



(Translation)

November 21, 2024

To whom it may concern:

Company Name: Kyushu Railway Company  
Name of Representative: Yoji Furumiya, President and CEO  
Securities Code: 9142  
Tokyo Stock Exchange Prime Market and Fukuoka Stock Exchange  
Inquiries: Public Relations Department  
TEL +81-92-474-3677

### Notice of Receipt of Third-Party Committee Investigation Report

As announced in the “Notice Regarding Establishment of Third-Party Committee” dated September 3, 2024, Kyushu Railway Company (hereinafter, “the Company”) has discovered a matter in JR Kyushu Jet Ferry Inc., a consolidated subsidiary, that raises serious concerns about safety measures. Therefore, a Third-Party Committee was established to conduct an investigation. Today, we received an investigation report (hereinafter, the “Investigation Report”) from the Third-Party Committee. The particulars are described below.

#### (1) Details of the Investigation Report

Please refer to the attached “Investigation Report” for the details of the Investigation Report. Please note that the content of the Investigation Report remains as written in the original text, but certain references that may identify specific individuals have been anonymized to protect privacy.

#### (2) Future Course of Action in Response to the Third-Party Committee’s Findings

The Company acknowledges the investigation results and recommendations stated in the Investigation Report and takes them sincerely. We will thoroughly examine the content and proceed with necessary measures to prevent a recurrence as promptly as possible. We will promptly provide notice once specific measures to prevent a recurrence have been determined.

We apologize deeply to our shareholders, investors, and other stakeholders for any inconvenience this may cause.

To Kyushu Railway Company

**Investigation Report  
(Summary Version)**

November 21, 2024

Kyushu Railway Company Third-Party Committee

Committee Chairman: Tsuneyasu Ozaki

Committee Member: Yosuke Tanaka

Committee Member: Hiroshi Sekine

## Table of Content

<b>I</b>	<b>Introduction.....</b>	<b>4</b>
<b>II</b>	<b>The Committee’s Investigation Framework and Overview of the Investigation .....</b>	<b>4</b>
	Part 1. Investigation Framework .....	4
	Part 2. Overview of the Investigation.....	5
<b>III</b>	<b>Facts Leading up to the Investigation of this Matter, and Related Applicable Laws and Regulations.....</b>	<b>5</b>
	Part 1. History etc. of JR Kyushu Jet Ferry .....	6
	1 History and Capital Relationship.....	6
	2 Organizational Structure.....	6
	3 Overview etc. of the <i>Queen Beetle</i> .....	7
	Part 2. JR Kyushu Jet Ferry Safety Management System etc.....	8
	1 Safety Management System .....	8
	2 Rules etc. for Handling and Recording Flooding .....	9
	Part 3. Internal Control Systems of JR Kyushu Jet Ferry and JR Kyushu Group .....	10
	1 Internal Control System of JR Kyushu Jet Ferry.....	10
	2 JR Kyushu’s Group Internal Control System for JR Kyushu Jet Ferry.....	10
	3 Establishment and Use of Whistle-blowing System.....	11
<b>IV</b>	<b>Facts Confirmed as a Result of the Investigation.....</b>	<b>11</b>
	Part 1. Flooding Incident Occurring in February 2023 and the Corresponding Administrative Disposition etc. ....	11
	1 Overview of, and status of response to, flooding incident .....	11
	2 Overview of Administrative Disposition and Criminal Penalty .....	12
	3 Overview of July 2023 Improvement Report; Status of Improvement Measures .....	13
	Part 2. Flooding incident of January 4, 2024, and status of response.....	14
	Part 3. This Matter .....	15
	1 Occurrence of Flooding and Response at Time of Occurrence .....	15
	2 Management of Amount of Flooding Immediately After Occurrence of Flooding .....	16
	3 Subsequent Handling of Flooding .....	17
	4 Increase in Amount of Flooding, Change in Position of Bilge Warning Sensor.....	17
	5 May 30 Report on Flooding to Kyushu District Transport Bureau, Subsequent Emergency Inspection .....	18
	6 On-Site Inspection by Maritime Bureau of MLIT, Administrative Disposition by Minister of Land, Infrastructure, Transport and Tourism.....	20
	Part 4. Handling of Internal Oversight at JR Kyushu Jet Ferry and JR Kyushu Regarding this Matter .....	20

<b>V</b>	<b>Evaluations and Observations Regarding the Problematic Incidents in this Matter</b>	<b>21</b>
Part 1.	The Major Problematic Incidents in this Matter .....	21
Part 2.	Evaluation of and Observations Regarding the Above Incidents .....	22
1	Regarding Incident (a) .....	22
2	Regarding Incident (b).....	23
3	Regarding Incident (c) .....	24
4	Regarding Incident (d).....	25
5	Regarding Incident (e) .....	26
<b>VI</b>	<b>Root Cause Analysis.....</b>	<b>26</b>
Part 1.	Notwithstanding the June 2023 Administrative Disposition, no true change in awareness was achieved regarding safety as the highest priority when operating a vessel and compliance with laws and regulations and internal rules.....	26
Part 2.	The framework and mechanism-building for making proper judgments in performing safe ferry service operations (including mechanisms for correcting mistaken judgments) were inadequate .....	27
Part 3.	Work continued to be carried out with insufficient or ambiguous understanding of laws and regulations and internal rules, and no measures were taken in regards to this.....	28
Part 4.	The building of a culture and environment for achieving more open communication between the Executives and Captains and the crew remained inadequate.....	28
Part 5.	The involvement of JR Kyushu as parent company in the implementation of improvement measures at JR Kyushu Jet Ferry from July 2023 onwards was not always sufficient. ....	29
<b>VII</b>	<b>Recommendations on Measures to Prevent Recurrence .....</b>	<b>29</b>
Part 1.	Introduction .....	29
Part 2.	Specific Measures to “Foster Safety Awareness and Instill a Sense of Compliance with Laws and Regulations” .....	30
Part 3.	Specific Measures to “Reinforce Safety Management System Functions” .....	30
Part 4.	Specific Measures to “Report and Share Information” .....	31
Part 5.	Specific Measures to “Prepare and Release Safety Reports” .....	31
Part 6.	Specific Measures to “Strengthen Governance by JR Kyushu” .....	32

## I Introduction

An on-site inspection of JR Kyushu Jet Ferry Inc. (“**JR Kyushu Jet Ferry**”) on August 6, 2024, conducted by the Maritime Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (“**MLIT**”) pursuant to Article 25, Paragraph 1 of the Marine Transportation Act, led to the discovery of circumstances that cast serious doubt on the safety management system of JR Kyushu Jet Ferry. Specifically, even though the *Queen Beetle*, a passenger vessel operated by JR Kyushu Jet Ferry (“*Queen Beetle*”), was found to have flooding, JR Kyushu Jet Ferry failed to report this to the Kyushu District Transport Bureau or other relevant authorities; in addition, there are suspicions that a bilge<sup>1</sup> warning sensor (a sensor that detects flooding levels) installed in the *Queen Beetle* was moved to a higher position in order to avoid or delay detection of flooding (such circumstances, this “**Matter**”).

In response to this, Kyushu Railway Company (“**JR Kyushu**”), the parent company of JR Kyushu Jet Ferry, considering the severity of this Matter, determined that it was necessary to establish a third-party committee consisting of outside experts to ascertain the facts of the Matter and to reconstruct the safety management system. Thus, JR Kyushu established the third-party committee in II, Part 1 below (the “**Committee**”) in order to investigate the facts related to this Matter from an objective viewpoint independent from JR Kyushu and JR Kyushu Jet Ferry, and to recommend measures to prevent recurrence in light of root cause analysis.

The reference date for this report is November 20, 2024. This report was compiled on the basis of the related facts etc. that were ascertained and verified as a result of the investigation up to the reference date, and the discovery of any new facts etc. going forward may change the conclusions drawn from this report. Further, any legal assessments mentioned in this report make no guarantee regarding the judgment that may be made by a court of law, the **MLIT**, or any other judicial, quasi-judicial, or administrative body.

## II The Committee’s Investigation Framework and Overview of the Investigation

### Part 1. Investigation Framework

The Committee members are as follows.

Committee Chairman: Tsuneyasu Ozaki, Attorney, Nishimura & Asahi LPC, LPC Partner

Committee Member: Yosuke Tanaka, Attorney, Tanaka & Partners, LPC, Managing Partner

Committee Member: Hiroshi Sekine, Senior Loss Prevention Director, Thomas Miller K.K.

---

<sup>1</sup> Refers to the unwanted liquid that is a mixture of water, oil, etc. that accumulates at the bottom of a ship.

None of the committee members has any interests in JR Kyushu or JR Kyushu Jet Ferry. Four attorneys<sup>2</sup> of Nishimura & Asahi (Gaikokuho Kyodo Jigyō), an outside law firm, who have no interests in JR Kyushu or JR Kyushu Jet Ferry, assisted in the investigation conducted by the Committee as a third-party committee secretariat. The Committee was established and operated in compliance with the “Guidelines for Third-Party Committee in Corporate Scandal etc.” of the Japan Federation of Bar Associations.

## **Part 2. Overview of the Investigation**

The Committee was commissioned by JR Kyushu to investigate this Matter and the related facts, conduct a root cause analysis, and recommend measures to prevent recurrence.

The Committee independently collected documents, conducted interviews and otherwise moved forward with the investigation, and from an independent standpoint, investigated the related facts, conducted a root cause analysis, and considered measures to prevent recurrence.

In order to understand this Matter, the Committee considered it necessary to investigate the factual background from the flooding incident that occurred in February 2023, deciding to investigate the period from February 2023 until August 2024, when this Matter was discovered (such period is referred to hereinafter as the “**Investigation Period**”).

In the investigation, the Committee collected and scrutinized (i) documents relating to the organization and the safety management system, (ii) meeting documents, (iii) documents relating to the operation of vessels, and (iv) documents relating to financial circumstances, and conducted a cumulative total of 32 interviews with a total of 23 officers and employees of JR Kyushu Jet Ferry and JR Kyushu.

The Committee also conducted forensic investigations of email data and chat data of the four officers and employees of JR Kyushu Jet Ferry who were the central figures deciding JR Kyushu Jet Ferry’s response policy relating to this Matter, namely, the President A, the Chief Safety Management Officer B, the Vessel Operations Manager C and the Deputy Vessel Operations Manager D (collectively, “**Executives**”) as of the time of this Matter.

Additionally, the Committee visited the *Queen Beetle* when it was anchored in Hakata Bay, and investigated on-site the bow portion, the bilge warning sensor installation location, and other places relevant to this Matter.

## **III Facts Leading up to the Investigation of this Matter, and Related Applicable Laws and**

---

<sup>2</sup> Akira Arimatsu, Wataru Kamada, Yohsuke Nakamura and Hiromasa Kamiyama assisted in the investigation.

## Regulations

### Part 1. History etc. of JR Kyushu Jet Ferry

#### 1 History and Capital Relationship

JR Kyushu Jet Ferry is a wholly-owned subsidiary of JR Kyushu, established in August 2005, when the Ship Business Department in charge of the vessel operation business was spun off from JR Kyushu.

In March 1991, the Ship Business Department of JR Kyushu had commissioned the high-speed vessel “*Beetle II*” between Hakata Port and Busan Port as the first international route for the group. The international route between Hakata Port and Busan Port was successful, and the ferry service was expanded to the operation of four vessels.

In August 2005, when the Ship Business Department was spun off from JR Kyushu and JR Kyushu Jet Ferry was established, JR Kyushu Jet Ferry took over the ferry service business between Hakata Port and Busan Port, but starting in 2012, the impact from cheap air routes provided by low-cost carriers began, and the trend of a gradual decrease in the number of passengers using sea routes continued.

Under such circumstances, starting in 2017, the construction of a new vessel was considered, and it was decided to deploy the *Queen Beetle* as a new concept passenger vessel. The *Queen Beetle* went into service between Hakata Port and Busan Port in November 2022.

JR Kyushu Jet Ferry leases the *Queen Beetle* from its owner to engage in the business of operating the *Queen Beetle*, and thus is a vessel lessee.

JR Kyushu Jet Ferry’s ferry service business between Hakata Port and Busan Port has always been a business where the ferry service conditions were susceptible to influence from the political situation in South Korea and stable performance was difficult. Even so, before the Covid-19 pandemic, the business was profitable, but since FY2019, when the impact of the pandemic was first felt, losses continued. Finally, in FY2023, the business turned profitable, even though business plan figures were not met. It should be noted that since prior to the pandemic, sales of JR Kyushu Jet Ferry, under the JR Kyushu Group’s consolidated settlement, has been less than 1% of consolidated sales. Within the JR Kyushu Group, the business run by JR Kyushu Jet Ferry has always been seen as something that, by providing a sea passage tying together Japan and South Korea, serves as a bridge between the two countries, and thus has meaning and value apart from simply economic revenue.

#### 2 Organizational Structure

At JR Kyushu Jet Ferry, the Sales Department, the Vessel Operation Department, the Planning

Department and the Busan Branch split the necessary operations among themselves. The Vessel Operation Department is responsible for overall operations relating to the operation of vessels, and is in charge of coordination with relevant authorities regarding ferry services, addressing ferry services-related laws and regulations, the safe operation of vessels, processing in cases of marine accidents or other extraordinary situation, inspection of vessels, and the like.

The President and Directors of JR Kyushu Jet Ferry during the Investigation Period were as follows. There are also two External Directors and one External Auditor, and they are dispatched from JR Kyushu.

Title	Person in office
President	Mr. E (June 29, 2016-June 28, 2023) Mr. A (June 28, 2023-August 13, 2024)
Director	Mr. C, General Manager of the Vessel Operation Department (June 25, 2021 to present)
Director	Mr. B, General Manager of the Planning Department (June 25, 2021 to present)
Director	General Manager of the Sales Department Mr. E (June 28, 2024 to present)

JR Kyushu Jet Ferry has a total of approximately 80 current officers and employees (13 of whom are working at the Busan Branch).

Because, as explained in 1 above, the business that had been conducted by the Ship Business Department of JR Kyushu was spun off, many of JR Kyushu Jet Ferry's Executives and employees and crew of the Vessel Operation Division of the Vessel Operation Department had been seconded from JR Kyushu at the time of the spin-off in 2005.

### 3 Overview etc. of the *Queen Beetle*

The *Queen Beetle* is a trimaran having three hulls: a main hull and two small hulls (side cells) protruding from the main hull. The *Queen Beetle* makes round trips between Hakata Port and Busan Port across the Tsushima Strait, taking 3 hours and 40 minutes one way, and because it cruises at a high speed with the aluminum hulls being exposed to the rough waves of Tsushima Strait, it can be said that the hulls themselves are susceptible to the impact of waves.

The bow of the *Queen Beetle* is the tip of the main hull of the three hulls of the trimaran, which is thin and pointed. The very end of the bow was constructed by installing the outer plate on the port side by welding from the inside, and then installing the outer plate on the starboard side by welding from



the outside.

The *Queen Beetle* has a bilge warning sensor that senses and gives an alarm when flooding reaches a certain water level and a drainage pump, and when the bilge warning sensor is activated, a device installed in the bridge immediately sounds an alert, so that the state of flooding can be promptly ascertained. The bilge warning sensor in the bow compartment is installed approximately 44 cm from the bottom of the ship.

The *Queen Beetle* is a vessel flying a Japanese flag (“**Japanese Vessel**”), and thus Japanese laws and regulations apply to its operation.

The *Queen Beetle* is also a passenger vessel engaged in international crossings between the South Korea-administered Busan Port, which the vessel enters, and Japan, and thus is subject to the SOLAS Convention. JR Kyushu Jet Ferry, in managing the ferry services of *Queen Beetle* as the vessel lessee, is subject to the International Safety Management Code (“**ISM Code**”) for safe operation of vessels and prevention of pollution pursuant to the SOLAS Convention, and is required to provide ferry services in compliance with the provisions of the ISM Code.

## **Part 2. JR Kyushu Jet Ferry Safety Management System etc.**

### **1 Safety Management System**

As explained in Part 1, 3 above, because JR Kyushu Jet Ferry operates a Japanese Vessel and engages in international crossings, it is obligated to establish a safety management system that has both the Safety Management Regulations set forth in the Marine Transportation Act and the Safety Management Manual set forth in the ISM Code.

Under the Safety Management Regulations, the individual procedures established under the Safety Management Manual apply, and a safety management system for JR Kyushu Jet Ferry is to be built where the Safety Management Regulations and the Safety Management Manual function in a coordinated and integral manner.

The Safety Management Regulations stipulate the roles and responsibilities that the President, the Chief Safety Management Officer, the Vessel Operations Manager, the Deputy Vessel Operations Manager, and the Captains have as the responsible persons under the safety management system, and by granting certain authority to, and imposing responsibilities and duties on, these persons, the safety management system is secured.

In other words, under the safety management system of JR Kyushu Jet Ferry, the President (CEO) takes the initiative in managing and operating the safety management system, and when an accident etc. does happens, is expected to take a lead role together with the Chief Safety Management Officer in taking appropriate response measures.

The role of the Chief Safety Management Officer is to receive reports from the Vessel Operations Manager etc. as appropriate, and oversee the overall operation of the safety management system, and when an accident etc. does happen, the Chief Safety Management Officer is expected to take a lead role together with the President in taking appropriate response measures.

The role of the Vessel Operations Manager, particularly regarding the operation of vessels, is to receive reports from the Captains and carry out management to secure safety, and when an accident etc. does happen, the Vessel Operations Manager is expected to ensure the safety of vessel operations by taking necessary measures as well as promptly making an external report. In preparation for a case where the Vessel Operations Manager cannot execute its duties, the Deputy Vessel Operations Manager is appointed as a person to take over such duties.

The Captains are in the position of onsite manager responsible for vessel operations and are authorized to make the final decision on their own in determining whether or not to operate a vessel. The Captains are also expected to take necessary measures on site, and when an accident etc. does happen, to report the status of the accident etc. to the Vessel Operations Manager.

## **2 Rules etc. for Handling and Recording Flooding**

Both the Safety Management Regulations and the Safety Management Manual, as operational standards or operational procedures, provide standards and procedures only for meteorological and sea conditions in the criteria for judging whether or not to operate a vessel, and there are no provisions relating to flow of operations for directly requesting a judgment on whether to operate a vessel in light of the occurrence of flooding.

The Ship Safety Act provides that when, after all of the inspections set forth in Article 5, Paragraph 1 of said law have been undergone, “an alteration is made to a matter that was inspected because of a marine accident or other reason and that is likely to affect the seaworthiness of the vessel or assurance of the safety of human lives”, the vessel lessee is required to have the vessel undergo an emergency inspection prior to the operation of the vessel (Article 18, Paragraph 1, Item 9 of said law, and Article 19, Paragraph 3, Item 13 of the Ordinance for Enforcement of the Ship Safety Act). Therefore, when flooding happens, it is necessary to determine whether the duty to undergo this emergency inspection has arisen.

Meanwhile, Article 51 of the Safety Management Regulations imposes on the Vessel Operations Manager the duty to report, promptly after an “accident etc.” happens, to MLIT and the Japan Coast Guard, providing an overview of the accident etc. and the status of its processing. Under the Accident Processing Standards, flooding is included in “accident etc.” Additionally, the Mariners Act provides that when “a marine accident happens”, the Captain shall make report to the Minister of Land, Infrastructure, Transport and Tourism to that effect using a predetermined method (Article 19, Item 1

of said act), and if flooding falls under a “marine accident”, flooding would be subject to report.

The provisions relating to the duty to prepare management records in the Safety Management Manual (and therefore the Safety Management Regulations in application of the Manual) do not specify the management record in which the occurrence of flooding should be entered. At JR Kyushu Jet Ferry, operationally, the occurrence of flooding under circumstances where it is not confirmed that damage to the hull is involved is to be recorded in the maintenance log, and the occurrence of flooding where damage to the hull is involved is to be recorded in the deck log book. Further, for occurrences of flooding where damage to the hull is involved, additionally, a hull and engine failure report is to be prepared and submitted by the Captain to the Designated Person.

### **Part 3. Internal Control Systems of JR Kyushu Jet Ferry and JR Kyushu Group**

#### **1 Internal Control System of JR Kyushu Jet Ferry**

JR Kyushu Jet Ferry does not have a legal affairs department or other department specialized in the operations required for compliance with laws and regulations or a department specialized in measures for compliance with ferry service-related laws and regulations, and the Vessel Operation Division of the Vessel Operation Department is in charge of operations relating to ferry service-related laws and regulations.

No audit department dedicated to audit operations exists, and the Planning Department carries out internal audits.

JR Kyushu Jet Ferry carries out (i) general internal audits in accordance with the internal audit rules, and (ii) internal audits focusing on the safety management system of ferry services in accordance with the Safety Management Regulations and the Safety Management Manual.

#### **2 JR Kyushu’s Group Internal Control System for JR Kyushu Jet Ferry**

For management and supervision of group companies, JR Kyushu has prepared the Affiliate Companies Business Management Regulations, and implements (i) routine management and supervision of the status of business at each group company by the Strategy Management Department, responsible officers and supervisory departments, (ii) management and supervision through audits conducted by JR Kyushu on group companies as part of its own internal audits, and (iii) management and supervision by dispatching officers (directors and auditors) from JR Kyushu to group companies.

### **3 Establishment and Use of Whistle-blowing System**

JR Kyushu Jet Ferry has a Corporate Ethics Hotline (that is, an internal report desk for whistle-blowing), and the General Affairs Planning Division of the Planning Department is in charge of its operations. Aside from this, JR Kyushu also has a Corporate Ethics Hotline for the JR Kyushu Group, for which the Legal Affairs Division of the Administration Department of JR Kyushu serves as the internal desk and JR Kyushu's corporate attorney serves as the external desk for whistle-blowing.

## **IV Facts Confirmed as a Result of the Investigation**

### **Part 1. Flooding Incident Occurring in February 2023 and the Corresponding Administrative Disposition etc.**

#### **1 Overview of, and status of response to, flooding incident**

On February 11, 2023, over four occasions, the bilge warning sensor of the bow compartment of the *Queen Beetle* was activated and flooding to said compartment was confirmed. After receiving a report from Captain I at the time of the first such occasion, Mr. C, who was the General Manager of the Vessel Operation Department and also the Chief Safety Management Officer and Vessel Operations Manager under the Safety Management Regulations and the Designated Person under the Safety Management Manual at that time, ascertained the situation. However, thinking that the flooding could have been caused by ingress of rain water from the air vent or backflow of sea water from pipes, decided to continue operating ferry services as usual on that day.

When a diver check was conducted on February 12, 2023, a roughly five-centimeter crack was discovered on the bow starboard side, roughly 30 centimeters from the bow in the direction of the stern and roughly 20 centimeters below the waterline<sup>3</sup>, and thus emergency measures were taken immediately.

Mr. C, the Chief Safety Management Office and Vessel Operations Manager; Mr. D, the Deputy Vessel Operations Manager under the Safety Management Regulations, as well as the Deputy General Manager of the Vessel Operation Department and the Manager of the Vessel Operation Division, who was the deputy under the Safety Management Manual; Mr. G, the Deputy Manager of the Vessel Operation Division, Vessel Operation Department (in charge of maritime affairs); and Mr. H, Deputy Manager of the Vessel Operation Division, Vessel Operation Department (in charge of engineering) considered whether, in light of the fact that a crack was discovered, to continue operating the *Queen*

---

<sup>3</sup> Waterline means line where the water surface and the hull intersect when a vessel is floating on water.

*Beetle*; thinking that the flooding was in an amount that could be immediately drained by a drainage pump and would not cause any operational safety problems, and because it was lunar new year in Korea and a busy season at the time, suspending ferry services would inconvenience customers with reservations, they decided to continue ferry services. This decision was reported to Mr. E, the President at the time, and Mr. B, the General Manager of the Planning Department, who had experience as a captain and was knowledgeable about rules concerning ferry service operation, and neither of them opposed the decision.

Meanwhile, Mr. C, the Chief Safety Management Office and Vessel Operations Manager, and others thought that, given the fact that the crack on the bow starboard side was confirmed as the cause of the flooding, it was necessary to dock the ferry<sup>4</sup> and repair the crack, and given that if the ferry was docked, it would be subject to emergency inspection by the Kyushu District Transport Bureau under Article 5, Paragraph 1, Item (3) of the Ship Safety Act, decided to make a status report to the Kyushu District Transport Bureau at that time.

Mr. C, the Chief Safety Management Officer and Vessel Operations Manager, and Mr. D, the Deputy Vessel Operations Manager, visited the Senior Ship Inspector of the Kyushu District Transport Bureau on February 14, 2023 and explained the situation, and the Kyushu District Transport Bureau instructed that ferry service be suspended immediately, starting from the afternoon service that day.

Subsequently, it was confirmed at the dock that there were cracks in a total of four places, and all were places where slot welding had been carried out from the outside in order to attach the bow starboard side outer plate.

## 2 Overview of Administrative Disposition and Criminal Penalty

For its response to the February 2023 flooding incident discussed in 1 above, on June 23, 2023, pursuant to Article 19, Paragraph 2 of the Marine Transportation Act, JT Kyushu Jet Ferry was the subject of an Order to Ensure Safety of Transportation issued by the Minister of Land, Infrastructure, Transport and Tourism (“**June 2023 Administrative Disposition**”)<sup>5</sup>.

MLIT conducted an on-site inspection of JR Kyushu Jet Ferry pursuant to Article 25 of the Marine Transportation Act for its response to the February 2023 flooding incident. Even though JR Kyushu Jet Ferry owed the duty pursuant to Article 5, Paragraph 1, Item (3) of the Ship Safety Act to have the vessel undergo an emergency inspection once it became aware of the flooding from the crack in the hull, it used the uninspected vessel for transport, thus falling under Article 18, Paragraph 1, Item (9) applied, and it failed to report the flooding incident to MLIT; in light of this and other factors, the

---

<sup>4</sup> A “dock” is a facility in a shipyard to repair ships, and “to dock” or “docking” means for a ship to enter such a facility.

<sup>5</sup> [https://www.mlit.go.jp/report/press/kaiji06\\_hh\\_000295.html](https://www.mlit.go.jp/report/press/kaiji06_hh_000295.html)

order was issued.

With the order, JR Kyushu Jet Ferry was ordered to take improvement measures for 11 items immediately, and report in writing on the specific measures to the Minister of Land, Infrastructure, Transport and Tourism by July 23, 2023.

In response, on July 20, 2023, JR Kyushu Jet Ferry submitted an improvement report entitled “Report Concerning ‘Order to Ensure Safety of Transportation’” (“**July 2023 Improvement Report**”) to the Minister of Land, Infrastructure, Transport and Tourism<sup>6</sup>.

In addition, with respect to its response to the February 2023 flooding incident discussed in 1 above, JR Kyushu Jet Ferry was investigated by the Fukuoka Coast Guard Office, and on November 8, 2023, JR Kyushu Jet Ferry received a summary order for violation of Article 18, Paragraph 1, Item (9) of the Ship Safety Act from the Fukuoka Summary Court, and was fined 300,000 yen.

### **3 Overview of July 2023 Improvement Report; Status of Improvement Measures**

At the beginning of the July 2023 Improvement Report, the company acknowledges with deep reflection that the breaching acts of JR Kyushu Jet Ferry cited in the June 2023 Administrative Disposition were caused because of the lack of safety awareness on the part of top management and pledges to make effort to foster an awareness of safety throughout the company; in addition, four pillars are established as the “Basic Policy for Ensuring Safety” for JR Kyushu Jet Ferry to be reborn as a company that can communicate promptly with related authorities, and among these are, “If something unusual occurs, ‘an initial report first’ must be made internally and at the same time immediately to MLIT, the Japan Coast Guard and other related agencies”. In addition, up to this point, Mr. C had concurrently served in two positions under the Safety Management Rules, Chief Safety Management Officer and Vessel Operations Manager; in order to strengthen the system so that multiple people were involved as responsible persons in decision-making, as one improvement measure, Mr. C resigned as Chief Safety Management Officer, and Mr. B was newly appointed to this post.

Since receiving the June 2023 Administrative Disposition, whenever a flooding incident occurred, in accordance with the “make an initial report first” rule set forth in the July 2023 Improvement Report, JR Kyushu Jet Ferry had been reporting promptly to the Kyushu District Transport Bureau.

Specifically, on July 7, 2023, during the pre-departure inspection of the *Queen Beetle*, a slight amount of flooding, about a spoonful, was confirmed in the bow compartment; JR Kyushu Jet Ferry immediately reported to the Kyushu District Transport Bureau, and was told that because the amount of water was so small, it could continue operations as it monitored conditions. Subsequently, JR Kyushu Jet Ferry verified the volume of water three times a day, in the morning, afternoon and

---

<sup>6</sup> <https://www.jrbeetle.com/news/1622/>

evening, recorded the results in the maintenance log, and continued to monitor conditions, continuing operations until January 2024 with the slight flooding continuing without any significant change.

Additionally, on November 17, 2023, while the *Queen Beetle* was moored at Hakata Port, due to inclement weather with high winds, the side of the hull hit the quay and was damaged. When the vessel was checked for flooding by pouring water on it, it was confirmed that drops of water seeped out, and thus welding work on the damaged area was carried out on the same day and a report was made immediately to the Kyushu District Transport Bureau. After the Senior Ship Inspector of the Kyushu District Transport Bureau checked the welded portion of the damaged area, JR Kyushu Jet Ferry was able to obtain permission to operate and continue ferry service.

## **Part 2. Flooding incident of January 4, 2024, and status of response**

From July 2023 onward, flooding in the amount of about a spoonful of water continued, but on January 4, 2024, unlike the very small volume up to then, flooding of approximately 60 liters in the bow compartment was confirmed. JR Kyushu Jet Ferry then, in line with the “make an initial report first” rule set forth in the July 2023 Improvement Report, reported the flooding to the Senior Ship Inspector and the Safety Management and Seafarers Labor Inspector of the Kyushu District Transport Bureau at around 21:00 on the same day. Because an obvious crack in the hull could not be found, the Kyushu District Transport Bureau allowed the *Queen Beetle* to continue operations without performing an emergency inspection, and thereafter operations were also continued while monitoring conditions.

However, subsequently, on January 12, 2024, the Kyushu District Transport Bureau told JR Kyushu Jet Ferry that “we reported to the Kyushu District Transport Bureau Chief, who says that because the possibility of flooding from damage to the outer plate cannot be denied, operation of ferry services must be suspended”, and JR Kyushu Jet Ferry was instructed to suspend operations from the next day on January 13.

With the sudden suspension of operations, the Front Desk Division and the Sales Division of JR Kyushu Jet Ferry’s Sale Department were overwhelmed with dealing with customers who had reservations.

When the *Queen Beetle* was subsequently docked and the hull was checked, a crack was found in the bow starboard side outer plate slot welding, and thus reinforcement repair was performed by attaching five sheets of doubler plates as reinforcement plates<sup>7</sup>. After this repair was completed, the *Queen Beetle* resumed operations on January 25, 2024.

---

<sup>7</sup> A repair method where reinforcement is made by welding reinforcement plates called “doubler plating”, and because it welds a wide area to cover the damaged area, it is expected to be better able to prevent cracks than slot welding, which is only partial welding.

### **Part 3. This Matter**

#### **1 Occurrence of Flooding and Response at Time of Occurrence**

On February 12, 2024, around two to three liters of flooding were found in the bow compartment.

Mr. A, Mr. B, and Mr. C were aware that, in light of the “make an initial report first” rule, rightfully a report was to be made to the Kyushu District Transport Bureau and other relevant authorities as soon as the flooding was found, but given the course of their exchanges with the Kyushu District Transport Bureau regarding the flooding incident in January 2024, they also felt that, if they reported the state of the flooding to the Kyushu District Transport Bureau, the Bureau was sure to direct them to suspend ferry service immediately, which would mean once again suspending ferry service just after they finally had managed to resume ferry service approximately two weeks earlier, a state of affairs they preferred to avoid. Therefore, Mr. A, Mr. B, and Mr. C decided to hold off on reporting to the Kyushu District Transport Bureau and other relevant authorities for the moment, keep an eye on the situation overnight, and then think about what to do going forward.

On the morning of February 13, 2024, only a small amount of flooding – so little it could be wiped up with towels – was found, and the conditions seemed to suggest that almost no flooding occurred while at anchor. Thus, the same day, then-President A, Chief Safety Management Officer B, Vessel Operations Manager C, and Deputy Vessel Operations Manager D met to discuss their course of action going forward in light of the state of the flooding. As discussed in Part 1, 3 above, the four recognized that, in light of the “make an initial report first” rule that had been stressed in the July 2023 Improvement Report, the fact of the flooding was to be reported immediately to the Kyushu District Transport Bureau and other relevant authorities. However, (i) in consideration of their recent experience of being instructed to suspend ferry service because of flooding in January 2024, they believed that reporting even a small amount of flooding of uncertain origin to the Kyushu District Transport Bureau was sure to result in a demand that they suspend service immediately; (ii) at the same time, because February 2024 was a busy season with the Korean Lunar New Year, immediately suspending service would cause major inconvenience to a large number of ticketholders, and dealing with the ticketholders would create a burden for the Sales Department as it had during the service suspension in January 2024; and (iii) there was very little flooding in the bow compartment, and it did not seem problematic from a safety perspective to keep the *Queen Beetle* in service while monitoring conditions. Therefore, Mr. A, Mr. B, Mr. C, and Mr. D decided, as a result of these discussions, that they would not report the occurrence of the flooding to the Kyushu District Transport Bureau or other relevant authorities, and that they would keep the *Queen Beetle* in service while keeping an eye on the progress of the flooding.



The fact that service would continue was communicated from Vessel Operations Manager C to Mr. I, who was the Captain that day. Captain I believed, in light of the amount of flooding at the time, that it was unproblematic from a safety perspective to continue service while keeping an eye on the progress of the flooding; he accordingly had no objections to continuing service, and therefore agreed to it. Captain I, in addition to believing there were no problems from a safety perspective, understood the intent of the Executives to continue service to the extent possible so as not to inconvenience ticketholders; thus, thereafter as well, he acted in accordance with that intent, and voiced no objections to not reporting the occurrence of the flooding to the Kyushu District Transport Bureau or other relevant authorities.

The crew members other than Mr. I who knew of the circumstances appear to have felt, as he did, that there were no problems with the vessel's ability to provide safe service, and for that reason, most of them seem to have been in agreement with continuing service; none of them ever voiced so much as a contrary opinion.

## **2 Management of Amount of Flooding Immediately After Occurrence of Flooding**

From February 13, 2024 onwards, in order to ascertain the state of the flooding while accurately monitoring the amount of flooding in the bow compartment every day, Vessel Operations Manager C instructed Captain I, no later than during daytime that day, to quantitatively measure the amount of flooding three times daily – morning, afternoon, and evening – and record the results of each measurement.

In response to this instruction, beginning on said date, ship's officers on board the *Queen Beetle* recorded, in a makeshift ledger of their own creation, amounts of flooding in the bow compartment that were measured each morning, afternoon, and evening. However, the fact of the flooding was not recorded in the maintenance log or a hull and engine failure report, or mentioned in any way in the deck log book.

No facts have been found which suggest that Executives in the Vessel Operation Department ever explicitly instructed the Captains or the crew as to exactly how these amounts of flooding were to be recorded, but as detailed in 1 above, the Captains and the crew understood that, in view of the circumstances at the time, the *Queen Beetle* would be kept in service without reporting the flooding to the Kyushu District Transport Bureau or other relevant authorities, and thus would seem to have decided to refrain from recording the flooding amounts in the maintenance log or other official ledgers or reports that might be seen by the Senior Ship Inspector of the Kyushu District Transport Bureau in a future inspection, and to record the flooding amounts only in an unofficial ledger of their own creation. Executives of JR Kyushu Jet Ferry would have known of this as a matter of course, and it would have been accepted as in accord with the intent of the Executives, who, as detailed in 1 above,

intended, at the time of their February 13, 2024 decision, to conceal from the Kyushu District Transport Bureau and other relevant authorities that flooding had been occurring since February 12; it appears that this intent of the Executives was implicitly communicated to the Captains et al., with the result that the matter was handled in accordance with that intent.

It is noteworthy that the unofficial ledger recording the flooding amounts has a handwritten confidentiality symbol at the top of the first page, though it was not possible to identify when this was written. The symbol appears to have been written by one of the ship's officers, and its presence suggests that the unofficial ledger recording the flooding amounts was created on the assumption that it was to be shared only among a limited group of people.

### **3 Subsequent Handling of Flooding**

In order to verify the cause of the flooding into the *Queen Beetle*'s bow compartment that occurred on February 12, 2024, a so-called boat check, in which a boat was sent out and the *Queen Beetle*'s outer plate was visually inspected from the boat, was conducted for the first time on February 20, eight days after the flooding was first discovered. This boat check discovered faintly visible fissure-like openings, which seemed as if they could have caused the flooding, in two locations above the waterline on the starboard bow. However, it still could not be determined whether these cracks were the cause of the flooding.

Even after this, JR Kyushu Jet Ferry only conducted a few boat checks and never performed any full-scale verification work through diver checks or the like.

Regarding this point, as detailed in Part 1 above, diver checks were conducted immediately upon discovery of flooding in, for example, the flooding incidents of February and July 2023; in light of this, it would seem that Executives of JR Kyushu Jet Ferry, with the aim of continuing service to the extent possible, deliberately did not conduct any full-scale flooding cause verification work that might have discovered hull damage

### **4 Increase in Amount of Flooding, Change in Position of Bilge Warning Sensor**

According to the unofficial ledger recording changes in the flooding amount, the amount of flooding in the bow compartment of the *Queen Beetle* did not change significantly between February 2024 and May 26 of the same year.

However, on the evening of May 27, 2024, the amount of flooding suddenly rose to more than twice

compared to its previous value, reaching around 50 cm above the bottom of the ship<sup>8</sup>, and on the morning of May 28, flooding was at 42 cm from the bottom of the ship even though the vessel was at anchor; if service continued under these conditions, the bilge warning sensor was very likely to activate. Deputy Vessel Operations Manager D was approached that morning, before the vessel set sail, by Navigation Officer J, who suggested that the bilge warning sensor be moved to a higher position so that it would not activate; by agreeing to this, Mr. D instructed Navigation Officer J to raise the location of the alarm. In response, before the *Queen Beetle* set sail that day, Navigation Officer J relocated the bilge warning sensor from a position 44 cm from the bottom of the ship to a position approximately one meter from the bottom of the ship.

Subsequently, Deputy Vessel Operations Manager D reported the change of position of the bilge warning sensor to then-President A, Chief Safety Management Officer B, and Vessel Operations Manager C, all of whom agreed to the change of position without voicing any particular objections.

The reason then-President A and the other JR Kyushu Jet Ferry Executives agreed to the change of position of the bilge warning sensor was that, if an increase in the flooding amount were to cause the bilge warning sensor to activate, the *Queen Beetle*'s systems would retain a bilge warning sensor activation history as an official record, which subsequently might be seen by the Senior Ship Inspector of the Kyushu District Transport Bureau; for this reason, the Executives of JR Kyushu Jet Ferry believed that any activation of the bilge warning sensor would force them to report the flooding to the Kyushu District Transport Bureau and other relevant authorities, and they wanted to avoid this by ensuring that the bilge warning sensor would not activate.

## **5 May 30 Report on Flooding to Kyushu District Transport Bureau, Subsequent Emergency Inspection**

Even after the bilge warning sensor's position was raised on May 28, 2024, the amount of flooding in the *Queen Beetle*'s bow compartment kept rising, and on May 30, the bilge warning sensor activated. In response, on the same day, Vessel Operations Manager C reported the matter to the Senior Ship Inspector of the Kyushu District Transport Bureau, who happened to be visiting JR Kyushu Jet Ferry for a routine inspection. At this time, Vessel Operations Manager C reported to the Kyushu District Transport Bureau inspector that the flooding had first occurred on that day, intentionally omitting that flooding into the bow compartment had been occurring since February 12, and that from then until May 30, while the flooding continued, the *Queen Beetle* had been kept in service without

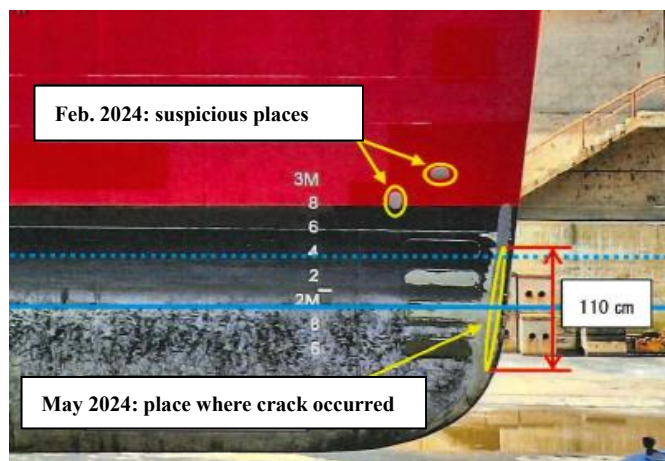
---

<sup>8</sup> The ship bottom in the bow section is at an incline, with the depth of the bottom increasing in the direction of the stern; because the place where the crew measured the amount of flooding was a place within the bow compartment that was closer to the stern than the place where the bilge warning sensor was installed, even if the flooding reached a height that exceeded 44 centimeters from the ship bottom, the bilge warning sensor would not immediately activate.

any report of the flooding to the Kyushu District Transport Bureau or other relevant authorities. As detailed in 1 above, on February 13, 2024, when then-President A and the three other Executives made the decision not to report the flooding to the Kyushu District Transport Bureau or other relevant authorities, it was decided, at least among those Executives, that the fact that flooding had been occurring since February 12, 2024 would be concealed from the Kyushu District Transport Bureau and other relevant authorities; this is why Vessel Operations Manager C made his report in the manner described above.

On May 30, 2024, an instruction to immediately suspend operation of ferry services was received from the Kyushu District Transport Bureau and a diver check was conducted, with the latter finding a vertical crack of around 110 cm on the starboard side, in a location near the front of the bow. This crack occurred along a welded section on an outer edge of the starboard side outer plate.

**Fig.: Positions and Forms of Places and Crack Suspected of Being the Cause of Flooding**



The next day, the 31st, an emergency inspection was to be conducted before noon to confirm the condition of the crack etc., but that morning, before the start of the emergency inspection, Navigation Officer K, who was stationed in the bow compartment, performed work to return to its original location the bilge warning sensor that had been moved up so it would not activate. Being a navigation officer, Mr. K was not in a position to take such action on his own initiative and may have been instructed by or may have received prior approval from the Captain or on-land Executives of the Vessel Operation Department, although this could not be corroborated by objective evidence or testimony from related parties.

In addition, during the inspection by the Kyushu District Transport Bureau conducted from May 31, 2024, the Senior Ship Inspector et al. of the Kyushu District Transport Bureau confirmed a crack of approximately 110 cm on the bow of the *Queen Beetle*, repeatedly asking Vessel Operations Manager C and Deputy Vessel Operations Manager D, “Do cracks like this occur suddenly? There would have

been earlier signs of the flooding, wouldn't there?" Mr. C and Mr. D replied that "there was nothing of the kind".

## **6 On-Site Inspection by Maritime Bureau of MLIT, Administrative Disposition by Minister of Land, Infrastructure, Transport and Tourism**

On August 6, 2024, the Maritime Bureau of MLIT conducted an on-site inspection of JR Kyushu Jet Ferry pursuant to Article 25, Paragraph 1 of the Marine Transportation Act. This inspection uncovered a series of problematic incidents.

On September 17, 2024, JR Kyushu Jet Ferry received, from the Minister of Land, Infrastructure, Transport and Tourism, an "Order to Ensure Safety of Transportation" with regard to the *Queen Beetle*, ordering that improvement measures be taken immediately for 11 items, on the grounds that "violations of relevant laws and regulations and the Safety Management Regulations have been confirmed, including the fact that, despite the discovery of flooding on February 12, 2024, until May 30 of the same year, reports to MLIT were neglected and ferry service continued for an extended period".

Moreover, on September 17, 2024, JR Kyushu Jet Ferry received a dismissal order from the Minister of Land, Infrastructure, Transport and Tourism ordering the dismissal of the Chief Safety Management Officer and Vessel Operations Manager. In addition, on October 17, 2024, the Fukuoka Coast Guard Office, on suspicion that JR Kyushu Jet Ferry had violated the Ship Safety Act and the Marine Transportation Act, conducted searches of JR Kyushu Jet Ferry's head office and the interior of the *Queen Beetle*; these searches by the Fukuoka Coast Guard Office were ongoing as of the date of this Report.

### **Part 4. Handling of Internal Oversight at JR Kyushu Jet Ferry and JR Kyushu Regarding this Matter**

At JR Kyushu, group company management regulations require that any occurrence of flooding in a vessel be reported immediately to the responsible officer and the department in charge, yet JR Kyushu Jet Ferry did not report the February 2024 flooding incident to JR Kyushu, thus making it impossible for JR Kyushu to ascertain the facts or take any action whatsoever.

An External Auditor dispatched from JR Kyushu conducted, as part of the FY2023 audit plan, an audit focused on confirming the state of implementation of the July 2023 Improvement Report in response to June 2023 Administrative Dispositions, but this audit did not uncover the fact that service was continued without reporting the February 2024 flooding incident.

In addition, an External Director dispatched to JR Kyushu Jet Ferry from JR Kyushu, and JR

Kyushu's responsible officer and department in charge, i.e., the Strategy Management Department, all conducted checks of the state of business performance, but did not go as far as routinely verifying the specific state of implementation of the July 2023 Improvement Report. Further, JR Kyushu's Audit and Supervisory Committee and Audit Department both did carry out audits of JR Kyushu Jet Ferry, but the most recent audits for both took place before this Matter, and the specific state of implementation of the July 2023 Improvement Report was not among the items subject to audit.

At JR Kyushu Jet Ferry, an internal audit under the Internal Audit Regulations was conducted of a period which included the February 13, 2024 decision not to report the flooding to the Kyushu District Transport Bureau, but this audit was conducted entirely by the General Manager of the Planning Department, that is, Mr. B, the Chief Safety Management Officer who was involved in the decision not to report the flooding to the Kyushu District Transport Bureau; thus, the audit results reported that there were no problems with any of the audit items.

## **V Evaluations and Observations Regarding the Problematic Incidents in this Matter**

### **Part 1. The Major Problematic Incidents in this Matter**

Assuming the factual nexus described above in IV, the following facts can be cited as the major incidents that should be viewed as problems in this Matter.

- (a) On February 12, 2024, former President A and other Executives of the JR Kyushu Jet Ferry and its Captains were aware of the flooding into the bow compartment of the *Queen Beetle*, but did not immediately make report to the relevant authorities and for more than three months thereafter the state of failure to report continued.
- (b) On February 12, 2024, the JR Kyushu Jet Ferry Executives and Captains, while aware of the water flooding into the bow compartment, judged that there were no problems in operating safely, and thereafter, until May 30, 2024, continued ferry service.
- (c) After becoming aware of the flooding into the bow compartment of the *Queen Beetle*, which occurred on February 12, 2024 (the "**Flooding**"; hereinafter the same in this chapter), the JR Kyushu Jet Ferry Executives and Captains managed the flooding not in an official ledgers or reports such as a deck log book, where, if flooding occurred, those circumstances were usually recorded, but only in unofficial ledgers.
- (d) On May 27, 2024, the Kyushu Jet Ferry Executives and Captains moved the position of the bilge warning sensor, which had been installed at a height of approximately 44 cm above the bottom of the *Queen Beetle*'s hull, to a height of roughly 1 meter above the bottom of the ship, and then

continued ferry service.

- (e) On May 30, 2024, in the report to the Kyushu District Transport Bureau, which they had no choice but to make because the bilge warning sensor had operated because of the sudden increase in water flooding into the *Queen Beetle*'s bow compartment, and in the subsequent investigation, in spite of the fact that the flooding had actually occurred on February 12, 2024, and had continued since then, the JR Kyushu Jet Ferry Executives gave a report that differed from the actual facts, implying that the flooding occurred immediately before the bilge warning sensor operated.

## **Part 2. Evaluation of and Observations Regarding the Above Incidents**

### **1 Regarding Incident (a)**

The Mariners Act provides that “when a marine accident occurs”, the matter should be reported to the Minister of Land, Infrastructure, Transport and Tourism using a prescribed method (Mariners Act, Article 19, Item 1). The Act on Marine Accident Inquiries provides that “any damage to a vessel relating to the operation of a vessel” is included in “marine accidents” (Act on Marine Accident Inquiries, Article 2, Item 1); and a “marine accident” under the Mariners Act can be understood in the same manner.

As concerns the Flooding, as of February 20, 2024, when the bow starboard side outer plate was investigated in a boat check, slight cracks were discovered in two locations in a slot welded portion; and in the bow compartment flooding that occurred on January 4, 2024 (“**January 2024 Flooding**”), while the flooding volume was not particularly different, cracks in the bow starboard side slot welded portions were the cause. In light of these and other circumstances, it must be said that as of February 20, 2024 at the latest, it was highly likely that the cracks were the cause of the flooding and circumstances were such that “damage to the vessel” should have been suspected.

Given the above, it is possible that as of February 20, 2024 at the latest, the Captains owed a duty to report to the relevant authorities pursuant to Article 19, Item 1 of the Mariners Act, and that failure to make report to the relevant authorities at such point in time contravenes Article 126, Item 6 of the Mariners Act.

Under the Marine Transportation Act, a person who engages in a business that is not being carried out in accordance with filed Safety Management Regulations is subject to a fine of up to one million yen and the corporation to which such person belongs is also subject to a fine of up to one million yen (Marine Transportation Act, Article 50, Item 6; Article 54, Item 2).

According to the JR Kyushu Jet Ferry Safety Management Regulations,

“When learning that an accident etc. has occurred, a Vessel Operations Manager must promptly give report to the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Coast Guard of a summary of such accident etc. and the state of processing of such accident etc.” (Safety Management Regulations, Article 51)

Under the Accident Processing Standards based on the Safety Management Regulations, flooding is included in “accident etc.” (Accident Processing Standards, Article 2). As discussed above, there is a possibility that it will be found that as of February 20, 2024 at the latest, there was a state of “flooding” that fell under the category of “marine accident” and thus constituted an “accident etc.” stipulated in Article 51 of the Safety Management Regulations.

Given the above, on the grounds that as of February 20, 2024, the Vessel Operations Manager had failed to fulfill the duty to report to the relevant authorities pursuant to such Article 51 and engaged in a business that was not being carried out in accordance with the Safety Management Regulations, it is possible that the Vessel Operations Manager contravened Article 50, Item 6 of the Marine Transportation Act and that JR Kyushu Jet Ferry as a corporation also contravened Article 54, Item 2 of such act.

In addition, under the Marine Transportation Act, the Minister of Land, Infrastructure, Transport and Tourism will impose a prison sentence of up to one year or a fine of up to 1.5 million yen on a person who violates an order issued under Article 19, Paragraph 2 of such Act and a fine of up to 100 million yen on the corporation to which such person belongs (Article 48, Item 2; Article 54, Item 1).

In this Matter, the June 2023 Administrative Disposition was issued in relation to the response of JR Kyushu Jet Ferry to the flooding into the bow compartment that occurred on February 11, 2023 (“**February 2023 Flooding**”), and in this Disposition, the managing Executives of JR Kyushu Jet Ferry were ordered to implement improvement measures to ensure compliance with the Safety Management Regulations.

In response to this, JR Kyushu Jet Ferry established, in the July 2023 Improvement Report, the rule of “make an initial report first”; notwithstanding this, the Flooding was not reported. This means that the improvement measures were not complied with and, therefore, there is the possibility that on the grounds of violation of the order by the Minister of Land, Infrastructure, Transport and Tourism, the person who violated such order contravened Article 48 Item 2 of the Marine Transportation Act, as well as the possibility that JR Kyushu Jet Ferry also contravened Article 54, Item 1 of such Act.

## **2 Regarding Incident (b)**

Under the Ship Safety Act,

“When an alteration is made to a matter that was inspected because of a marine accident or



other reason and that is likely to affect the seaworthiness of the vessel or assurance of the safety of human lives,”

a duty is imposed upon the vessel lessee to undertake an emergency inspection prior to operating the vessel, and if this duty is breached, then imprisonment of up to one year or a fine of up to 500,000 yen is imposed (Ship Safety Act, Article 18, Paragraph 1, Item 9, and Ship Safety Act Enforcement Ordinance, Article 19, Paragraph 3, Item 13).

The “seaworthiness of the vessel” refers to the capability of a vessel to operate safely while withstanding the meteorological conditions, sea conditions and other dangers that a vessel normally encounters when at sea, and among the elements needed to maintain seaworthiness are the durability, water-tightness, resilience, and propulsive capability of the hull structure. If a vessel is damaged and it is highly likely that flooding is occurring because of this, as of such time, the bow compartment is already in a state where it is losing its water-tightness, and this can only be called a state where there is the danger of an impact on the “seaworthiness of the vessel”. In the case of the Flooding, as discussed above, as of February 20, 2024 at the latest, such a state obtained.

From the above, it is highly likely that the JR Kyushu Jet Ferry Executives and Captains, as of such point in time, owed a duty to stop service for the *Queen Beetle* and have the vessel undergo an emergency inspection; notwithstanding this, the JR Kyushu Jet Ferry Executives and Captains continued the ferry service, and it is highly likely that as of February 20, 2024 at the latest, the JR Kyushu Jet Ferry Executives and Captains were in contravention of Article 18, Paragraph 1, Item 9 of the Ship Safety Act.

### **3 Regarding Incident (c)**

To begin with, the Mariners Act provides that any time a vessel has a “marine accident”, the Captain is to write a summary in the deck log book maintained on the vessel (Mariners Act, Article 18, Paragraph 2, Article 19, Item 1; Mariners Act Enforcement Ordinance, Article 11, Paragraph 2, Item 10). The term “marine accident” as used here can be understood to include “damage ... to a vessel related to operation of the vessel”.

As discussed in 1 above, as of February 20, 2024 at the latest, it was found that a “marine accident” had occurred; notwithstanding this, the Captains made no entry whatsoever of the Flooding, and this may contravene Article 18, Paragraph 2 of the Mariners Act.

Further, at JR Kyushu Jet Ferry, pursuant to the Safety Management Manual, for any flooding, flooding confirmation results are to be recorded in the maintenance log and the deck log book etc.; in light of this, the Flooding should have been recorded in the same manner.

From the above, the failure of the Captains to carry out flooding management using the official control log or reports, under the permission of the JR Kyushu Jet Ferry Executives, is an act that may

contravene laws and regulations and internal rules. Further, in light of its purpose and its circumstances, this can only be called an act that warrants public censure.

#### 4 Regarding Incident (d)

The Ship Equipment Regulations (based on Article 2, Paragraph 1 of the Ship Safety Act) require that passenger vessels with a capacity of 36 passengers or greater install flooding warning devices in certain watertight compartments (Ship Equipment Regulations, Article 146-48-2, Item 1; Public Notice Specifying Nautical Equipment Standards, Article 37-2, Paragraph 1, Item 1). The SOLAS Convention, based on International Maritime Organization guidelines<sup>9</sup>, requires the installation of flooding warning devices (SOLAS Convention, Annex, Chapter 2-1, Part B-4, Rule 22-1); the guidelines stipulate, among other things, “installation at the lowest possible position within the watertight compartment” (Guidelines, 8. Sensor Installation).

The *Queen Beetle* is subject to the above installation duty, but it is unclear specifically what height “the lowest possible position” refers to, and it is unclear whether the height of roughly one meter from the bottom of the ship would be a violation. Further, it would be difficult to say that the act of relocating the bilge warning sensor immediately constitutes a breach of a statutory duty.

However, regardless of whether it is a violation of law, the act of relocating the bilge warning sensor to a higher position is nothing other than an act meant to conceal the fact that the flooding had not been reported to the relevant authorities. Therefore, this act cannot avoid public censure.

In addition, it is inevitable that the act of returning the bilge warning sensor that had been relocated upwards back to its original position, given that it took place prior to the emergency inspection by the Kyushu District Transport Bureau, would be seen as an act undertaken so that the relocation upwards of the bilge warning sensor would not be exposed.

The Ship Safety Act imposes on a vessel lessee a duty to have the vessel undergo an emergency inspection when undertaking the retrofitting of nautical equipment specified by order of the **MLIT** (Ship Safety Act, Article 5, Paragraph 1, Item 3, Article 2, Paragraph 1, Item 9). The Ship Safety Act Enforcement Ordinance defines “retrofitting” as stipulated by MLIT order to be “retrofitting that is likely to impact a vessel’s seaworthiness or the safety of human lives”, involving the “change of position of things that when installed were fixed to the vessel” (Ship Safety Act Enforcement Ordinance, Article 19, Paragraph 1, Item 1(iv)). As discussed above, a flooding warning device is nautical equipment that pursuant to the Ship Equipment Regulations is to be installed in the hull; moving this device to a position higher than its proper installation position would appear to be an act that highly likely to fall under retrofitting of nautical equipment that must undergo an emergency

---

<sup>9</sup> GUIDELINES FOR FLOODING DETECTION SYSTEMS ON PASSENGER SHIPS(MSC.1/Circ.1291, 9 Dec 2008)

inspection.

Even though the bilge warning sensor was moved to a higher position, JR Kyushu Jet Ferry continued ferry service even beyond May 28, 2024, without undergoing an emergency inspection; this act contravenes Article 5, Paragraph 1 of the Ship Safety Act, and there appears to be a strong possibility that this act is subject to penal punishment (Ship Safety Act, Article 18, Paragraph 1, Item 9, and Paragraph 4; Article 26).

## 5 Regarding Incident (e)

Under the Marine Transportation Act, the Minister of Land, Infrastructure, Transport and Tourism, when finding it necessary for ensuring enforcement of the Act, can carry out an on-site inspection, and a fine of up to one million yen is imposed on any person who makes false statements in response to questions during the inspection (Marine Transportation Act, Article 50, Item 22, Article 25, Paragraph 1).

In addition, the Ship Safety Act stipulates that when a maritime authority finds it to be necessary, it can at any time perform a boarding inspection (*rinken*), and a fine of up to 300,000 yen is imposed on any person who makes false statements in response to questions during the inspection (Ship Safety Act, Article 21; Article 12, Paragraph 1).

In this Matter, because the bilge warning sensor was activated on May 30, 2024, this meant that on the following day, May 31, there would be an inspection by the Kyushu District Transport Bureau; it appears that this inspection was an emergency inspection under Article 5, Paragraph 1, Item 3 of the Ship Safety Act, and not an on-site inspection or boarding inspection as mentioned above.

If that is the case, then the statements differing from the truth made by the JR Kyushu Jet Ferry regarding the flooding do not fall under the above category of false statements. However, there remains no change in the fact that making such statements to conceal the flooding is an act worthy of public censure.

## VI Root Cause Analysis

### **Part 1. Notwithstanding the June 2023 Administrative Disposition, no true change in awareness was achieved regarding safety as the highest priority when operating a vessel and compliance with laws and regulations and internal rules**

In this Matter, the JR Kyushu Jet Ferry Executives and Captains all understood that “safety” was a high priority, but in the end, thinking that “if it’s only this much flooding in the bow compartment, then there’s no problem with operating the vessel”, prioritized business and internal circumstances.

The background and root of this kind of thinking on the part of the Executives and the Captains appear to have been (1) that in the first place they lacked or had insufficient basic knowledge and experience regarding safety in ferry service and (2) that in terms of thinking about “safety” they lacked the viewpoint of users and hence society.

In addition, the relocation of the bilge warning sensor and the other connected acts that occurred after the policy of not reporting to the relevant authorities was decided were carried out for the purpose of fully concealing the flooding from the relevant authorities, and here the stance can be perceived of prioritizing self-preservation and business considerations over compliance with laws and regulations and internal rules and the ensuring of safety.

While there are differences in degree, the other crew members also operated under the thinking that there was no safety problem in operating the vessel and showed at least a certain understanding regarding the decision not to report to MLIT, and in the end followed the judgment of the Executives; this is a clear indication that awareness of safety as the highest priority and compliance with laws and regulations and internal rules had not sufficiently permeated the company.

**Part 2. The framework and mechanism-building for making proper judgments in performing safe ferry service operations (including mechanisms for correcting mistaken judgments) were inadequate**

Regarding maritime affairs-related laws and internal regulations relating to ferry service, there may be cases where with individual incidents it is difficult to make an appropriate judgment on the application of such laws and regulations. From that perspective, a framework and mechanism-building for reaching the proper judgment and selection would appear to be essential, but at JR Kyushu Jet Ferry those initiatives appear to have been inadequate.

At JR Kyushu Jet Ferry, in the decision-making for important aspects relating to practical matters of ferry service, there would be discussions and consultations carried out among multiple possible line-ups, made up of four Executives—President A, Chief Safety Management Officer B, Vessel Operations Manager C, and Deputy Vessel Operations Manager D—as well as whoever were the Captains at such time. But because, of the Executives, Chief Safety Management Officer B, Vessel Operations Manager C, and Deputy Vessel Operations Manager D had been at their positions for a long time, leading to insufficient outside perspectives, and because the President at the time of the February 2024 Flooding did not have any experience in the marine transport business, he was unable to exert sufficient leadership; these were the types of problems JR Kyushu Jet Ferry faced.

In regards to this, under the JR Kyushu Jet Ferry internal audits and the subsidiary management of parent company JR Kyushu, how decisions were made regarding important aspects of practical matters relating to ferry service were not audited or monitored, and there were naturally limits to the check

functions. The framework and mechanisms for supplementing vulnerabilities in the JR Kyushu Jet Ferry safety management system were inadequate.

**Part 3. Work continued to be carried out with insufficient or ambiguous understanding of laws and regulations and internal rules, and no measures were taken in regards to this**

The rule of “make an initial report first” introduced in the July 2023 Improvement Report is a rule that was introduced for the purpose of ensuring that correct judgments were made to ensure safety; in spite of this, for the reason that it was highly likely that if report was made to the relevant authorities, JR Kyushu Jet Ferry would be put into difficult circumstances, the rule was not complied with, and, moreover, no opposing opinions were even raised. It can only be concluded that the reason for this is that the Executives and Captains did not sufficiently understand the intent of the rule.

Whether to keep the *Queen Beetle* in service was a question that depended on the judgment of whether the criteria for “when there has been a change likely to have an impact on maintenance ... of a ship’s seaworthiness” under the Ship Safety Act were met; the JR Kyushu Jet Ferry Executives and Captains, thinking that as long as the cause of the flooding was not clearly identified as coming from damage (cracks) to the hull, the relevant criteria were not met, kept the *Queen Beetle* in service; however, the Kyushu District Transport Bureau is believed to take the position that if there are suspicions that the flooding was caused by damage (cracks) to the hull, at that point in time a situation has already arisen where there is a likelihood of an impact on the maintenance of the vessel’s seaworthiness. Thus, there is a clear disparity with the understanding of the JR Kyushu Jet Ferry Executives. Regarding the judgment of whether the criteria under the Ship Safety Act were met, it can be said that the JR Kyushu Jet Ferry Executives carried out their work with an inadequate or ambiguous understanding.

**Part 4. The building of a culture and environment for achieving more open communication between the Executives and Captains and the crew remained inadequate.**

It appears that there were some crew members who had concerns about the response of the JR Kyushu Jet Ferry Executives and Captains response to the Flooding incident, but this investigation could not find anyone who spoke those concerns directly to the Executives or Captains. If the concerns of crew member had reached the Executives and Captains, it is possible that there would have been some impact, no matter how small, on their decision-making; taking this view, it cannot be said that there was adequate building of a culture and environment for open communication among the Executives, Captains, and crew members.

It must be said that also at the root of this problem was that the crew lacked a sense of ownership

and responsibility as members of the company.

**Part 5. The involvement of JR Kyushu as parent company in the implementation of improvement measures at JR Kyushu Jet Ferry from July 2023 onwards was not always sufficient.**

This scandal at JR Kyushu Jet Ferry touches upon “unwavering safety”, the slogan and, it can be said, the lifeline of the JR Kyushu Group, and whether the initiatives to prevent recurrence at JR Kyushu Jet Ferry sufficiently permeate the corporate culture and function properly is a critical challenge that can directly impact the reputation of the whole JR Kyushu Group.

During this time, JR Kyushu seconded to JR Kyushu Jet Ferry Mr. A, who at the time was a Corporate Officer of JR Kyushu, and had him appointed as the new President. As discussed in Part 2 above, however, Mr. A had little knowledge about or experience in the vessel operation business, and in implementing the measure to prevent recurrence at JR Kyushu Jet Ferry, he was a somewhat unknown quantity in terms of the extent he would be able to exert leadership.

In addition, no proactive involvement or support on the part of JR Kyushu could be seen directed towards prevention of recurrence of the scandals at JR Kyushu Jet Ferry beginning with the February 2023 Flooding.

It is a fact that the involvement of JR Kyushu was not fully adequate.

## **VII Recommendations on Measures to Prevent Recurrence**

### **Part 1. Introduction**

In response to the Order to Ensure Safety of Transportation dated September 17, 2024 by the Minister of Land, Infrastructure, Transport and Tourism, JR Kyushu Jet Ferry, on October 31, 2024, submitted to the Minister a “Report on Improvement in Light of the Order to Ensure Safety of Transportation,” which specifies measures to prevent recurrence of incidents such as the Matter, which fall under the following five categories. Specific measures under each category are as set forth in the **attached materials**.

- 1 Foster safety awareness and instill a sense of compliance with laws and regulations**
- 2 Reinforce safety management system functions**
- 3 Report and share information**
- 4 Prepare and release Safety Reports**
- 5 Strengthen governance by JR Kyushu**

These categories were chosen in light of the root causes of the incidents of this Matter discussed in VI above. The specific measures under each category take into consideration discussions with the Committee, and the Committee in general has no objection to the measures.

Discussed below are the Committee's views on each of the five categories and what the Committee believes JR Kyushu Jet Ferry must pay attention to in implementing the measures.

## **Part 2. Specific Measures to “Foster Safety Awareness and Instill a Sense of Compliance with Laws and Regulations”**

The measures in this category are expected to be effective not only in achieving true change of the mindsets of JR Kyushu Jet Ferry officers and employees with respect to safety as the highest priority in ferry service and compliance with laws, regulations and internal rules, both directly and indirectly, but also in fostering a sense of ownership and responsibility as members of the company, and the measures also will contribute to establishment of proper knowledge about maritime affairs-related laws and regulations.

In particular, the measure to “create the post of safety advisor” is an attempt by the company to bring in an external expert who has ample experience and knowledge of safety management for ferry service and incorporate a third-party perspective when making judgments on ferry service, and will be particularly beneficial as a measure to ensure from multiple viewpoints that correct judgments are made about ferry service determinations.

On the other hand, an aimless emphasis on the importance of having a “safety”-focused mindset would be far from being sufficient to prevent recurrence of incidents such as those in this Matter; therefore it is necessary, in education, training, instruction and at meetings, to carry out measures with the idea of bolstering basic ferry service knowledge and insight and to first clarify the company's problems and to then have the measures address such problems appropriately.

In addition, it would also be beneficial, in order to make clear, as a code, what “safety” specifically entails, to enhance the content of the Safety Management Regulations, Safety Management Manual, and assorted other manuals.

## **Part 3. Specific Measures to “Reinforce Safety Management System Functions”**

These measures are designed to establish a check function in and outside of the company organization and implement safety audits as well as effective monitoring by the Board of Directors, and each of them will be significant in strengthening the framework and mechanism-building for making proper judgments when operating safe ferry service.

In particular, the measure to “create a safety promotion department” will be extremely helpful in

achieving a reinforced safety management system. For the safety promotion department to fully demonstrate its functions, the responsibilities of this department need to be clarified, and it is hoped these will include quality assurance-related operations.

Furthermore, operations to ensure the safety of ferry service involve special aspects that are not present in railway operations, and for this reason, expert knowledge and experience in practical matters of ferry service are essential to executing safety management work. Keeping in mind such personnel appointments in the future, it will be necessary for now to utilize new advisors and collaborate with the Vessel Operation Department to supplement such knowledge and experience. The same can be said of the Chief Safety Management Officer; it is recommended that once improvement measures have sufficiently taken root, the company appoint an individual with ferry service experience and insight as the Chief Safety Management Officer.

#### **Part 4. Specific Measures to “Report and Share Information”**

To clarify the company’s policy and procedures in responding to flooding and other abnormal situations, which previously were not fully clear under internal rules, and to establish a communication method and structure in the event of an abnormal situation will be beneficial for promptly sharing information in case of emergency and making report to internal and external bodies that should receive such reports.

When incorporating and clarifying the steps to take in the event of flooding and other abnormal situations in the Safety Management Manual (as part of the emergency accident handling procedures) and in the Safety Management Regulations (as part of accident handling standards), it is recommended that the company do so after making inquiries with, having active dialogue with, exchanging opinions with, and receiving adequate instructions from, the relevant authorities. It is also recommended that the company constantly carry out review and improvement.

Formulating a Contingency Plan (an easy-to-follow manual showing a simple summary of what to do in case of emergency depending on the nature of incident, using diagrams, a checklist and the order of steps to take) and maintaining a copy in the bridge of a vessel, as a sub-document of the Safety Management Manual, etc.

#### **Part 5. Specific Measures to “Prepare and Release Safety Reports”**

In order to restore and improve public trust in the management of JR Kyushu Jet Ferry, JR Kyushu Jet Ferry must, as a business that takes the viewpoint of society into account, take accountability and proactively make disclosure of JR Kyushu Jet Ferry’s initiatives to ensure safety to customers and other stakeholders and hence society as a whole.



## **Part 6. Specific Measures to “Strengthen Governance by JR Kyushu”**

With this Matter, JR Kyushu Jet Ferry and by extension, the JR Kyushu Group, have lost public trust to an immeasurable degree, and they are in the midst of a crisis. Not only does JR Kyushu Jet Ferry itself, which now is in a situation where it “cannot afford to make any mistake,” need to implement these measures with an absolute resolve, but JR Kyushu also must understand that it faces a crisis where trust in “safety,” one of the key elements of its group’s business foundation, could start to waver and thus JR Kyushu must deepen its involvement in JR Kyushu Jet Ferry’s operations even more proactively as its parent company and carefully monitor the progress of the subsidiary’s improvement measures.

From this perspective, the measures in this category are all beneficial. At the same time, it is a fact that the existing framework and mechanism of auditing by JR Kyushu and seconding JR Kyushu personnel as officers did not achieve the intended results, and therefore quite a level of creativity and improvement are required to implement these measures, both in terms of the method of implementation and the mindset of people charged with such implementation. In particular, it is also critical for part-time officers seconded from JR Kyushu and personnel from the department in charge at JR Kyushu to visit the sites occasionally and personally see how things are run on the ground and listen to what crew members have to say or seek better ways to address this point.

End

## Improvement Report in Response to the “Order to Ensure Safety of Transportation” (Summary)

### I Summary of the Matter

- Date of occurrence: 18:45 on February 12, 2024 (Monday)
- Summary of the event, etc.

Despite the occurrence of flooding on the *QUEEN BEETLE*, a passenger vessel, which triggered the obligation to undergo an emergency inspection under Article 5 of the Ship Safety Law, the operation continued for approximately three months without suspending operations. Furthermore, during this period, no reports were made to the Ministry of Land, Infrastructure, Transport and Tourism, or the Japan Coast Guard.

- Top management knew about the flooding and approved the decision not to report the event.
- The occurrence of flooding was not reported to the relevant authorities, etc. between 2/12 and 5/30.
- The Vessel Operation Manager proposed not to report the occurrence of flooding, and the Chief Safety Management Officer agreed.
- The captain and other employees were involved in or followed the instructions regarding the failure to record the flooding in the pre-departure inspection record and the relocation of the bilge warning sensor.

### II Specific Measures to Prevent Recurrence

#### 1 Foster safety awareness and instill a sense of compliance with laws and regulations

1. Stipulation of a “Safety principle” in the safety policy
2. Conducting training at the Safety Creation Center
3. Establishment of a panel to prevent this incident from fading away
4. Assignment of safety advisors (counselors)
5. Implementation of compliance training
6. Implementation of technical competitions for seafarers’ work and awarding system
7. Holding of safety promotion meetings
8. Holding of a “general meeting of employees on safety” attended by all employees
9. Safety education utilizing e-learning
10. Steady implementation of periodic education and training (mainly in the ship operation department)
11. Safety lectures
12. Promotion of awareness of “near-miss” incidents

#### 2 Reinforce safety management system functions

1. Review of the safety management system
2. Establishment of a safety promotion department
3. Establishment of continuous improvement (PDCA cycle) through safety audits
4. Tracing of progress at Board of Directors meetings
5. Implementation of audits by external organizations

### 3 Engage in reporting and information sharing

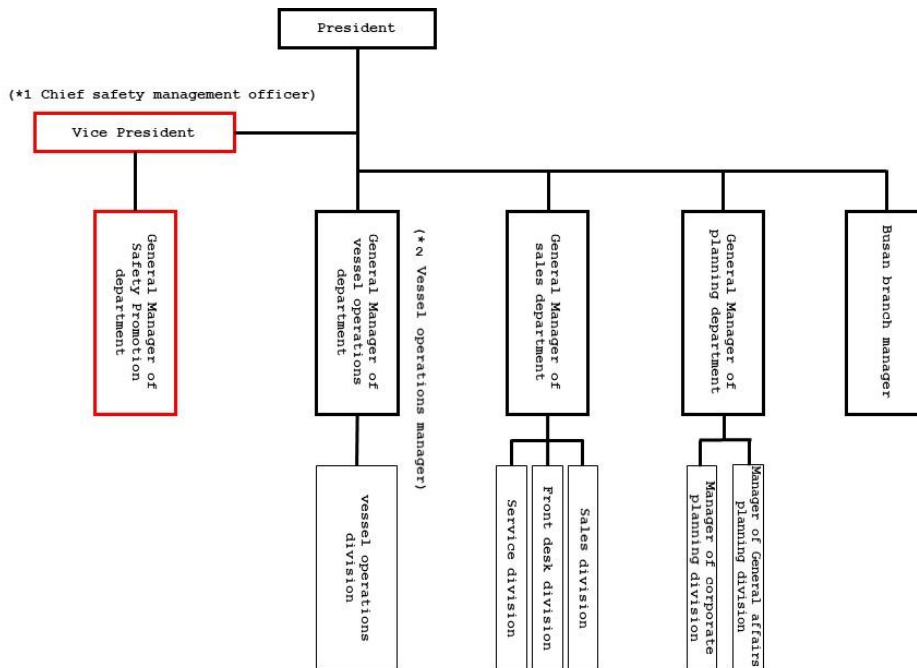
1. System for information sharing and communication about events
2. Addition of a response flow in the event of flooding or other abnormalities

### 4 Preparation and publication of Safety Reports

### 5 Strengthening of governance by JR Kyushu

1. On-site confirmation by non-executive directors (Enrolled in JR Kyushu)
2. Group audits by the JR Kyushu's audit department
3. Monitoring by JR Kyushu's administrative division
4. Audits by members of JR Kyushu's audit and supervisory committee
5. Participation in safety-related meetings hosted by JR Kyushu
6. Participation in training programs for directors organized by JR Kyushu
7. Reinforcement of audits by corporate auditors
8. Improvement of auditors' skills

## ■ Safety management system



\*1 Chief safety management officer: A person who directly assists the president

\*2 Vessel operations manager: The person in charge of the General Manager of vessel operations department or in an equivalent position