Further Strengthen Our Management Foundation — Implement Segment Classification Changes, etc.

We will steadily advance segment management by establishing intermediate holding companies in the station building business and the hotel business, changing segment classifications, etc.

Overview of segment classification changes, etc. (April 1, 2019)

【Former segments】

Transportation
JR Kyushu Service Support Co., Ltd.
JR Kyushu Bus Company,JR Kyushu Jet Ferry Inc.
JR Kyushu Linen Co., Ltd.,etc.
JR Kyushu-Rent-A-Car & Parking Co., Ltd. → 2

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

Real Estate → 1
JR Hakata City Co., Ltd.
Kokura Terminal Building Inc.
Nagasaki Terminal Building Inc.
JR Oita City, Inc.
Kagoshima Terminal Building Inc.
JR Kyushu Building Management Co., Ltd. → 1
,etc.

Retail and Restaurant
JR Kyushu Retail, Inc.,JR KYUSHU DRUG ELEVEN CO., LTD.
JR Kyushu Food Service Inc.,etc.

Other
JR Kyushu Station Hotel Kokura Inc.
JR Kyushu Huis Ten Bosch Hotel Co., Ltd.
JR Kyushu Hotels Inc.
Oyama Yumekobo, Inc. → 2 3
JR Kyushu Senior Life Support, Inc. → 3
JR Kyushu Trading Co., Ltd.
JR Kyushu Financial Management Company,etc.

【New segments】

Transportation
JR Kyushu Service Support Co., Ltd.
JR Kyushu Bus Company,JR Kyushu Jet Ferry Inc.
JR Kyushu Linen Co., Ltd.,etc.

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

Real Estate and Hotels
【Real Estate】
JR Kyushu Ekibiru Holdings Inc.
【Hotels】
JR Kyushu Hotels And Resorts Holdings Inc.
Oyama Yumekobo, Inc.
JR Kyushu Senior Life Support, Inc.
JR Kyushu-Rent-A-Car & Parking Co., Ltd.
,etc.

Retail and Restaurant
JR Kyushu Retail, Inc.
JR KYUSHU DRUG ELEVEN CO.,LTD.
JR Kyushu Food Service Inc.,etc.

Other
JR Kyushu Trading Co., Ltd.
JR Kyushu Financial Management Company,etc.

Points of change

1 2 Establish intermediate holding companies in the station building and hotel business (April 1, 2019)

Strengthen governance and achieve agile and flexible decision-making and operational execution through business management based on intermediate holding companies (JR Kyushu Hotels And Resorts Holdings Inc., JR Kyushu Ekibiru Holdings Inc.)

Change segment classifications and revenue/expense classifications (April 1, 2019)

[Segment classification changes, etc.]

1 Real Estate segment → Real Estate and Hotels segment

Segment name changed in conjunction with the segment classification changes in order to seamlessly strengthen the real estate and hotel businesses

2 JR Kyushu-Rent-A-Car & Parking Co., Ltd.

Aim for further growth in the core parking lot business by strengthening collaboration with the real estate business

3 Hotel business and JR Kyushu Senior Life Support, Inc.

Revise the practice under which multiple segments record revenues, etc., from the hotel business and the seniors business, which are aiming for further growth by strengthening collaboration with the real estate business. Shift the hotel business and the seniors business to the Real Estate and Hotels segment

[Change in revenue/expense classification]

We will recognize business profit/loss more practically, through changing allocation criteria for station building rent (revenue) and fixed asset tax (expense) between the Transportation segment and the Real Estate and Hotels segment

Changes in Cost Structure

Elimination of Special Tax Measures

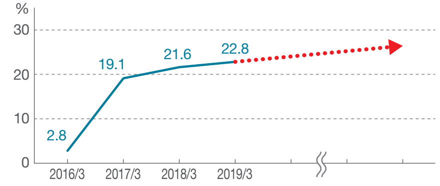
- Elimination of special tax measures (special tax breaks implemented following the privatization of Japanese National Railways and provisions extending the period of these breaks) effective March 31, 2019 (period extending provisions eliminated effective March 31, 2017)
- Inability to accurately calculate tax reduction amount as tax amounts are based on evaluations by municipal governments
- Amount of impact on performance in FY2019/3 estimated to be approximately ¥4.8 billion (to be recorded under taxes and non-personnel expenses)

Depreciation Costs of the Railway Business

- Decrease in depreciation costs in conjunction with impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) recorded on March 31, 2016
- Capital investment of between ¥25.0 billion and ¥30.0 billion a year conducted in railway business (excluding rolling stocks) after impairment losses
- Gradual increase in depreciation costs going forward due to continuation of current trends (risk for upturns stemming from rolling stock upgrades)

Corporate Tax Rate

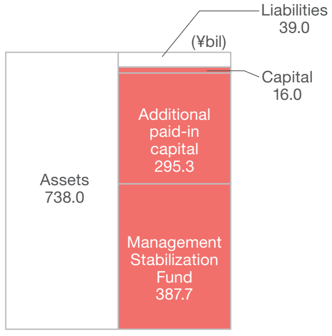
- Disparity between tax burden and effective tax rate (30.5% in FY2019/3) due to significant temporary differences associated with impairment losses (income used for taxation purposes lower than income used for accounting purposes)
- Gradual increase in tax rates as temporary differences associated with impairment losses resulted in the recording of new deferred tax assets
- Current trends to continue over foreseeable future but long-term trends undetermined



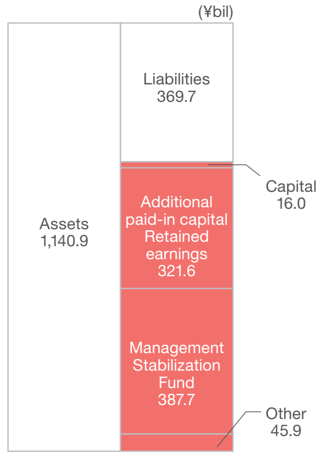
Changes in Capital Structure

- Capital calculated as difference between assets and liabilities at time of privatization of Japanese National Railways in 1987
- JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities
  Note: The three JR companies on the Japanese mainland had limited capital due to inheriting liabilities from Japanese National Railways.
- Management Stabilization Fund (¥387.7 billion) depleted in FY2016/3 to direct funds to Shinkansen lease fees (prepaid expenses)
  Impairment losses on fixed assets held in the railway business (approximately ¥520.0 billion) stemming from depletion of the Management Stabilization Fund
  ⇒ Capital still higher than peers, despite decrease, as a result of circumstances surrounding establishment

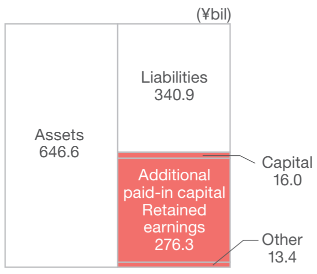
At Time of Establishment: 1987 (Non-Consolidated)



Prior to Depletion of Management Stabilization Fund: March 31, 2015 (Consolidated)



After Depletion of Management Stabilization Fund: March 31, 2016 (Consolidated)



March 31, 2019 (Consolidated)