



Fir Tree Increases Stake in JR Kyushu to 6.1% and Intends to Make Shareholder Proposals

NEW YORK / TOKYO – March 22, 2019 – Fir Tree Partners (“Fir Tree”) today filed a change report to its previously filed ‘Large Shareholding’ report at the Kanto Local Finance Bureau in Japan, disclosing an increase of its beneficial ownership in Kyushu Railway Company (“JR Kyushu” or “the Company”) (TSE ticker 9142) to 6.1% through common stock.

On March 19th, JR Kyushu announced its new 2019-2021 Medium-Term Business Plan (found [here](#)). Fir Tree is encouraged by some aspects of the Plan, including:

1. A robust maintenance capital plan to ensure the continued safety of railway passengers;
2. A reasonable growth strategy, balancing the needs of the railway system with real estate development projects;
3. An increased dividend payout ratio and mention of an ability to repurchase shares;
4. A focus on improved governance, including consideration of a stock compensation plan for executive officers and the appointment of outside directors;
5. Use of low-cost debt to fund growth capital expenditures.

Aaron Stern, Managing Director and Partner at Fir Tree, said:

“We appreciate the thoughtful capital plan, which balances the safety and sustainability of the railway with growth in the real estate segment. We also applaud management for taking some positive steps in governance, including increasing the dividend payout and considering a stock compensation program.

However, we are concerned by the lack of a concrete, significant share repurchase program, which would have corrected the inefficient capital structure and suboptimal return on equity. The 5% decline in share price after the release of the Plan reflects shareholder dissatisfaction. We believe in JR Kyushu management and trust their operational knowledge, but now is the time to address shareholder issues with more detail and action.”

Fir Tree believes JR Kyushu should commit to a capital structure and act on the governance concepts discussed in the Plan, including implementing a large share repurchase program, introducing a stock compensation plan for executive officers and adding several independent industry experts to its Board of Directors.

By specifying a target capital structure which incorporates the 100 billion yen bond shelf-registration¹ made by the Company in January, as well as a detailed share repurchase program, JR Kyushu can accurately identify its cost of capital and profitability targets for investors, as recommended in the Corporate Governance Code.²

Fir Tree will continue to engage in positive dialogue with the Company and intends to make shareholder proposals at the upcoming Annual General Meeting.

About Fir Tree Partners

Fir Tree Partners, founded in 1994 and located in New York City (HQ) and Miami, is a value-oriented investment manager that invests on behalf of endowments, charitable and philanthropic foundations, pension funds and other institutional and private investors. The firm has successfully applied its

1. Source: Company EDINET [Filing](#) reported on 2019.01.15

2. Source: Japan’s Corporate Governance Code, Principle 5.2 “Establishing and Disclosing Business Strategies and Business Plans”



Fir Tree Partners

opportunistic approach across a wide array of asset classes, industries and geographies, including in Japan where it has been actively investing for nearly a decade. Fir Tree Partners has adopted Japan's Stewardship Code.

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1. Source: Company EDINET [Filing](#) reported on 2019.01.15

2. Source: Japan's Corporate Governance Code, Principle 5.2 "Establishing and Disclosing Business Strategies and Business Plans"