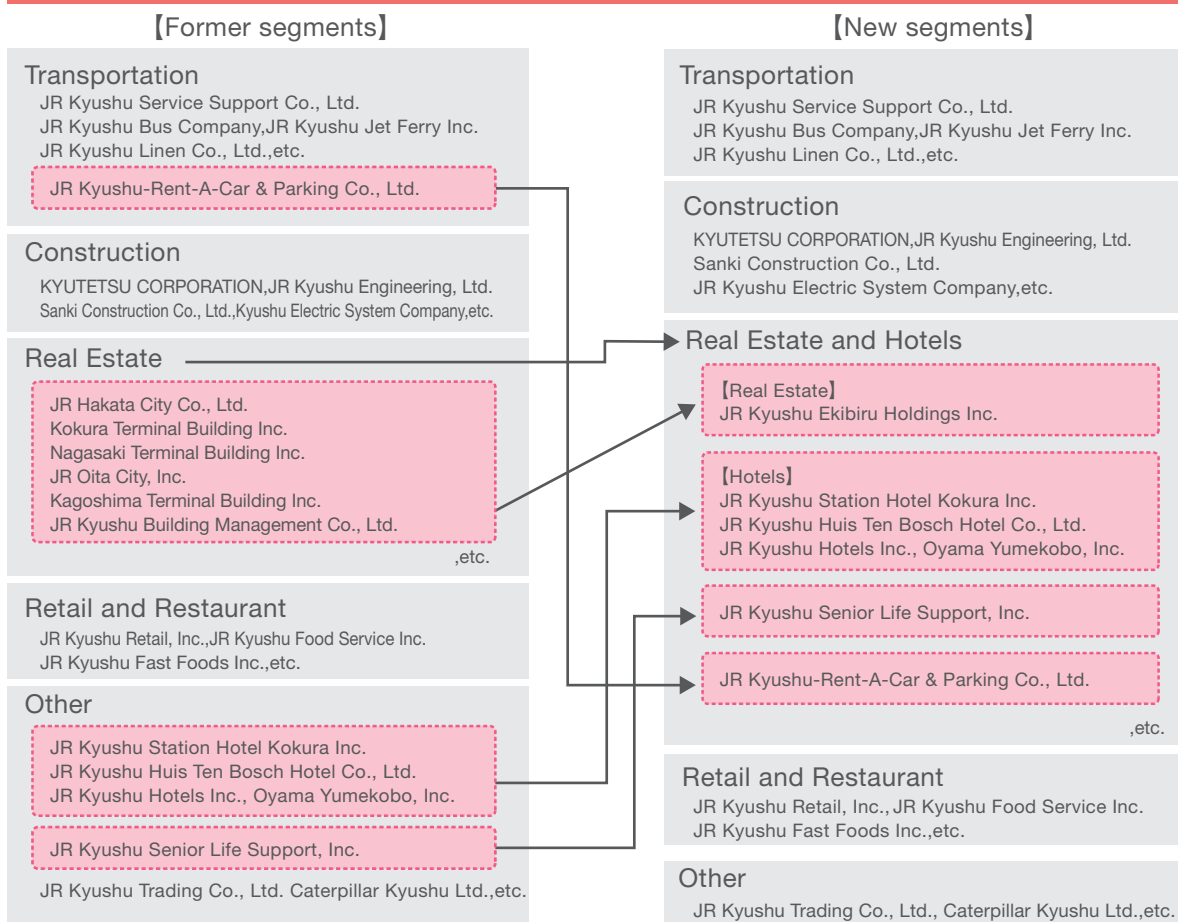


Further Strengthen Our Management Foundation

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

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



Establish intermediate holding companies in the station building

Change segment classifications and revenue/expense classifications

[Segment Classification Changes]

Segment classification and name changed in order to seamlessly strengthen the real estate and hotel businesses.

[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

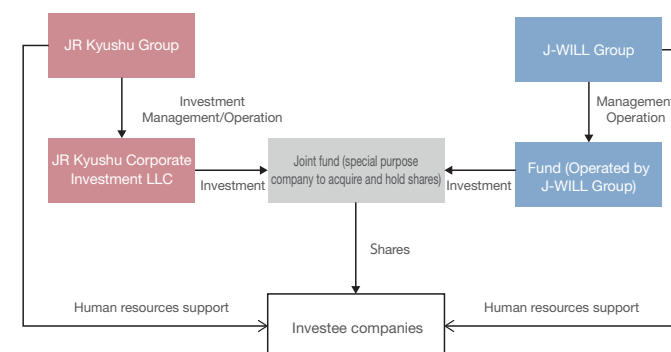
Growth and Evolution in New Areas

Creation of new business model making full use of the Group's management resources.

Establishing specialized regional funds

In April 2021, JR Kyushu established JR Kyushu Corporate Investment LLC, a specialized regional fund. Together with a fund managed by the J-WILL Group, JR Kyushu Corporate Investment LLC established a special purpose company to acquire and hold shares of investee companies, etc. Strengthening the JR Kyushu Group's core businesses and expanding its business fields by having more flexible, agile investment configurations in addition to conventional M&A.

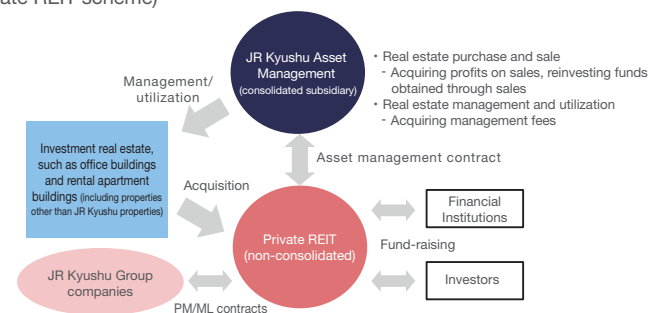
(Joint investment scheme)



Initiatives to start the use of private REIT

Establishment of JR Kyushu Asset Management Co., Ltd. in April 2021 with the aim of sustained growth in the real estate business. Moving ahead with procedures needed for application for permits and licenses to start the use of private REIT.

(Private REIT scheme)



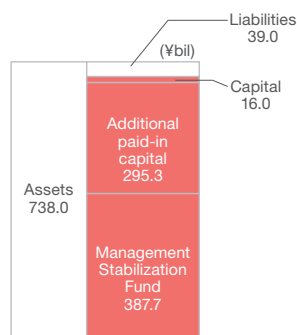
Changes in Capital Structure

- Capital calculated as difference between assets and liabilities at time of privatization of Japanese National Railways in 1987

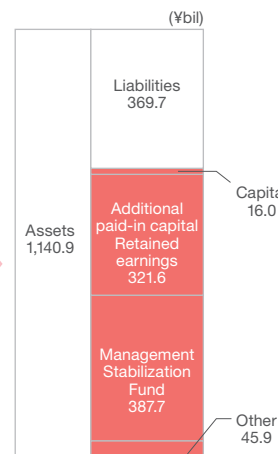
- JR Kyushu established with excessive levels of capital (additional paid-in capital) due to low levels of liabilities
Note: The three JR companies on the Japanese mainland had limited capital due to inheriting liabilities from Japanese National Railways.

- 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

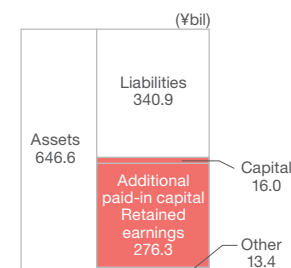
At Time of Establishment: 1987
(Non-Consolidated)



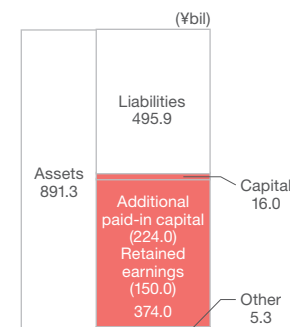
Prior to Depletion of Management Stabilization Fund: March 31, 2015
(Consolidated)



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



March 31, 2021
(Consolidated)



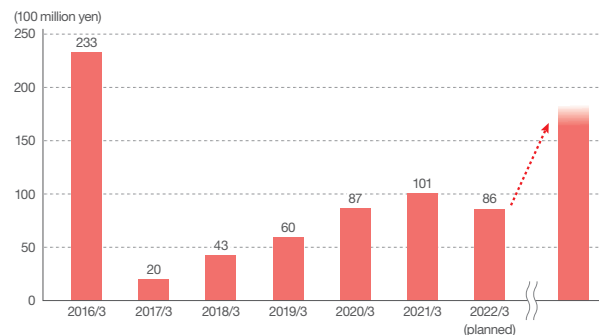
Changes in Cost Structure

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)
- In line with usage conditions, changing the depreciation method and depreciation period for railway business fixed assets from April 1, 2021



Change in depreciation method for railway business fixed assets		
Items	Affected Assets	Details
Change in depreciation method	All Assets	Declining-balance method → Straight-line method
Change in depreciation period	Rolling stock	Legal useful life mainly 13 years → Economic useful life 20 years

Outline of fares and charges in the railway business

Procedures for establishing and adjusting fares/charges

- Establishing/adjusting the upper limit for fares and Shinkansen express charges requires the approval from the Minister of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- Establishing/adjusting fares and Shinkansen express charges within the scope of the upper limit and establishing/adjusting conventional line express charges, etc., can be handled by notification to the Minister of the MLIT.

Examination standards for upper limit fares/charges

- Prior to giving approval for establishing/adjusting the upper limit on fares, the Minister of the MLIT must confirm that the new upper limit does not exceed "total cost," which is the sum of the proper operating costs if it were to carry out efficient management and the proper profit calculated pursuant to specified methods.
(The Company implemented a substantial fare revision, other than consumption tax revision, in 1996)

Calculation method of total cost

- Total cost = Operating costs, etc. + Operational return
- Operating costs, etc. = Personnel expenses, overhead, etc.
(Optimal cost calculated by "Yard-stick formula") + Taxes, depreciation, etc.

Expenses		Revenues
Operational return	Dividends, etc.	Increased revenues from revised fares
	Interest expense	
Total cost	Taxes, depreciation, etc.	Revenues from current fares
	Personnel expenses, overhead, etc. (Optimal cost calculated by "Yard-stick formula")	Revenues from express charges
		Transportation incidentals