholder).

*The Board of Directors of the Company objects to all of the proposals.
Location in this Notice where reasons for objection are stated
Agenda Items 4 P42-P43
Agenda Items 5 through Agenda Items 7 P48

With the exception of "Opinion of JR Kyushu's Board of Directors" and "Reasons for Opposition," proposals by the shareholder are all presented as received from the proposing shareholder.

Agenda Item 4: Amendment to Articles of Incorporation regarding Disclosure of Revenues, EBITDA, Net Operating Income and appraised cap rates for each of the Company's commercial and residential real estate assets.

(1) Summary of the Agenda Item
The following text shall be added to the existing Article of Incorporation as a new Chapter and new Article and shall be modified to reflect the formalistic changes required to account for the other agenda item in the shareholders' meeting (including agenda items related to Company proposals) that are approved:

Article 41 The Company shall disclose, not less than once per year, within one month before the date of the Company's corporate governance report, its Revenues, EBITDA, Net Operating Income and appraised cap rates for each of the Company's commercial and residential real estate assets, both publicly and in discussing any debt or equity financing for the Company's pursuit of its growth strategy. The Company shall also provide a detailed list of all growth capital expenditures.

(2) Reason for the Proposal
Covid-19 has severely impacted JR Kyushu's operating results. As a result, the Company may need to shore-up capital by raising debt, selling non-core assets, reducing capex spending and improving disclosure to lower its cost of financing. The Company should be positioning its balance sheet to handle the ongoing challenges and be best prepared for any future opportunities post the crisis. However, in order to do so, the Board needs to know when to opportunistically raise low cost capital, refrain from spending recklessly with no accountability to stakeholders, and make transparent disclosure. Regrettably, the current Board does not perform with adequate accountability.
Companies should disclose objectives, business strategies and plans which "add value for investors", and the board should "ensure that information is not boiler-plate or lacking in detail."[1] Given its poor governance record (JR Kyushu Housing and Estate One scandals), we ask that the Articles of Incorporation be updated to provide stakeholders with timely and full financial disclosure, to ensure the Company is held accountable for its spending and sufficient oversight takes place.

The Board of Directors' Opinion on Agenda Items 4
The Board of Directors opposes this Proposal for the following reasons:

JR Kyushu's Board of Directors is keenly aware of the importance of disclosing information to its shareholders and investors, and is constantly examining ways to enhance information disclosure while taking into account the opinions of its shareholders and investors, as well as the external environment and business conditions in the real estate business. In alignment with the "JR Kyushu Group Medium-Term Business Plan 2019-2021," which was released in March 2019, JR Kyushu redefined segment classifications, creating the Real Estate and Hotels segment, with the intention of clarifying the financial indicators for real estate business as one of central facets of the JR Kyushu Group's growth strategy. Furthermore, ever since JR Kyushu was listed on the stock market in October 2016, JR Kyushu has worked tirelessly to enhance disclosures while engaging in communications with shareholders and investors. Such efforts have included: (i) improving disclosures to better reflect the true nature of operations by breaking our results and earnings estimates for the Real Estate and Hotels segment into three sub-segments (real

[1] Principle 3.1 of the Corporate Governance Code.

estate leasing, real estate sales, and hotels) due to the different earnings structures of businesses within the segment; (ii) explaining JR Kyushu's thoughts regarding expected returns on growth investments in the real estate business, divided into three categories in the context of the JR Kyushu Group's growth strategy; (iii) creating and publishing documents about the JR Kyushu Group's track record in fostering communities centered on station building redevelopment; and (iv) disclosing key data for sub-segments, such as occupancy rates and average daily rates (ADR) in the hotels business, and occupancy rates for rental apartments.

However, the disclosures sought in Proposal No. 4 (hereinafter, the "Shareholder Proposal to Amend the Articles of Incorporation") presume the JR Kyushu Group's real estate business has an earnings structure like that of a real estate investment trust (REIT). However, this presumption does not take into account the fact that the JR Kyushu Group's real estate business is heavily weighted toward station building operations, which are operated integrally with its railway business. The financial data and appraised net operating income (NOI) rates for each individual property that the Shareholder Proposal to Amend the Articles of Incorporation seeks are not the best indicators of the underlying conditions in the JR Kyushu Group's real estate business, which is managed to create synergies with its railway business and other operations. JR Kyushu does not believe these additional disclosures would contribute to an objective and reasonable portrayal of the JR Kyushu Group's real estate business. As explained above, JR Kyushu already discloses financial data specifically for the real estate leasing, real estate sales and hotels sub-segments of the Real Estate and Hotels segment, in addition to relevant business indicators, with the aim of promoting the understanding of its shareholders and investors.

Currently, the JR Kyushu Group's operations are being severely affected by the COVID-19 pandemic. JR Kyushu's Board of Directors are now giving their full attention to overcoming this adverse business environment while taking care to disclose in a timely and appropriate manner the current business conditions of JR Kyushu Group. JR Kyushu understands that JR Kyushu's financial strategy, including its policy regarding balance sheets, is of strong interest to shareholders and investors over the medium and long term. In June 2019, JR Kyushu clarified the position of the Chief Financial Officer (CFO), who is also a member of the Board of Directors, and the Board of Directors is now working to improve disclosures while continuing to discuss financial strategy. JR Kyushu will continue its endeavors to improve the quality of disclosures while listening to the opinions of its shareholders and investors.

At their core, the Articles of Incorporation are a basic set of rules governing the organization and activities of a company. As explained above, the Shareholder Proposal to Amend the Articles of Incorporation proposes to amend the Articles of Incorporation in a way that presumes JR Kyushu's real estate business like a REIT. However, the JR Kyushu Group's mission is to operate sustainable businesses primarily in the Kyushu region, by conducting the railway business and other transportation services, along with operations in real estate, hotels, distribution, restaurants, and construction. In light of this mission of JR Kyushu Group, JR Kyushu believes it is inappropriate to establish the article sought to be included by the Shareholder Proposal to Amend the Articles of Incorporation as one of the basic rules governing JR Kyushu. Generally speaking, the inclusion of articles which provide for detailed rules of information disclosure in the Articles of Incorporation would be against to the spirit of the Articles of Incorporation. At the same time, amendments to the Articles of Incorporation need the approval of a special resolution by the general meeting of shareholders, which is a stringent procedure. JR Kyushu believes the amendment proposed in the Shareholder Proposal to Amend the Articles of Incorporation could be detrimental to the flexible management of the businesses of JR Kyushu Group.

For these reasons, JR Kyushu's Board of Directors has decided to oppose the Shareholder Proposal to Amend the Articles of Incorporation.

Agenda Item 5: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

(1) Summary of the Agenda Item

The below candidate shall be elected as a Director (not as an Audit and Supervisory Committee member).

Ms. Fumiyo Takei

(2) Reason for the Proposal

At a time of crisis, it is imperative the Board possess the necessary skills and expertise required to address today's problems and make value accretive decisions. Can the current board with no real estate investment experience, no asset management experience, little finance experience and a poor governance record tackle the challenges at this crucial time? - Be reminded, this is the same Board which bought condominiums in Thailand, acquired old buildings in Tokyo at record low cap rates, was responsible for the JR Kyushu Housing and Estate One scandals, and deems it unnecessary to provide investors with a detailed explanation of ¥340 billion in growth capex spending.

Over the past two years Fir Tree has tried to help management add highly qualified independent directors by screening and introducing over 10 qualified Japanese industry experts, none of which the company has accepted. Given the Company's current financial challenges as well as its future growth plans centered on real estate investing, it is imperative to nominate extremely talented individuals with real estate investment, finance and governance experience to be independent directors in order to protect the interests of the Company and its stakeholders.

(3) Brief Bio of the Candidate

Fumiyo Takei	Birthdate: 29 May 1973 Number of Company Shares Owned: 0 shares
■ Brief biography, position at Company, area of responsibility, other important positions	
Apr 1996	**Lehman Brothers Japan** as a Financial Analyst based in Tokyo.
Jul 1999	**Merrill Lynch Japan** as a Treasury Department Manager based in Tokyo.
Jun 2001	**Credit Suisse** as a Debt Capital Markets Associate based in New York / Tokyo.
Sep 2002	**MKS Partners** as an investment Associate based in Tokyo.
Oct 2004	**CVC Asia Pacific** as an Associate Investment Director based in Tokyo.
Apr 2006	**Government of Singapore Investment Corporation** as Assistant Vice President within the Investment Management team based in Tokyo, managed $6bln in assets, including logistics properties, a portfolio of hotels and commercial real estate join venture investments with local domestic partners around Japan including Fukuoka.
Mar 2013	**Asecendas Japan** as Japan Representative Director and Head of Japan, led the acquisition, disposition, financing and refinancing of real estate assets for Ascendas Hospitality Trust, a Singapore listed REIT. Also supported IR activities in Japan.
Jun 2017	**CapitaLand Japan** as Japan Representative Director and Managing Director responsible for the acquisition, deal sourcing and management of over $3bln in real estate assets including office, retail, lodging and residential properties.
Jun 2019	**Tokyo Trust Capital** as Managing Director (Present), led the capital raising initiatives and acquisition team for commercial real estate deals in Japan and abroad. <Status of important concurrent position> N/A
Education	Ms. Takei holds a Bachelor of Arts degree in Business and Commerce from Keio University. She also received MBAs from both Carnegie Mellon University and Chuo University Graduate School of Strategic Management. In addition, Ms. Takei has an Executive MBA from the University of Nebraska (Genus of Warren Buffet course) and a Master of Science in Real Estate Investment from Cass Business School (City University of London). Ms. Takei is a certified Japanese public real estate dealer and a certified Japanese financial planner (Level 2).

■ Reason for nomination as a Director candidate Ms. Takei is an exceptionally qualified candidate with senior level fund management and real estate investment experience around Japan and globally. Ms. Takei has been the Japan representative director for Asia based asset managers, including GIC, Asecendas, CapitalLand and Tokyo Trust Capital. Through her various roles, Ms. Takei has been responsible for the deal sourcing, acquisition, operation, financing and management of a wide range of real estate portfolios valued in the billions, covering commercial and residential buildings, hotels and beyond. In addition, Ms. Takei holds three master degrees in Finance and Accounting, Strategic Management and Real Estate Investment, from leading global institutions. Ms. Takei is also a certified Japanese public real estate dealer and a certified Japanese financial planner. Given JR Kyushu's current challenges as well as real estate investment plans, the Board would be extremely fortunate to have someone with the skills and experience of Ms. Takei. We propose to nominate Ms. Takei as an independent outside director because of her invaluable real estate investment and capital allocation experience.
(Special conflicts of interest) There are no special conflicts of interest between Ms. Fumiyo Takei and the Company.

(Note) Ms. Takei is an outside director candidate.

Agenda Item 6: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

(1) Summary of the Agenda Item

The below candidate shall be elected as a Director (not as an Audit and Supervisory Committee member).

Mr. Daizo Motoyoshi

(2) Reason for the Proposal

In response to the current crisis, most sensible management teams would be focused on seeking the right individuals who can lead the Board to uphold proper corporate governance, make disciplined capital decisions and re-evaluate growth plans. However, JR Kyushu's Board appears eager to do the opposite: on March 23, 2020, in the middle of this crisis, the Company described its basic thought on its company nature, capital structure and governance as to "continue to greedily take on the challenge, without stopping, persevering, indefatigably to make Kyushu, Japan and Asia energetic through efforts in various businesses,"[2] failing to address its own immediate problems or capital structure.

Given the Company's poor track record of governance (note the JR Kyushu Housing and Estate One scandals), having outside independent board members with strong backgrounds in risk management, audit and best corporate governance practices on the Board, is essential.

(3) Brief Bio of the Candidate

Daizo Motoyoshi	Birthdate: 13 September 1963 Number of Company Shares Owned: 0 shares
■ Brief biography, position at Company, area of responsibility, other important positions	
Jul 1985	**Ernst & Whinney (now Ernst & Young)** as a Senior Accountant based in Los Angeles.
July 1991	**Alliance Capital Management (now Alliance Bernstein)** as a Japanese Equity Analyst based in New York.
Feb 1994	**General Electric Asset Management** (Connecticut) as Portfolio Manager and Vice President based in Stamford, launched and managed the emerging market and Pacific Basin equity investment strategies.

[2] Introduction to the Company's governance code report, in response to the prompt "basic thought on company nature, capital structure and corporate governance," available online at https://www.jrkyushu.co.jp/company/ir/news/__icsFiles/afieldfile/2020/03/23/gov_houkoku_200323.pdf

Nov 1997	**GE Asset Management** as Senior Vice President based in Tokyo, led the Japanese subsidiary, was responsible for the Japanese equity strategy and investment activities across Asia Pacific.
Jul 2004	**General Electric Asset Management** (Connecticut) as Senior Vice President based in Stamford, oversaw the global large-cap growth strategy for retail, corporate and pension clients.
Nov 2012	**LIXIL Group** as Executive Director based in New York was a member of the Global Management Committee and led investor relations in America.
Aug 2015	**LIXIL Group** as Senior Operating Officer and Internal Auditing Officer reporting directly to CEO and Audit Committee, based in Tokyo. Since 2017, oversee internal auditing and risk management.
Jun 2018	**LIXIL Group** as Managing Director (Present) Board member of LIXIL Total Hanbai and LIXIL Group Finance as Auditor, and Permasteelisa S.p,A as Director. Served on group committees for compliance, internal auditing, investment screening, information security, and credit management. <Status of important concurrent position> N/A
Education	Mr. Motoyoshi holds and Bachelor of Arts degree in Accounting from Claremont McKenna College as well as a Master's in Business Taxation from the University of Southern California. He also received an MBA in Finance from Columbia Business School. Mr. Motoyoshi is an inactive U.S. Certified Public Accountant and is a CFA charterholder. In addition, Mr. Motoyoshi is an Auditor at The Board Director Training Institute of Japan (BDTI), a certified public interest organization in Japan.

■ Reason for nomination as a Director candidate

Mr. Daizo Motoyoshi is an extremely qualified financial and corporate governance executive with over 30 years of accounting, finance, asset management and audit experience based in Japan and abroad. First gaining experience as a US CPA, he transitioned into finance as an Analyst at Alliance Bernstein, then worked his way up to Portfolio Manager and Senior Vice President at GE Asset Management. Mr. Motoyoshi then joined LIXIL Group in America as an Executive Director and member of their Global Management Committee, overseeing investor relations and M&A partnerships in North America. For the past 5 years, Mr. Motoyoshi has been Managing Director in charge of internal auditing and risk management for LIXIL based in Tokyo.

We propose to nominate Mr. Motoyoshi as an independent outside director because of his deep knowledge and experience in capital allocation, finance and audit issues is desperately needed at the Board level of JR Kyushu.

(Special conflicts of interest) There are no special conflicts of interest between Mr. Daizo Motoyoshi and the Company.

(Note) Mr. Motoyoshi is an outside director candidate.

Agenda Item 7: Election of One (1) Director to the Board (Not as an Audit and Supervisory Committee Member)

(1) Summary of the Agenda Item

The below candidate shall be elected as a Director (not as an Audit and Supervisory Committee member).

Ms. Yoshiko Nagao

(2) Reason for the Proposal

In the present challenging economic environment, it is imperative that the Board have the right people with extensive real estate investment and asset management experience to preserve capital, make value-accretive decisions and set the right path for future growth of the Company post-crisis. Fir Tree believes the current Board lacks the relevant expertise and knowledge to address the challenges created by Covid-19, as well as oversee the proper allocation of ¥340 billion in growth capital expenditures.

As such, in order to protect the Company and stakeholder interests, we are left with no choice but to nominate extremely talented individuals to be independent directors, in line with Corporate Governance

Code (Principal 4-7). Tackling the current crisis by lowering the Company's cost of capital through asset refinancing and divesting of non-core assets requires industry experts with decades of experience in finance, asset management and real estate investing. In addition, the Board lacks someone with the network and knowledge of ESG and impact investing. We feel a qualified, new independent director with these talents would be an invaluable asset to the Company.

(3) Brief Bio of the Candidate

Yoshiko Nagao	Birthdate: 24 June 1974 Number of Company Shares Owned: 0 shares

■ Brief biography, position at Company, area of responsibility, other important positions

Oct 1997	**GIC Real Estate Pte Ltd.** (US)
Jun 2000	**GIC Real Estate Pte Ltd.** (US) as Assistant Vice President underwriting direct commercial and residential property investments in California.
Jan 2005	**Credit Suisse** (Tokyo), the Strategic Transactions Group
Jan 2007	**Credit Suisse** (Tokyo) as Vice President, underwriting and financing real estate loans in Japan.
Jun 2007	**Deutsche Bank** (London) as Vice President of the European Commercial Real Estate Group doing loan origination and principal transactions, based in London.
Sep 2008	**Peak Asia Management Pte** (Tokyo), as Senior Advisor
Dec 2009	**Meadpoint Pte. Ltd.** (Tokyo) Since 2012, as Partner responsible for all aspects of investment acquisition and strategy of real estate transactions in Japan.
2015	**Harvard Alumni Association**, Director for Asia.
2018	**Toniic,** Member of global investment group focused on ESG and improving the ecosystem of impact investing. (Present) <Status of important concurrent position> N/A
Education and more	Ms. Nagao holds a Bachelor of Arts degree from Harvard University. Ms. Nagao is also the Deputy Vice President of GONGOVA, a Japanese non-governmental organization headed by Professor Kawashima (Princess Kiko's father). Ms. Nagao is also deeply involved in other ESG investing initiatives, including NEXUS Global, The ImPact and Toniic.

■ Reason for nomination as a Director candidate

JR Kyushu's Board currently lacks the real estate investment, asset management and governance expertise required to address the current challenges facing the Company, as well as oversee the ¥340bln of growth capex spending under the current Medium-Term Plan.

Ms. Nagao has 20 years of global financing and real estate investment experience with institutions such as Credit Suisse and Deutsche Bank, as well as real estate specialty firms such as GIC Real Estate and Meadpoint. Ms. Nagao has successfully underwritten large real estate transactions in Japan and participated in senior level strategic planning of real estate investments abroad. In addition to her work experience, Ms. Nagao was the Asia Director for the Harvard Alumni Association for 3 years and has a passion for ESG and impact investing, which is desperately needed at the JR Kyushu board level.

We propose to nominate Ms. Yoshiko Nagao as a truly independent outside director because her broad knowledge of real estate investing and governance issues would be invaluable to the Board.

(Special conflicts of interest) There are no special conflicts of interest between Ms. Yoshiko Nagao and the Company.

(Note) Ms. Nagao is an outside director candidate.

The Board of Directors' Opinion on Agenda Items 5 to 7
The Board of Directors objects to all of the agenda items 5 to 7 for the following reasons.

As stated from pages 6 to 38, the Nomination and Compensation Advisory Committee and the Board of Directors of the Company believe that as a result of initiatives thus far to improve governance and discussions on matters such as skill sets for this Annual General Meeting of Shareholders, the new Board of Directors structure, consisting of a total of 15 candidates as a result of agenda items 2 and 3 proposed by the Company, shall be the ideal structure for the Company.
Furthermore, the Nomination and Compensation Advisory Committee and the Board of Directors of the Company deem that there is no need to elect any one of the three candidates proposed in agenda items 5 to 7 (hereinafter the "Shareholder Proposals to Elect Directors") for the reasons stated below.

The Board of Directors Proposed by the Company is a suitable structure for both execution and supervision

(i) The new Board of Directors structure contains both independence and diversity as not only do independent outside Directors constitute a majority, but also it contains multiple female directors. That is expected to provide a high supervisory function.
(ii) Including the enhanced ESG management insights that can be expected through the election of Ms. Kuniko Muramatsu, the diverse composition of the new structure provides the skill set required by the Company. As for the real estate investment and finance raised in the Shareholder Proposals to Elect Directors, the decision on funding has already been settled at the Extraordinary General Meeting of Shareholders held last year, and effectiveness has been secured. (See page 8 to 10 for details on skill sets.)

The shareholder proposal does not align with the current situation of the Group
Given that the Group's business is facing a severe impact from the spread of COVID-19, the Company's Board of Directors and the management team stand united in placing their focus on overcoming the current difficult business environment. Accordingly, while relationships with financial institutions and local communities along with an understanding of the local economy is important, current circumstances require that new investment be curbed significantly. Therefore, as the existing business operations are becoming the center of management rather than new investment, the Company believes that personal history, experience, expertise, etc. of the three candidates for Outside Director in the Shareholder Proposals to Elect Directors do not align with the current situation of the Company. In addition, the Board of Directors believes that it is not an appropriate time to sharply increase the ratio of new Directors in the Board of Directors.
It should be noted that although the Shareholder Proposals to Elect Directors focuses on highlighting issues with the Company's governance system, citing past incidents at a subsidiary of the Company, the Company seriously reflected on the suggestions of the Third-Party Committee Investigation Report that was commissioned regarding the issue concerning the handling of housing loans at one of its subsidiaries as announced in the press release of December 10, 2018, and in addition to taking steps to prevent recurrence, the Company has since been making exhaustive efforts to strengthen the Group's governance system. Looking forward, the Company will continue its efforts to appropriately maintain and strengthen the governance system.
The Company's proposals have been determined based on a report from the Nomination and Compensation Advisory Committee, which is structured to provide independence, and accordingly the Board of Directors believes it is providing the best proposals for the Group to overcome the current severe business environment and to realize growth in the medium and long term. Therefore, it is unnecessary for any of the three candidates proposed under the Shareholder Proposals to Elect Directors to be elected as outside Directors. For these reasons, JR Kyushu's Board of Directors has decided to oppose all of the Shareholder Proposals to Elect Directors.

(Accompanying documents)

Business Report

(From April 1, 2019 to March 31, 2020)

1. Overview of current status of corporate group

(1) Review of operations and results

(i) Overall conditions

In the fiscal year ended March 31, 2020, while Japan's economy was undergoing a moderate expansion owing to increasingly solid consumer spending against a background of a favorable employment and wage environment, the global spread of novel coronavirus since January of this year raised uncertainty in economic trends both in Japan and abroad, increasing downward pressure on the economy.

Under these circumstances, in accordance with the "JR Kyushu Group Medium-Term Business Plan 2019–2021: Toward the Next Growth Stage," while advancing three priority initiatives of Further strengthen our management foundation, Further strengthen our earnings power in key businesses, and Growth and evolution in new business areas, we devoted our efforts to ESG, safety and service, and the development of human resources.

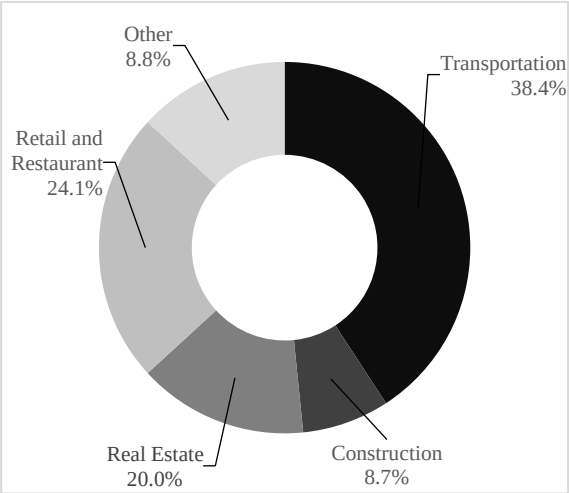
Although the Group's operating performance proceeded solidly up until around December 2019, each of the Group's businesses, particularly the transportation business, have felt the effect of a decline in transportation demand and slump in consumer spending arising from the public practicing restraint from outings and the cancellation of events on account of the spread of the novel coronavirus disease (COVID-19).

As a result, operating revenue in the fiscal year ended March 31, 2020 were ¥432,644 million, down 1.8% year on year. Furthermore, the Group recorded operating income of ¥49,406 million, down 22.7%; EBITDA of ¥75,090 million, down 12.1%; ordinary income of ¥ 50,613 million, down 23.9%; and net income attributable to owners of the parent of ¥31,495 million, down 36.0%.

(Note) EBITDA in the fiscal year ended March 31, 2020, is the numerical value obtained by adding the cost of depreciation to operating income (excluding depreciation of leased assets held for subleasing purposes).

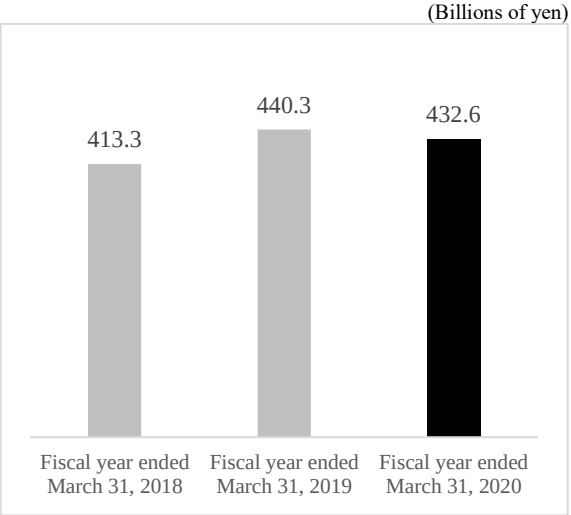
Business performance for the fiscal year ended March 31, 2020	
Operating revenue	**Operating income**
¥432,644 million (down 1.8% year on year)	¥49,406 million (down 22.7% year on year)
EBITDA	**Ordinary income**
¥75,090 million (down 12.1% year on year)	¥50,613 million (down 23.9% year on year)
Net income attributable to owners of the parent	
¥314,95 million (down 36.0% year on year)	

Composition by segment



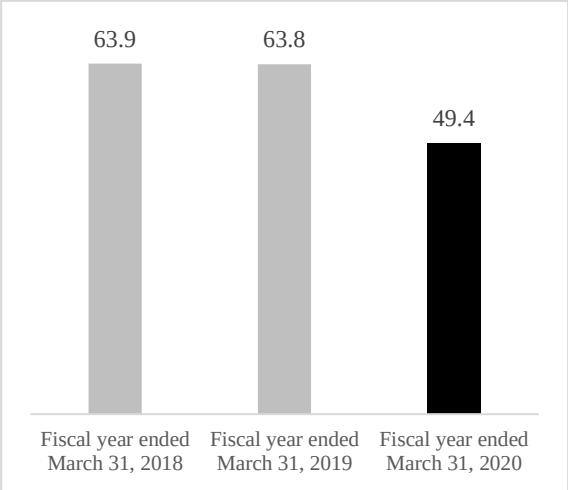
Operating revenue

(Billions of yen)



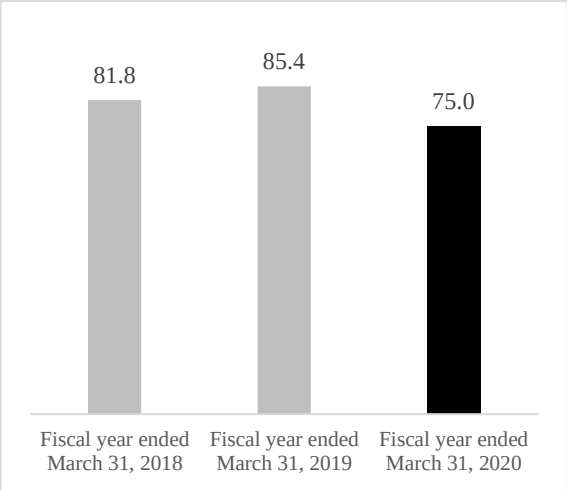
Operating income

(Billions of yen)



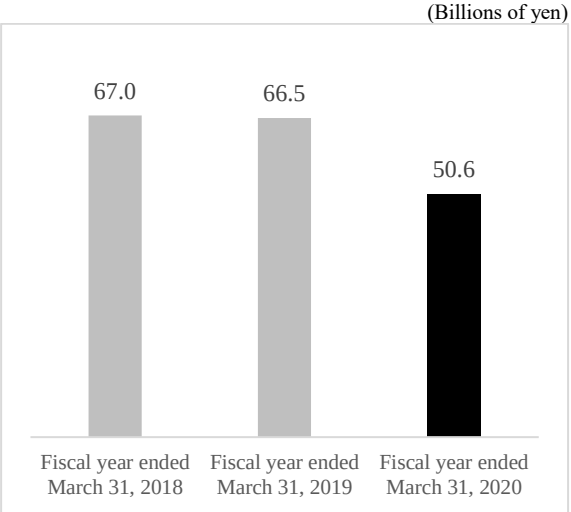
EBITDA

(Billions of yen)



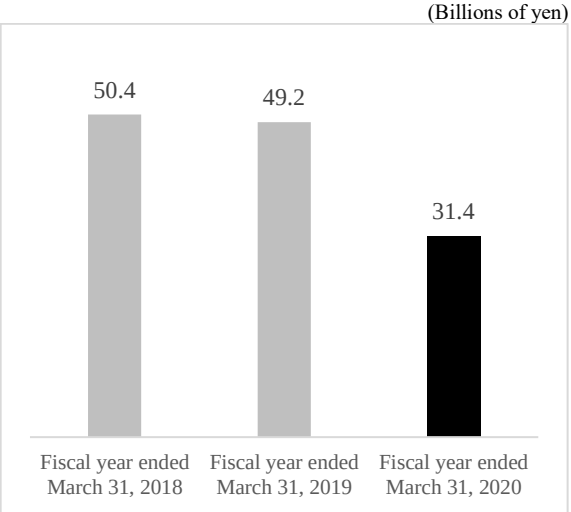
Ordinary income

(Billions of yen)



Net income attributable to owners of the parent

(Billions of yen)



(ii) Status by segment

Business performance by segment is as follows. From the fiscal year ended March 31, 2020, the reportable segment classifications have been changed, and in the following year-on-year comparisons, the figures for the previous fiscal year have been reclassified in accordance with the segment classifications after the change.

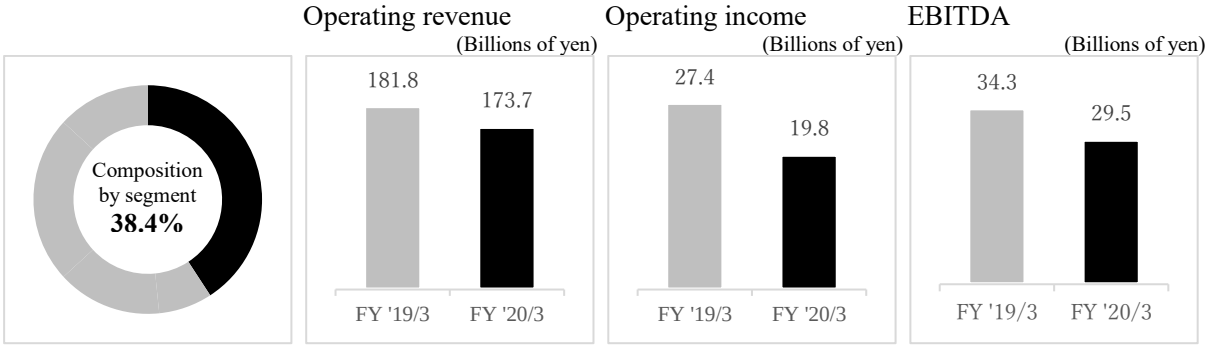
(Millions of yen)

	Operating revenue			Operating income			EBITDA		
	Current fiscal year	Year-on-year change		Current fiscal year	Year-on-year change		Current fiscal year	Year-on-year change	
Transportation	173,730	-8,132	-4.5%	19,848	-7,584	-27.6%	29,563	-4,788	-13.9%
Construction	99,385	5,568	5.9%	6,580	290	4.6%	7,689	423	5.8%
Real Estate and Hotels	90,779	685	0.8%	19,137	-6,298	-24.8%	30,595	-5,036	-14.1%
Real estate lease business	55,253	1,353	2.5%	16,787	-3,906	-18.9%	26,126	-3,385	-11.5%
Real estate sale business	18,921	-850	-4.3%	1,566	-826	-34.6%	1,576	-828	-34.5%
Hotel business	16,604	182	1.1%	783	-1,564	-66.6%	2,891	-822	-22.1%
Retail and Restaurant	104,657	607	0.6%	2,825	-587	-17.2%	4,479	-601	-11.8%
Other	72,191	-507	-0.7%	2,284	83	3.8%	4,339	150	3.6%
Total	540,746	-1,778	-0.3%	50,676	-14,096	-21.8%	76,667	-9,852	-11.4%
Adjustments	-108,101	-5,935	–	-1,270	-382	–	-1,577	-458	–
Consolidated	432,644	-7,713	-1.8%	49,406	-14,479	-22.7%	75,090	-10,311	-12.1%

■ Transportation Group

[Business activities]

The Transportation Group conducts railway business, passenger ship business, bus business, etc.



In the railway business, safety and service are the foundation for business operations carried out by the Group. At the same time, the Group endeavored to secure revenues by fully utilizing its transportation network centered on the Kyushu Shinkansen and implementing various management initiatives from the perspective of its customers.

In terms of safety, in order to create a safety-oriented corporate culture for the entire JR Kyushu Group, the Group engaged in safety promotion campaigns under the slogan of “One more time. Is that OK? Let’s be sensitive to safety.” For safety investments, the Group updated rolling stock and steadily carried out the replacement of aging facilities and other activities. For the development of self-driving train operational equipment, test operations on the Saitozaki-Kashii segment of the Kashii Line after the operation of the last train were started in December, 2019.

When it comes to service, the Group follows the principle of five basic actions (organizing, tidying up, cleaning, keeping cleanliness, and keeping discipline) as a part of daily practice and the foundation of our services and has made efforts to see that customers can enjoy comfortable

use of transportation services by welcoming them with a smile and through pleasant greetings. In addition, the Group made efforts for providing diverse customer-focused services by expanding the availability of the JR-KYUSHU FREE Wi-Fi, a free, public wireless LAN service available in major stations and on Design & Story trains and starting to provide information on train operating conditions by using Twitter in Korean and Chinese in addition to Japanese and English.

In marketing, the Group promoted city-building initiatives that leverage the appeal of railroad in addition to increasing its earning power in key areas: the Shinkansen, short-distance travel, and inbound tourism. For the Kyushu Shinkansen, the "Go! Waku Waku Trip with MICKEY" project was implemented from May 2019 to promote its use. In addition, the "Kumamoto Destinations Campaign" and a coordinated tourism campaign named "Fall in Love with Kumamoto" were held from July 2019 to draw customers to the Kumamoto area. With regard to JR Kyushu Internet Reservation Service, the Group promoted a shift to the internet use by augmenting the lineup of products available only online and implementing campaigns. Furthermore, to capture inbound demand, in addition to direct sales and advance seat reservation services through JR KYUSHU RAIL PASS Online Booking, a specialized reservation website for the JR Kyushu Rail Pass, efforts were made to provide information and promote sales in a manner catering to specific countries and regions, primarily Taiwan, Hong Kong, China, and South Korea, including the start of an alliance with Ctrip.com International, Ltd. (current Trip.com Group Ltd.), one of China's largest online travel agencies, in October 2019. Through collaboration with All Nippon Airways Co., Ltd. and various promotional activities for reinforcing tourism promotion, the Group also undertook initiatives to raise the awareness of Kyushu's brands, including the cruise train Seven Stars in Kyushu and 11 Design & Story trains, Kyushu's nature, food, hot springs, and historical culture, the hospitality of local community members, etc., and to attract more visitors to Kyushu.

Turning to transportation, the Group implemented detailed transportation-oriented initiatives coordinated with events and the seasons, such as the operation of special trains in conjunction with the Rugby World Cup 2019, and made concerted efforts to construct an efficient transportation system that corresponds to the trend of demand in each train line. At the same time, an effort was made to improve its transportation network centered on the Kyushu Shinkansen further. Due to the impacts of heavy rain that occurred in northern Kyushu in July 2017, the Group provides substitute transportation service between Soeda Station and Yoake Station on the Hitahikosan Line. In addition, with regard to operations between Higo-Ozu Station and Aso Station on the Houhi Main Line, which were suspended due to the impacts of the 2016 Kumamoto earthquakes, recovery work is underway toward the resumption of service within FY2020 in cooperation and coordination with the central and local governments.

In the passenger ship business, in the wake of a decline in travel demand under the influence of the state of the Japan-South Korea relations, efforts were made to reduce costs, such as revising the frequency of operations, in order to improve profitability.

In the bus business, efforts were made to secure profits by promoting the use of high-speed bus routes including the one served by high-speed bus B&S Miyazaki, which connect with the Kyushu Shinkansen, and by revising service in certain routes.

Targeting the establishment of new mobility services (MaaS), efforts were made for collaboration with other transportation operators and other entities. Specifically, in May 2019, an agreement was reached with Odakyu Electric Railway Co., Ltd., for expanding collaboration in view of data collaboration with the shared data platform being developed by Odakyu Electric Railway and the provision of service based on the platform. In addition, a business alliance agreement was concluded with DAIICHI KOUTSU SANGYO Co., Ltd., for increasing the convenience of transportation services. In addition, to celebrate this alliance, a campaign captioned, "Let's Take a Taxi with an Internet Train Reservation and SUGOCA," was launched in June 2019. In October 2019, a memorandum was concluded with Nishi-Nippon Railroad Co., Ltd. regarding cooperation in transportation services. In December 2019, a working committee was established for the demonstration test of tourism-style MaaS in the Yufuin district and Miyazaki Prefecture.

Affected by changes in people's behavior in the wake of the spread of novel coronavirus, such as refraining from going out, however, the Company's railway transportation revenue decreased. For the purpose of preventing the spread of infection, we have partially suspended Kyushu Shinkansen and limited express train services since March 20 and high-speed bus service since

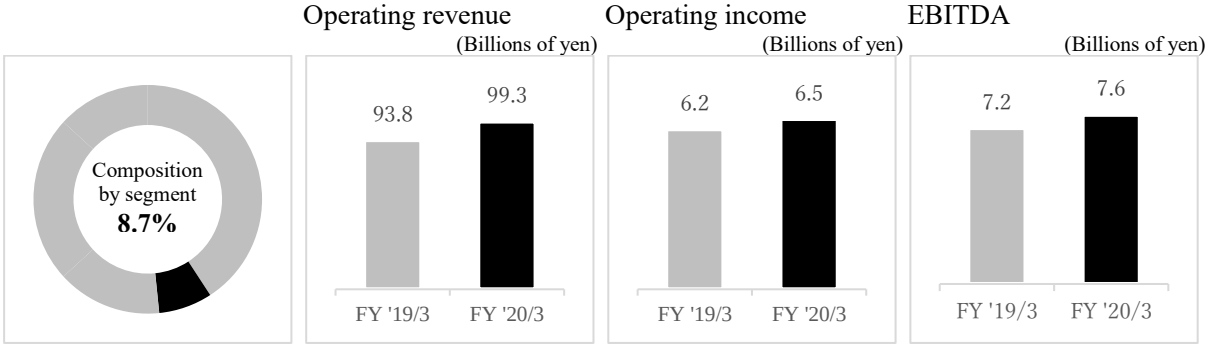
March 21. In addition, we have suspended the hydrofoil ferry service completely since March 9 given reinforced quarantine measures by Japanese and South Korean governments.

As a result, the Transportation Group posted operating revenue of ¥173,730 million, down 4.5% year on year; operating income of ¥19,848 million, down 27.6%; and EBITDA of ¥29,563 million, down 13.9%.

■ Construction Group

[Business activities]

The Construction Group performs construction, vehicle equipment- and machinery-related operations, electrical work, etc.



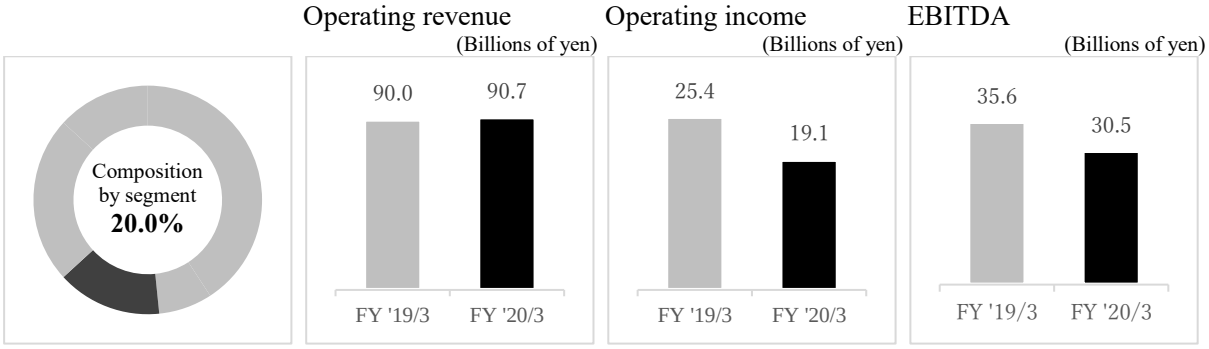
In the construction business, work orders were received for the construction of elevated tracks and Shinkansen-related, apartment/condominium-related, and other projects. At the same time, efforts were made for the steady execution of construction work and cost reductions.

As a result, the Construction Group posted operating revenue of ¥99,385 million, up 5.9% year on year; operating income of ¥6,580 million, up 4.6%; and EBITDA of ¥7,689 million, up 5.8%.

■ Real Estate and Hotels Group

[Business activities]

The Real Estate Group conducts real estate lease business (commercial facilities, offices, apartments, etc.), real estate sale business (condominiums), hotel business, etc.



As for the real estate lease business, aggressive sales activities were performed for a restaurant area named “Kokura-shuku - 30 steps of bystreet from station,” which opened in March 2019 at Kokura Station. Amu Plaza Hakata was renovated in spring 2019, and Amu Plaza Kagoshima in fall 2019. In addition, events that utilized the station squares of each station building were actively held to expand earnings.

In the real estate sale business, sales were recorded from MJR the Garden Kagoshima-Chuo, MJR Meinohamaekiminami, and other condominium buildings, and efforts were made for the sale of

MJR the Garden Kami-Kumamoto Ekimae, MJR the Garden Miyazaki Ekimae, and other condominium buildings.

In the hotel business, the Group created its highest-grade hotel brand THE BLOSSOM, opening THE BLOSSOM HIBIYA in August 2019 and THE BLOSSOM HAKATA Premier in September 2019. The Group also reinforced revenue management at existing hotels to augment earnings.

In addition, in April 2019, with the objectives of strengthening governance, reinforcing marketing capabilities by leveraging economies of scale, increasing management efficiency, and enhancing human resources development skills, intermediate holding companies were established to oversee the station building companies and hotel companies.

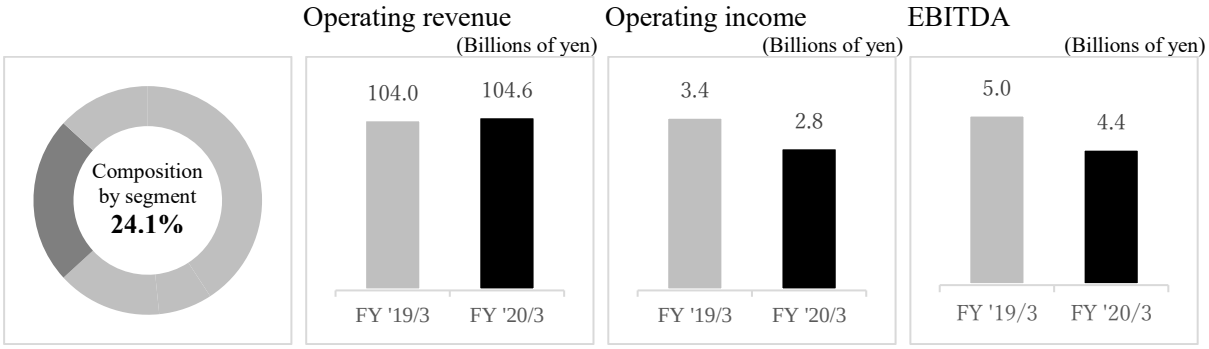
Affected by changes in people's behavior in the wake of the spread of novel coronavirus, such as refraining from going out, however, station building and hotel use declined. For the purpose of preventing the spread of infection, we have shortened the business hours for each station building.

As a result, the Real Estate Group posted operating revenue of ¥90,779 million, up 0.8% year on year; operating income of ¥19,137 million, down 24.8%; and EBITDA of ¥30,595 million, down 14.1%.

■ Retail and Restaurant Group

[Business activities]

The Retail and Restaurant Group is engaged in not only retail business but also restaurant business and agriculture.



For the retail business, a progress was made in opening new drugstores and convenience stores.

For the restaurant business, the Group's business area was expanded by opening its first cafe in Tokyo in April 2019, and, at the same time, an aggressive effort was made to develop stores of a new type, such as opening its first cinnamon roll specialty store in August 2019.

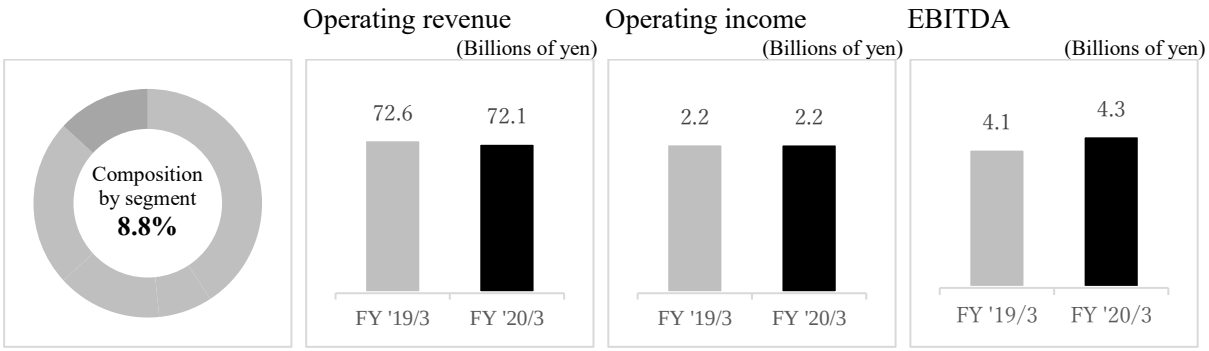
Affected by changes in people's behavior in the wake of the spread of novel coronavirus, such as refraining from going out, however, the use of convenience stores, restaurants, etc. declined primarily in the premises of stations.

As a result, the Retail and Restaurant Group posted operating revenue of ¥104,657 million, up 0.6% year on year; operating income of ¥2,825 million, down 17.2%; and EBITDA of ¥4,479 million, down 11.8%.

■ Other Group

[Business activities]

The Other Group is engaged in advertising business, construction machinery sales and rental business, golf course operation business, etc.



For the construction machinery sales and rental business, aggressive sales activities were conducted to secure earnings.

As a result, the Other Groups posted operating revenue of ¥72,191 million, down 0.7% year on year; operating income of ¥2,284 million, up 3.8%; and EBITDA of ¥4,339 million, up 3.6%.

(Note) EBITDA for the consolidated period under review is the numerical value obtained by adding the cost of depreciation to operating income (on segmental basis, the cost of depreciation related to lease assets held for the purpose of subleasing is excluded).

(2) Issues to be addressed

The Group articulates “what it aims to be” as “a corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation.” While discontinuous changes in the operating environment are anticipated in the future including a progression in population decline, increased severity of natural disasters, technological innovation, and the emergence of new business models, in order to realize “what it aims to be,” the Group upholds the 2030 Long-Term Vision: we will contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

Under this 2030 Long-Term Vision, in order to fulfill its social responsibility as a corporate group providing mobility services in Kyushu, the Group intends to take on the challenge of establishing sustainable mobility services by seeking to incorporate new technologies, collaborate with other companies, etc. for the purpose of enhancing customer convenience while further improving its railroad services by leveraging the strength of regular mass transport. Furthermore, the Group intends to contribute to the sustainable development of Kyushu, which is the central business area for the Group, through city-building initiatives that leverage the distinctive characteristics of local communities, which the Group has so far pursued in Hakata, Oita, etc.

While advancing three priority initiatives upheld in the “JR Kyushu Group Medium-Term Business Plan 2019–2021: Toward the Next Growth Stage,” a three-year plan that started in the fiscal year ended March 31, 2020—Further strengthen our management foundation, Further strengthen our earnings power in key businesses, and Growth and evolution in new business areas—we will devote our efforts to ESG, safety and service, and the development of human resources, which constitute the foundation for all of our businesses.

Further Strengthen Our Management Foundation

The Group intends to strengthen its management foundation further by bolstering governance and implementing efficient segment management.

For bolstering governance, the Group added two outside directors and introduced a performance-based stock compensation plan in June, 2019. It is intended to enhance objectivity and transparency in procedures pertaining to officer nomination, compensation, etc. through the "Nomination and Compensation Advisory Committee" in which the majority of members are outside Directors.

The purpose of efficient segment management is to having a dedicated intermediate holding company for the station building company and hotel company established in April, 2019 to maximize economies of scale and strengthen the competitiveness of both companies. Efforts will also be continued to made for the development of a strategic business portfolio and the construction of a management system by utilizing M&A and other means.

Further Strengthen Our Earnings Power in Key Businesses

(i) Build sustainable railway services by improving earnings

In addition to improving our earning power in key areas of Shinkansen, short-distance travel, and inbound tourism, it is intended to enhance the value of Kyushu's brands and attract visitors to Kyushu through further improving the Seven Stars in Kyushu trains and Design & Story trains.

For the Shinkansen, it is intended to continue to reinforce yield management and improve customer convenience further through the extension of EX Service's (Tokaido Sanyo Shinkansen online reservation & ticketless boarding service) coverage to the Kyushu Shinkansen. Furthermore, by introducing new Design & Story trains named "36 plus 3," it is intended to discover new tourism resources in Kyushu and create a new value of railroad travel.

While a chronic manpower shortage is expected in the future, it is intended to promote productivity improvement for the future by taking opportunities of streamlining and labor saving through the utilization of new technologies. In addition, we will steadily proceed with the preparation for the start of operation of the line between Takeo Onsen and Nagasaki of the Western Kyushu Route of the Kyushu Shinkansen, which is expected to go full-scale in the future.

(ii) Strategic city-building initiatives in the regions around our business areas

In implementing active business development in the Fukuoka metropolitan area, it is intended to promote real estate acquisition and development by various methods, focusing on publicly offered properties, primarily in Hakata in particular, which is the gateway to Kyushu and Asia.

Specifically, we won two public tenders in Fukuoka for the project for the effective use of the site of the Fukuoka-higashi prefectural government building and the project for the utilization of the former site of Sunoko elementary school. Of these two, the former project is located in the area subject to Hakata Connected initiative proposed by the city government of Fukuoka. We hope to contribute to improving urban functions around Hakata Station both in terms of hardware and software.

On the other hand, in order to enhance the value of communities centered on a station, we are going to finish up the development in areas around Miyazaki and Kumamoto Stations, where preparations are proceeding for the development of station. We will also work to formulate the master plans for the development of the area around Nagasaki Station and the development of the space above the tracks at Hakata Station for the future.

Growth and Evolution in New Business Areas

The Group will strive for the sustainable growth and further leap of its businesses by identifying long-term trends in technological innovations.

With regard to the building of new mobility services (MaaS), a collaboration is underway with other transportation operators and other entities. We will continue to work toward the realization of seamless and convenient mobility services sustainable in the future by, for instance, repeating demonstration experiments using smartphone application programs with our collaborators.

With regard to automatic train operation, for the future we are aiming to realize the type of automatic train operation whereby a train attendant who is not a train driver boards the first car of a train in order to secure necessary personnel as the working population decreases in the future. We intend to conduct verification operations using a train in operation with a driver on board, and repeat various verifications and consultations with the Japanese government.

ESG

The Group will strengthen and advance initiatives in each ESG area in order to remain a corporate group that contributes to local communities through its business activities.

In August 2019, an Integrated Report and an ESG Data Book were disclosed for the first time, and, in November 2019, the ESG Strategy Committee, chaired by the president, was established. ESG management was thus positioned as a company-wide agenda, and the structure for its promotion has so far been developed. It is planned to deepen discussion in the ESG Strategy Committee on values to be provided by the Group by leveraging its strength and the selection of topics to be addressed preferentially (the development of value creation stories and the identification of materiality) and thereby enhance information disclosed to stakeholders through an Integrated Report and other documents.

Safety

Safety is the most important mission for the Group and the source of its corporate value.

In railway business, we intend to develop measures with the slogan of “establish unshakable safety” in accordance with the Medium-Term Safety Plan (2020-2022). We intend to continuously implement railway accident prevention, disaster prevention measures, rolling stock and facility breakdowns prevention, employee education and training, etc. On the other hand, we also intend to work to prevent human errors through the innovation of equipment management methods such as CBM (Condition Based Maintenance) by introducing new technologies such as IoT, image recognition, etc., and the utilization of smart devices.

Furthermore, the Group takes cybersecurity reinforcement to be an important agenda also. In addition to ensuring recurrence prevention measures for incidences such as leaks of personal information on the Group’s websites and reinforcing the incidence response framework, it is intended to improve IT governance in the Group through the reinforcement of information security infrastructure and IT personnel and organizations.

Service

The Group aims to be a corporate group that continues to be chosen by customers by providing services that cater to needs and expectations diversifying with changes in the times and environment. It is intended to reflect feedback from customers and employees on products and measures taken in a positive manner and to improve employees’ skills through practical education and training as well as encouragement for qualification acquisition. It is also intended to enrich services for increasing overseas customers through the use of tablet PCs and other means.

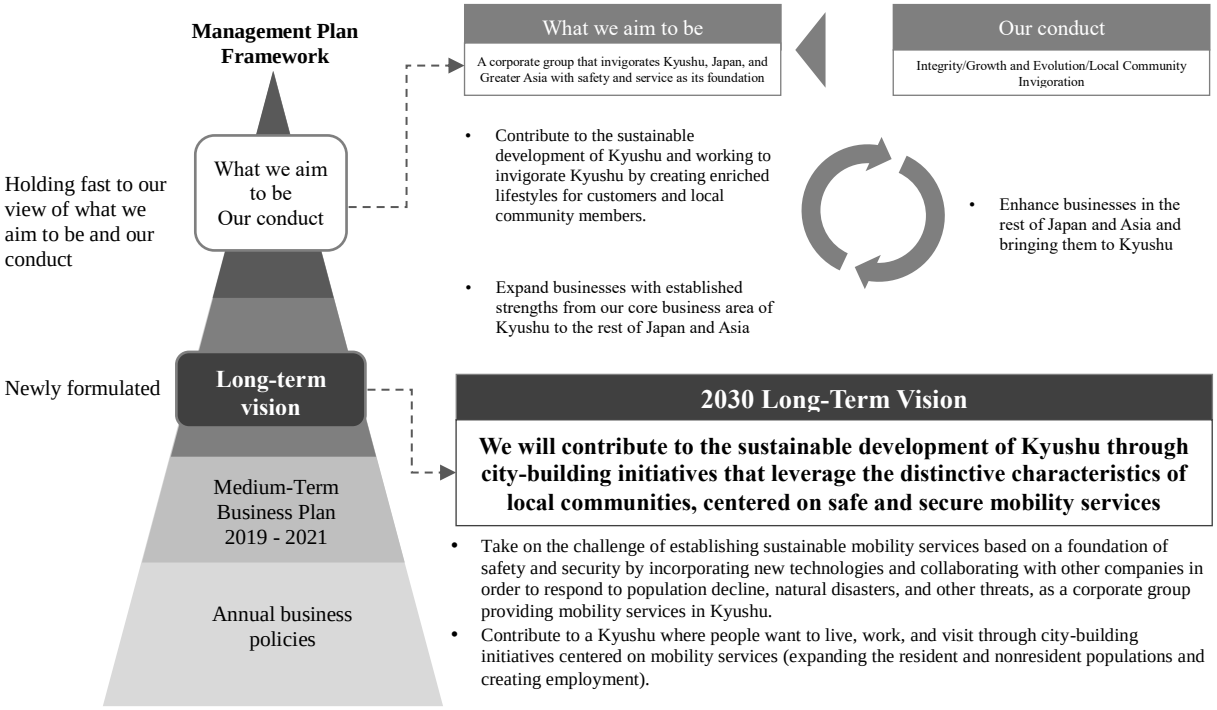
Development of Human Resources

The Group will endeavor to create an environment in which employees can feel “happy” and work in a “dynamic and active” manner and to promote human resources development conducive to the foundation for the sustainable growth of the Group.

For the pursuit of ease of work for employees and the creation of worthwhileness of work, it is intended to improve employees’ productivity and curb long work hours through the use of digital technology and other means and to construct an efficient and flexible management structure. The Group will also augment efforts for health management and diversity promotion including all Group companies.

We expect the Group’s business environment to become increasingly severe as a result of a decline in transportation demand and a slump in consumer spending on account of the COVID-19 pandemic. While reducing costs further, securing working capital, revising investment plans, and taking other necessary measures, the Group is maintaining its sights on when the pandemic is over, with an aim to increase its corporate value over the medium- to long-term while contributing to Kyushu’s sustainable growth. The Group would like to ask its shareholders for their further understanding and support for the management of the Group.

<Reference> The Group's Management Plan Framework



<Reference> The Group's Approach to ESG

In recent years, the idea has spread that contributing to the sustainability of society leads to the sustainable growth of a company itself, resulting in a greater interest in ESG and SDGs. "What the Group aims to be" set forth by the Group is precisely based on such an idea.

"Integrity," "growth and evolution," and "local community invigoration," which are three elements of conduct which each and every employee of the Group has esteemed as the foundation to fall back on constantly, can be said to parallel ESG initiatives.

Environment	Social
Introduction of energy saving train cars	Promoting the employment of the disabled
The Company has advanced the introduction energy saving train cars to address the issue of global warming. The Company has successively introduced the 821 series rolling stock, which has reduced power consumption by approximately 70% relative to conventional trains, and the YC1 series rolling stock, which has reduced fuel consumption by approximately 20% relative to conventional trains by effectively using storage battery energy.	The Company newly established JR Kyushu Palette Work Inc. in April 2019 to further promote the employment of the disabled and started its operations in April 2020. It is intended to create more employment opportunities by developing jobs and working environment suited to the individual character of each and every disabled person.
The Employee Training Center certified as "ZEB" by "BELS"	"Eruboshi" certified
The Employee Training Center currently under reconstruction, which is aimed to be an environmentally considerate building, has been certified by Building-Housing Energy-efficiency Labeling System (BELS) as a building achieving 57% energy consumption reduction (ZEB ready).	The Company was certified as an "Eruboshi" company (Grade 2) in November 2019. Aiming to be a company where all employees including female employees can work motivated and with a sense of worthwhileness by developing an employment environment in which women can keep working in a lively manner, the Company intends to make positive efforts to promote women's participation and advancement in workplaces.

(3) Outline of financing and capital expenditure

(i) Outline of financing

In the fiscal year ended March 31, 2020, the Group issued ¥20 billion domestic straight bond to finance capital investment and share repurchase. In addition, the Group borrowed ¥15.5 billion as long-term loans from financial institutions for funds required by the Group.

(ii) Outline of capital expenditure

The total amount of capital investment made during the fiscal year ended March 31, 2020 is ¥95.2 billion, which is roughly described below.

(a) Major assets acquired or completed during the fiscal year ended March 31, 2020 are as follows.

(Transportation Group)

Construction to elevate vicinity around Kumamoto Station on the Kagoshima Main Line

(Real Estate and Hotels Group)

THE BLOSSOM HIBIYA

THE BLOSSOM HAKATA Premier

Land at Higashiyama-ku, Kyoto

Crest Court Shimurasakaue

RJR Precia Omori

Crest Court Utsubokoen

RJR Precia Ropponmatsu

(b) Major construction work underway includes the following.

(Transportation Group)

YC1 series storage battery-equipped diesel-electric rolling stock

821 series AC suburban-type rolling stock

(Real Estate and Hotels Group)

Development in the area around Kumamoto Station

JR Miyakoh Twin Building

Kumamoto Station North Building (provisional name) development

RJR Precia Tenjin South

RJR Chidoricho (provisional name)

RJR Sakaisuji Honmachi Tower

Development of a hotel in Shimogyo-ku, Kyoto-shi

Shimoori development

(4) Trends in assets and income

(i) Trends in assets and income of the Group

(Millions of yen)

	30th fiscal year ended March 31, 2017	31st fiscal year ended March 31, 2018	32nd fiscal year ended March 31, 2019	(Current fiscal year) 33rd fiscal year ended March 31, 2020
Operating revenue	382,912	413,371	440,358	432,644
Ordinary income	60,565	67,045	66,539	50,613
Net income attributable to owners of the parent	44,751	50,410	49,240	31,495
Net income per share (yen)	279.70	315.07	307.75	198.16
Total assets	676,669	749,391	801,483	828,590
Total equity	348,447	383,201	420,743	418,298
Equity ratio (%)	50.7	50.3	51.8	49.9

(ii) Company assets and income of the Company

(Millions of yen)

	30th fiscal year ended March 31, 2017	31st fiscal year ended March 31, 2018	32nd fiscal year ended March 31, 2019	(Current fiscal year) 33rd fiscal year ended March 31, 2020
Operating revenue	212,214	219,725	221,917	214,892
Railway business	164,976	171,300	172,209	165,204
Other business	47,237	48,424	49,707	49,688
Ordinary income	47,530	52,270	53,782	40,584
Net income	37,630	41,654	44,254	28,698
Net income per share (yen)	235.19	260.34	276.59	180.56
Total assets	555,569	581,351	632,935	665,419
Total equity	297,510	326,388	358,720	354,291
Equity ratio (%)	53.6	56.1	56.7	53.2

(Notes)

1. The Company conducted a stock split at a ratio of 500 shares for each share of common stock on August 18, 2016. Net income per share was calculated under the assumption that the said stock split had been conducted at the beginning of the fiscal year ended March 31, 2017.
2. Because the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) since the beginning of the fiscal year ended March 31, 2019 and thereby changed the presentation method, Total assets and Equity ratio in the fiscal year ended March 31, 2018 were retrospectively restated to reflect the said change in the presentation method.

(5) Major businesses (As of March 31, 2020)

Major business activities of the Group are as follows:

(i) Transportation Group

The Transportation Group conducts railway business, passenger ship business, bus business, etc.

The overview of railway operations is given below.

Overview of railway operations

Railway line	Area	Operating kilometers (km)	Number of stations
Kyushu Shinkansen	Hakata to Kagoshima-Chuo	288.9	4 (11)
Sanyo Main Line	Shimonoseki to Moji	6.3	-
Kagoshima Main Line	Mojiko to Yatsushiro and Sendai to Kagoshima	281.6	96
Kashii Line	Saitozaki to Umi	25.4	14
Sasaguri Line	Keisen to Yoshizuka	25.1	9
Chikuhi Line	Meinohama to Karatsu and Yamamoto to Imari	68.3	29
Misumi Line	Uto to Misumi	25.6	8
Hisatsu Line	Yatsushiro to Hayato	124.2	26
Ibusuki Makurazaki Line	Kagoshima-Chuo to Makurazaki	87.8	35
Nagasaki Main Line	Tosu to Hizen-Koga to Nagasaki and Kikitsu to Nagayo to Urakami	148.8	40
Karatsu Line	Kubota to Nishi-Karatsu	42.5	12
Sasebo Line	Hizen-Yamaguchi to Sasebo	48.8	13
Omura Line	Haiki to Isahaya	47.6	11
Kyudai Main Line	Kurume to Oita	141.5	35
Houhi Main Line	Oita to Kumamoto	148.0	35
Nippo Main Line	Kokura to Oita to Kagoshima	462.6	109
Hitahikosan Line	Jono to Yoake	68.7	22
Nichinan Line	Minami-Miyazaki to Shibushi	88.9	27
Kitto Line	Yoshimatsu to Miyakonojo	61.6	15
Chikuho Main Line	Wakamatsu to Haruda	66.1	23
Gotoji Line	Tagawa-Gotoji to Shin-Iizuka	13.3	4
Miyazaki Airport Line	Tayoshi to Miyazaki Airport	1.4	1
Total	–	2,273.0	568

(Notes)

1. A number in parentheses in the Number of stations column includes the number of stations served by both the Shinkansen and a conventional line.
2. The number of stations may not include the number of stations at both ends of a section.
3. The number of train cars owned by the Company is 1,665 (1,320 electric trains, 10 passenger cars, 296 diesel trains, 10 locomotives, and 29 others).

(ii) Construction Group

The Construction Group performs construction, vehicle equipment- and machinery-related operations, electrical work, etc.

(iii) Real Estate and Hotels Group

The Real Estate Group conducts real estate lease business (commercial facilities, offices, apartments, etc.), real estate sale business (condominiums), parking lot management, senior citizen business, hotel business, tourist complex management, etc.

(iv) Retail and Restaurant Group

The Retail and Restaurant Group is engaged in not only retail business but also restaurant business and agriculture.

(v) Other Group

The Other Group is engaged in advertising business, construction machinery sales and rental business, golf course operation business, etc.

(6) Main locations (As of March 31, 2020)

The Company

Head office (Fukuoka)

Tokyo Regional Office (Chiyoda-ku, Tokyo), Northern Kyushu Regional Head Office (Kitakyushu-shi), Nagasaki Regional Office (Nagasaki-shi, Nagasaki), Oita Regional Office (Oita-shi, Oita), Kumamoto Regional Office (Kumamoto-shi), Kagoshima Regional Office (Kagoshima-shi, Kagoshima)

(7) Employees (As of March 31, 2020)

Reportable segments	Number of employees	Year-on-year change
Transportation Group	9,245	438 decrease
Construction Group	3,145	51 increase
Real Estate and Hotels Group	1,818	53 increase
Retail and Restaurant Group	2,364	118 increase
Other Group	878	99 decrease
Total	17,450	315 decrease

(Notes)

1. The number of employees represents the total numbers of regular employees, temporary employees, loaned employees accepted, and contract employees.
2. Please note that, as the categories of reportable segments were changed in the fiscal year ended March 31, 2020, the number of employees for the previous fiscal year were restated in accordance with the changed segmentation.

(8) Major parent companies and subsidiaries

(i) Parent Companies

Not applicable.

(ii) Subsidiaries

Company name	Capital	Ownership of the Company (%)	Major businesses
KYUTETSU CORPORATION	¥216 million	72.7	Civil engineering, architecture, track construction work business
JR Kyushu Ekibiru Holdings Inc.	¥100 million	100.0	Real estate lease business
JR HAKATA CITY Co., Ltd.	¥1,150 million	— (100.0)	Real estate lease business
JR Kyushu Business Development (Thailand) Co., Ltd.	375 million THB	49.0 (73.0)	Real estate lease business
JR Kyushu Retail, Inc.	¥490 million	100.0	Merchandise sales business
JR KYUSHU DRUG ELEVEN CO., LTD	¥100 million	100.0	Pharmaceutical retail sales business

(Note) The numbers within the parentheses indicate the ratios of capital contribution that include the number of shares of subsidiaries of the Company held.

(9) Major lenders and the amount of borrowings (As of March 31, 2020)

(Millions of yen)

Lenders	The Amount of borrowings
The Bank of Fukuoka, Ltd.	9,405
The Nishi-Nippon City Bank, Ltd.	9,405

2. Corporate share information (As of March 31, 2020)

(1) Total number of shares authorized to be issued: 640,000,000 shares

(2) Total number of shares issued: 157,301,600 shares

(3) Total number of shareholders: 91,424 shareholders

(4) Major shareholders (top 10 shareholders)

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,187,700	8.38
Japan Trustee Services Bank, Ltd. (Trust Account)	6,519,800	4.14
RAILWAY HOLDINGS L.L.C	6,433,000	4.09
CGMI PB CUSTOMER ACCOUNT	6,193,300	3.94
STATE STREET BANK WEST CLIENT - TREATY 505234	5,077,646	3.23
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,381,600	2.15
TAIYO LIFE INSURANCE COMPANY	3,200,000	2.03
Nippon Life Insurance Company	3,128,000	1.99
JP MORGAN CHASE BANK 385151	2,749,588	1.75
JPMorgan Securities Japan Co., Ltd.	2,730,869	1.74

(Notes)

1. The Company does not hold treasury stock.
2. Treasury stock does not include 186,100 shares of the Company's stock owned by the Trust Account of the Board Benefit Trust.

(5) Other Important Matters regarding the Shares

(i) Acquisition of treasury stock

The Company acquired treasury stock pursuant to the resolution of the meeting of the Board of Directors held on November 5, 2019.

- Type and total number of shares of stock acquired: Common stock of the Company 2,698,400 shares
- Total amount of acquisition price: ¥9,999,684,000
- Period of acquisition: November 6, 2019 to January 8, 2020

(ii) Cancellation of treasury stock

The Company cancelled treasury stock pursuant to the resolution of the meeting of the Board of Directors held on February 10, 2020.

- Type and total number of shares of stock cancelled: Common stock of the Company 2,698,400 shares
- Date on which treasury stock was cancelled: February 25, 2020

3. Officers of the Company

(1) Names, etc. of Directors (As of March 31, 2020)

	Name		Position and responsibility in the Company, and significant concurrent positions outside the Company
1	Koji Karaike		Representative Director and Chairman Corporate Officer
2	Toshihiko Aoyagi		Representative Director and President Corporate Officer Chief Corporate Officer In charge of Auditing Department
3	Hayato Maeda		Vice President Corporate Officer Director General of Corporate Planning Headquarters In charge of Public Relations
4	Ryuji Tanaka		Senior Managing Corporate Officer Director General of Business Development Headquarters
5	Yoji Furumiya		Senior Managing Corporate Officer Director General of Railway Operations Headquarters General Manager of Northern Kyushu Regional Head Office In charge of Shanghai Branch Office
6	Toshihiro Mori		Managing Corporate Officer Chief Financial Officer Deputy Director General of Corporate Planning Headquarters General Manager of Strategy Management Department In charge of IT Strategic Planning Department and Finance & Accounting Department
7	Koji Toshima	Outside Independent	Special Advisor, YASKAWA Electric Corporation President, Kitakyushu Chamber of Commerce and Industries
8	Masayoshi Nuki	Outside Independent	Senior Executive Adviser, Kyushu Electric Power Company, Incorporated Chair of Fukuoka Association of Corporate Executives
9	Izumi Kuwano	Outside Independent Female	Representative Director and President, Kabushiki Kaisha Tamanoyu Outside Director, Oita Bank, Ltd.
10	Toshihide Ichikawa	Outside Independent	Advisor, Mitsui Fudosan Co., Ltd Permanent Advisor, Mitsui Home Co., Ltd.
11	Shinji Asatsuma	Outside Independent	
12	Eiichi Kuga	Outside Independent	Audit and Supervisory Committee member (Full time)
13	Masaya Hirokawa		Audit and Supervisory Committee member (Full time)
14	Kazuhide Ide	Outside Independent	Audit and Supervisory Committee member Counselor, The Chikuho Bank, Ltd.
15	Yasunori Eto	Outside Independent	Audit and Supervisory Committee member Attorney at law

(Notes)

1. Directors Koji Toshima, Masayoshi Nuki, Izumi Kuwano, Toshihide Ichikawa, Shinji Asatsuma as well as directors (Audit and Supervisory Committee members) Eiichi Kuga, Kazuhide Ide, and Yasunori Eto are outside directors. The Company has registered those eight directors with stock exchanges on which the Company is listed as independent officers.

2. Director (Audit and Supervisory Committee member) Masaya Hirokawa has been in charge of the Finance Department of the Company for a considerable period and has considerable expertise on finance and accounting.

3. Director (Audit and Supervisory Committee member) Yasuko Goto resigned at the end of the 32nd Annual General Meeting of Shareholders held on June 21, 2019.

4. In order to enhance information gathering, increase the effectiveness of audit through sufficient coordination with the Internal Audit Department and other departments, and strengthen audit and supervisory functions, Messrs. Eichi Kuga and Masaya Hirokawa have been selected as full-time member of the Audit and Supervisory Committee.

5. Relationships between the Company and significant entities which outside officers concurrently serve are as follows.

   (1) Director Masayoshi Nuki serves concurrently as a senior executive adviser at Kyushu Electric Power Company, Incorporated, with which the Company has a business relationship, including payment of charges for electricity used.

(2) Director Izumi Kuwano serves concurrently as representative director and president of Tamanoyu Co., Ltd., with which the Company has a business relationship, including payment of hotel accommodation fees in the travel business. In addition, Ms. Kuwano serves concurrently as an outside director at Oita Bank, Ltd., with which the Company has a business relationship, including the borrowing of funds.

(3) Director Kazuhide Ide serves concurrently as a senior executive advisor at The Chikuho Bank, Ltd., with which the Company has a business relationship, including the borrowing of funds.

(4) There are no special relationships between the Company and any significant entity which any outside director concurrent serves other than (1) from (3) above.

(2) Remuneration, etc. of Directors and Directors who are Audit & Supervisory Committee members

Position	Number of persons	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc., by type		
			Basic remuneration (Millions of yen)	Remuneration linked to business performance (Millions of yen)	Stock compensation (Millions of yen)
Director excluding Audit and Supervisory Committee member (Outside Director)	12 (5)	342 (32)	308 (32)	17	16
Director who is an Audit and Supervisory Committee member (Outside Director)	5 (3)	86 (49)	86 (49)	-	-
Total	17 (8)	429 (81)	395 (81)	17	16

(Notes)

1. The above amounts include compensation paid during his term of office to one director (Audit and Supervisory Committee member) who resigned at the conclusion of the 32nd Annual General Meeting of Shareholders held on June 21, 2019.
2. The amount of remuneration for directors (excluding 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. Apart from this, it was resolved at the 32nd Annual General Meeting of Shareholders held on June 21, 2019 to introduce a performance-based stock compensation plan for directors (excluding Outside Directors, and Audit and Supervisory Committee members), and the “Stock compensation” indicated above includes provision for stock benefits.
3. The upper limit on remuneration for directors (Audit and Supervisory Committee members) was approved to be up to ¥120 million annually at the 31st Annual General Meeting of Shareholders held on June 22, 2018.
4. The Company abolished the retirement bonus program for officers at the conclusion of the 29th Annual General Meeting of Shareholders held on June 21, 2016. For the directors and corporate auditors who remained in office after the conclusion of the said Annual General Meeting of Shareholders, it was decided that payments of retirement benefits corresponding to their respective periods in office up to the abolishment of the retirement benefits payment system are to be made when the respective individual retires.

(3) Outline of limited liability agreement

Pursuant to the provision of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with its outside directors limiting their liability under Article 423, paragraph (1) of the Companies Act. The maximum amount of the liability under such agreements is prescribed to be the minimum amount of the liability provided for in laws and regulations.

(4) Major activities of Outside Officers

Position	Name	Attendance		Major Remarks
		Board of Directors	Audit and Supervisory Committee	
Director	Koji Toshima	12/12	–	Mr. Koji Toshima has made appropriate remarks that were necessary in the deliberation of proposals using his many years of experience and insight as a corporate manager.
	Masayoshi Nuki	11/12	–	Mr. Masayoshi Nuki has made appropriate remarks that were necessary in the deliberation of proposals using his many years of experience and insight as a corporate manager.
	Izumi Kuwano	11/12	–	Ms. Izumi Kuwano has made appropriate remarks that were necessary in the deliberation of proposals using her many years of experience and insight as a corporate manager.
	Toshihide Ichikawa	9/10	–	Mr. Toshihide Ichikawa has made appropriate remarks that were necessary in the deliberation of proposals using his many years of experience and insight as a corporate manager.
	Shinji Asatsuma	10/10	–	Mr. Shinji Asatsuma has made appropriate remarks that were necessary in the deliberation of proposals using his many years of experience and insight as a corporate manager.
Director (Audit and Supervisory Committee member)	Eiichi Kuga	12/12	13/13	Mr. Eiichi Kuga has made recommendations and suggestions to ensure the validity and appropriateness of the decision making of the Board of Directors, and has made appropriate remarks, audit reports, etc. that were necessary in the deliberation of proposals at the Audit and Supervisory Committee using his many years of experience and insight as a person with governmental experience.
	Kazuhide Ide	12/12	12/13	Mr. Kazuhide Ide has made recommendations and suggestions to ensure the validity and appropriateness of the decision making of the Board of Directors, and has made appropriate remarks, audit reports, etc. that were necessary in the deliberation of proposals at the Audit and Supervisory Committee using his many years of experience and insight as a person with experience in the financial industry.
	Yasunori Eto	12/12	13/13	Mr. Yasunori Eto has made recommendations and suggestions to ensure the validity and appropriateness of the decision making of the Board of Directors, and has made appropriate remarks, audit reports, etc. that were necessary in the deliberation of proposals at the Audit and Supervisory Committee using his many years of experience and insight as a lawyer.

(Note) Since Messrs. Toshihide Ichikawa and Shinji Asatsuma were newly selected at the 32nd Annual General Meeting of Shareholders held on June 21, 2019, the number of the meetings of the Board of Directors held during their period in office differs from that for other directors.

4. Matters related to accounting auditor

(1) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc., for accounting auditor

(i) Amount of remuneration, etc. in the current fiscal year ¥74 million

(Notes)

1. The Audit and Supervisory Committee made a consent regarding the amount of remuneration for the accounting auditor pursuant to Article 399, paragraphs (1) and (3) of the Companies Act upon confirmation and consideration of the content of the auditing plan, the status of performance of duties, the basis for the estimate of audit fee, etc. by the accounting auditor.
2. Among significant subsidiaries of the Company, overseas subsidiaries were audited by certified public accountants or corporate auditors (including those who have a qualification equivalent to those qualifications) other than the accounting auditor of the Company.

(ii) Cash and other profits payable by the Company or its subsidiaries to the accounting auditor

¥150 million

(3) Details of non-audit services

The Company and its subsidiaries entrust guidance work, etc. related to the renewal of systems, a duty outside the provisions of Article 2, paragraph (1) of the Certified Public Accountants Act (non-auditing duty), to the accounting auditor and pays compensation accordingly.

(4) Matters related to limited liability agreement

No agreement specified in Article 427, paragraph (1) of the Companies Act was concluded between the accounting auditor and the Company.

(5) Policy regarding determination of dismissal or non-reappointment of accounting auditor

The Company has a policy such that the Audit and Supervisory Committee will dismiss an accounting auditor upon consent of all committee members if the accounting auditor is found to fall under any condition specified in any item of paragraph (1) of Article 340 of the Companies Act, in which case a committee member selected by the Audit and Supervisory Committee shall report to the effect that the accounting auditor has been dismissed and describe reasons for dismissal at the first General Meeting of Shareholders convened after the dismissal.

It is also a policy of the Company not to reappoint an accounting auditor in accordance with the decision of the Audit and Supervisory Committee if it is deemed appropriate not to reappoint the accounting auditor in comprehensive light of the status of performance of duties by the accounting auditor and other various factors.

Amounts indicated were rounded down to the unit used for presentation. Numbers for non-monetary values and information per share, however, were rounded to the nearest unit.

Consolidated Balance Sheets

(As of March 31, 2020)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		**Liabilities**	
Current assets	**161,293**	**Current liabilities**	**200,248**
Cash and deposits	23,817	Notes and accounts payable - trade	32,460
Notes and accounts receivable - trade	38,707	Short-term loans	10,572
Fares receivable	4,126	Current portion of long-term debt	30,421
Merchandise and finished goods	19,702	Payable	63,841
Work in process	28,364	Accrued income taxes	3,666
Raw materials and supplies	7,574	Fare deposits received with regard to railway connecting services	1,175
Other	39,082	Railway fares received in advance	4,720
Allowance for doubtful accounts	(82)	Accrued bonuses	8,922
Non-current assets	**667,297**	Other	44,467
Property, plant and equipment	**517,992**	**Non-current liabilities**	**210,043**
Buildings and structures (net)	268,654	Bonds	40,000
Machinery, rolling stock and vehicles (net)	32,578	Long-term debt	60,556
Land	147,736	Lease obligations	10,482
Leased assets, net	19,953	Allowance for safety and environmental measures	1,609
Construction in progress	40,133	Allowance for disaster-damage losses	1,732
Other (net)	8,935	Liability for retirement benefits	53,801
Intangible assets	**6,280**	Asset retirement obligations	1,690
Investments and other assets	**143,024**	Other	40,171
Investment securities	38,835	**Total liabilities**	**410,291**
Deferred tax assets	51,768	**Equity**	
Net defined benefit asset	720	**Shareholders' equity**	**415,754**
Other	52,537	Common stock	16,000
Allowance for doubtful accounts	(838)	Capital surplus	224,024
		Retained earnings	176,329
		Treasury stock	(599)
		Accumulated other comprehensive income	**(2,461)**
		Unrealized gain on available-for-sale securities	4,422
		Deferred gains or losses on hedges	15
		Foreign currency translation adjustments	158
		Defined retirement benefit plans	(7,057)
		Non-controlling interests	**5,004**
		Total equity	**418,298**
Total Assets	**828,590**	**Total Liabilities and Equity**	**828,590**

(Note) The above figures are rounded down to the nearest ¥1 million.

Consolidated Statements of Income

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Amount	
Operating revenue		**432,644**
Operating expenses		
Transportation, other services and cost of sales	273,400	
Selling, general and administrative expenses	109,838	383,238
Operating income		**49,406**
Non-operating income		
Interest income	71	
Dividend income	443	
Gains on investments in money held in trust	1,330	
Other	1,016	2,863
Non-operating expenses		
Interest expense	1,298	
Other	357	1,655
Ordinary income		**50,613**
Extraordinary gains		
Construction grants received	29,419	
Other	5,055	34,475
Extraordinary losses		
Loss from provision for cost reduction of fixed assets	29,333	
Impairment loss	7,939	
Disaster-damage losses	682	
Provision for loss on disaster	686	
Other	3,355	41,997
Income before income taxes		**43,091**
Income taxes - current	6,916	
Income taxes - deferred	4,181	11,097
Net income		**31,993**
Net income attributable to non-controlling interests		498
Net income attributable to owners of the parent		**31,495**

(Note) The above figures are rounded down to the nearest ¥1 million.

Non-Consolidated Balance Sheets

(As of March 31, 2020)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		**Liabilities**	
Current assets	**87,419**	**Current liabilities**	**153,536**
Cash and deposits	5,826	Current portion of long-term debt	23,608
Fares receivables	4,045	Payables	87,625
Accounts receivable-trade	35,313	Accrued consumption taxes	313
Real estate for sale	5,118	Fare deposits received with regard to railway connecting services	1,175
Costs on uncompleted construction contracts	23,817	Deposits received	6,058
Supplies	6,933	Railway fares received in advance	4,710
Other	6,365	Advances received	18,728
Allowance for doubtful accounts	-0	Accrued bonuses	5,121
Non-current assets	**578,000**	Provision for point card certificates	762
Fixed assets for railway business	89,174	Other	5,433
Fixed assets for other business	277,109	**Non-current liabilities**	**157,591**
Fixed assets relating to both businesses	19,058	Bonds	40,000
Construction in progress	34,360	Long-term debt	56,892
Investments and other assets	158,296	Employees' severance and retirement benefits	39,262
Investment securities	30,523	Allowance for safety and environmental measures	1,609
Stocks of subsidiaries and associated companies	42,282	Allowance for disaster-damage losses	1,732
Long-term prepaid expenses	7,415	Provision for guarantee obligations	7,467
Deferred tax assets	42,955	Asset retirement obligations	189
Other	35,470	Other	10,439
Allowance for doubtful accounts	(70)	**Total liabilities**	**311,128**
Provision for investment losses	(280)	**Equity**	
		Shareholders' equity	**349,900**
		Common stock	16,000
		Capital surplus	224,022
		Capital surplus	171,908
		Other	52,113
		Retained earnings	110,477
		Other	110,477
		Reserve for deferred gain of fixed assets	7,638
		Retained earnings carried forward	102,838
		Treasury stock	(599)
		Valuation and translation adjustments	**4,390**
		Unrealized gain on available-for-sale securities	4,390
		Total equity	**354,291**
Total Assets	**665,419**	**Total Liabilities and Total Equity**	**665,419**

(Note) The above figures are rounded down to the nearest ¥1 million.

Non-Consolidated Statements of Income

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Amount	
Railway business		
Operating revenue	165,204	
Operating expenses	145,115	
Operating income		20,089
Other businesses		
Operating revenue	49,688	
Operating expenses	35,379	
Operating income		14,308
Total operating income		**34,398**
Non-operating income		
Interest income	23	
Dividend income	5,484	
Gain on investments in money held in trust	1,330	
Other	505	7,343
Non-operating expenses		
Interest expenses	763	
Provision for loss on guarantees, etc.	135	
Other	258	1,156
Ordinary income		**40,584**
Extraordinary gains		
Construction grants received	29,211	
Other	5,388	34,599
Extraordinary losses		
Losses from provision for cost reduction of fixed assets	29,125	
Disaster-damage losses	738	
Provision for loss on disaster	686	
Provision for loss on guarantees, etc.	6,525	
Other	3,825	40,900
Income before income taxes		**34,284**
Income taxes - current	931	
Income taxes - deferred	4,654	5,585
Net income		**28,698**

(Note) The above figures are rounded down to the nearest ¥1 million.

Audit Report
Audit Report on the Consolidated Financial Statements (Translation)

Independent Auditor's Report

May 6, 2020

To the Board of Directors
Kyushu Railway Company

Deloitte Touche Tohmatsu LLC

Fukuoka Office

Kappei Isomata [Seal]

Certified Public Accountant
Designated Unlimited Liability Partner

Tomonori Ueda [Seal]

Certified Public Accountant
Designated Unlimited Liability Partner

Keisuke Takao [Seal]

Certified Public Accountant

Designated Unlimited Liability Partner

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Kyushu Railway Company, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of Kyushu Railway Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As mentioned in subsequent events, the Company made a resolution, at a meeting of the Board of Directors held on April 30, 2020, to transfer a portion of its shareholdings of JR KYUSHU DRUG ELEVEN CO., LTD., a consolidated subsidiary of the Company and concluded a share transfer agreement on the same date. This matter does not have any impact on our opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, examine internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates and validity of related notes thereto made by management.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

(End)

Audit Report
Audit Report on the Non-Consolidated Financial Statements (Translation)

Independent Auditor's Report

May 6, 2020

To the Board of Directors
Kyushu Railway Company

Deloitte Touche Tohmatsu LLC

Fukuoka Office

Kappei Isomata [Seal]

Certified Public Accountant
Designated Unlimited Liability Partner

Tomonori Ueda [Seal]

Certified Public Accountant
Designated Unlimited Liability Partner

Keisuke Takao [Seal]

Certified Public Accountant

Designated Unlimited Liability Partner

Audit Opinion

Pursuant to Article 436, paragraph (2)-1 of the Companies Act, we have audited the consolidated financial statements of Kyushu Railway Company, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to the non-consolidated financial statements and the accompanying supplemental schedules (the "non-consolidated financial statements, etc.") applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of Kyushu Railway Company applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As mentioned in subsequent events, the Company made a resolution, at a meeting of the Board of Directors held on April 30, 2020, to transfer a portion of its shareholdings of JR KYUSHU DRUG ELEVEN CO., LTD., a consolidated subsidiary of the Company and concluded a share transfer agreement on the same date. This matter does not have any impact on our opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and notes to the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, etc. including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

(End)

Audit Report of the Audit and Supervisory Committee (Translation)

Audit Report

The Audit & Supervisory Committee of the Company has audited the Directors' execution of their duties during the 33rd fiscal year, from April 1, 2019, to March 31, 2020. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

The Audit and Supervisory Committee received reports regularly from Directors, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 399-13, Paragraph 1, Items (i)(b) and (i)(c) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), and then requested explanation as necessary, expressed its opinion and conducted audits by the following methods.

(1) In accordance with the Audit and Supervisory Committee Standards, and in line with the audit policy, audit plan, division of duties, etc., established by the Audit and Supervisory Committee, the Committee, while maintaining good communications with the internal auditing department and other employees and striving to collect information and improve the audit environment, attended important meetings, received reports from Directors, employees, etc. on matters concerning their execution of duties, requested explanation as necessary, inspected important authorized documents, etc., and conducted investigations regarding the status of the business operations and properties of the Company at Head Office and major business sites. Regarding the Company's subsidiaries, the Audit and Supervisory Committee sought to facilitate communication and exchange information with directors, statutory auditors and others of the Company's subsidiaries and, when necessary, received reports from these subsidiaries on the status of their businesses or visited the sites directly for investigation.

(2) The Audit & Supervisory Committee confirmed whether the financial auditor maintained its independence and carried out its audits in an appropriate manner, received reports from the financial auditor on the status of the execution of its duties and, when necessary, requested explanations.
Also, the Audit & Supervisory Committee received a notification from the financial auditor that it is taking steps to improve the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the Company Accounting Ordinance) in accordance with the "Quality Control Standards Relating to Auditing" (Business Accounting Council, October 28, 2005) and other standards, and requested explanations when necessary.

Based on the foregoing methods, the Audit & Supervisory Committee examined the Business Report and the related supplementary schedules, the consolidated financial statements, non-consolidated financial statements and the accompanying supplemental schedules for the 33rd fiscal year under review.

2. Results of audit:

(1) Result of audit of the Business Report, etc.

In our opinion:
a. the Business Report and the related supplementary schedules fairly represent the conditions of the Company in accordance with the applicable laws and ordinances and with the Company's Articles of Incorporation;

b. with respect to the Directors' execution of their duties, there are no fraudulent acts or material facts of violation of applicable laws and ordinances or of the Company's Articles of Incorporation; and
c. the contents of the resolutions of the Board of Directors regarding internal control systems are appropriate. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and Directors' execution of their duties related to internal control systems.

(2) Result of audit of the consolidated financial statements, non-consolidated financial statements and the related supplementary schedules

In our opinion, the methods and results of the audit conducted by the financial auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 7, 2020

Kyushu Railway Company, the Audit & Supervisory Committee

Eiichi Kuga [Seal]
Audit & Supervisory Committee Member (Full time)

Masaya Hirokawa [Seal]
Audit & Supervisory Committee Member (Full time)

Kazuhide Ide [Seal]
Audit & Supervisory Committee Member
Yasunori Eto [Seal]
Audit & Supervisory Committee Member

(Note)

Mr. Eiichi Kuga, Mr. Kazuhide Ide and Mr. Yasunori Eto are outside directors as defined in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

(End)