

(Translation)

October 10, 2018

To whom it may concern:

Company Name: Kyushu Railway Company  
Name of Representative: Toshihiko Aoyagi, President and CEO  
Securities Code: 9142  
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Notice Regarding Establishment of a Third-Party Committee

Kyushu Railway Company announces that consolidated subsidiary JR Kyushu Housing Company is alleged to have engaged in illegal activity.

**(1) Overview**

Employees of JR Kyushu Housing are alleged to have taken part in the conclusion and execution of construction contracts based on housing sales contracts by encouraging facility owners to falsify documents to be submitted to financial institutions with regard to housing loans. Through this falsification, employees allegedly would have facility owners apply for loans based on a construction contracting amounts that exceed the actual amounts to receive excessive loans from financial institutions.

**(2) Establishment of Third-Party Committee and its Purpose**

In light of the aforementioned allegations, a resolution was reached at the meeting of the Board of Directors held on October 10, 2018, to establish a third-party committee comprised of outside experts. This committee will be tasked with assessing the validity of the allegations of illegal activity, determining whether similar not-yet-discovered cases exist, and providing advice on preventing future occurrences of such activities based on the issues identified through investigations from an independent standpoint.

### **(3) Members of the Third-Party Committee**

Chairperson	Tohru Motobayashi	Lawyer, former president of the Japan Federation of Bar Associations
Member	Kazumine Terawaki	Lawyer, former superintending prosecutor of the Osaka High District Public Prosecutors Office
Member	Toshifumi Takaoka	Certified public accountant, partner of KPMG FAS Co., Ltd.

The members of the third-party committee were chosen in accordance with the guidelines for third-party committees pertaining to corporate scandals published by the Japan Federation of Bar Associations (December 17, 2010, revision) to ensure that no conflicts of interest exist.

In addition to the aforementioned members, the third-party committee will receive support for its investigation from lawyers affiliated with Mori Hamada & Matsumoto law firm and from KPMG FAS Co., Ltd.

### **(4) Schedule of Third-Party Committee Investigation**

October 10, 2018: Establishment of third-party committee

### **(5) Future Initiatives**

The Company will offer its full support to the third-party committee as it investigates the allegations of illegal activity. Prompt notification will be issued on the validity of the allegations as well as the potential impacts on the performance of the Company determined through the investigation.

We apologize for the trouble these allegations of illegal activity have caused to shareholders, investors, and all of our other stakeholders.