



December 10, 2018

To whom it may concern:

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Notice Regarding Measures to Prevent a Recurrence Following the Receipt of the  
Third-Party Committee Investigation Report

Kyushu Railway Company (hereinafter, JR Kyushu) hereby provides notice that in regard to the illegal activity (inappropriate handling of housing loans by JR Kyushu Housing Company (hereinafter, JR Kyushu Housing) , a consolidated subsidiary of JR Kyushu) reported in the “Notice Regarding Receipt of Third-Party Committee Investigation Report” dated November 30, 2018, JR Kyushu has earnestly considered the matters for which comments were received in the third-party committee investigation report and decisions were made regarding measures to prevent a recurrence, etc. The details are as follows.

**1. Measures to prevent a recurrence**

(1) Rigorous compliance education for the JR Kyushu Group

Heretofore, the JR Kyushu Group has implemented compliance seminars for JR Kyushu Group officers and employees and worked to implement rigorous employee education utilizing e-learning, etc. However, at JR Kyushu Housing, where this activity occurred, compliance education was insufficient, and compliance awareness was extremely weak.

Accordingly, at JR Kyushu Housing, internal training adapted to the housing industry, including specific examples, will be implemented for all employees. Moreover, the entire JR Kyushu Group will continue to implement education targeting further enhancement of compliance awareness.

In addition, awareness of the Corporate Ethics Hotline that is available for Kyushu Railway Company (hereinafter, JR Kyushu) and Group companies will be designated as a mandatory item for employee education, and thorough steps will be taken to promote compliance awareness.

## (2) Strengthening and enhancing JR Kyushu management systems

Various dysfunctional or inadequate management systems at JR Kyushu Housing were one cause of this activity.

Accordingly, going forward, steps will be taken to strengthen internal management systems, such as establishing systems utilizing checks by management-level employees (seal management, document management, etc.), revising internal regulations, formulating internal rules, and implementing continual improvement through the PDCA cycle.

In addition, measures will be implemented to establish a framework for smooth operational execution, such as implementing thorough employee education, strengthening management education for management-level employees, and formulating, utilizing, and updating an operations manual.

## (3) Building an open corporate culture at JR Kyushu Housing

Steps will be taken to enhance communications among organizational units, such as holding internal meetings for the exchange of opinions, changing layouts, etc. In addition, the personnel system for full-time, regular employees will be revised, and measures will be implemented to enhance employee motivation.

Also, a system for periodic interviews between managers and employees will be introduced in order to foster a harmonious mutual understanding between supervisors and subordinates. These activities will include compliance-related interviews. In this way, steps will be taken to cultivate compliance awareness among employees.

## (4) Implementing effective audits, etc.

Heretofore, JR Kyushu has conducted internal audits of all group companies, as appropriate. However, going forward the items subject to audit and the system for following up on post-audit improvement items will be revised. In these ways, the auditing system will be strengthened.

Also, a framework for the evaluation by JR Kyushu of the compliance initiatives of group companies will be established, and JR Kyushu will follow-up on the compliance systems of all group companies.

## (5) Reforming the JR Kyushu Housing personnel system

Employees who are well versed in operations will be dispatched from JR Kyushu to JR Kyushu Housing. In this way, the JR Kyushu Housing personnel system will be reformed and appropriate personnel rotations will be implemented from the viewpoints of internal control and employee education.

(6) Implementing information exchange meetings with suppliers

Meetings for the exchange of opinions between suppliers and JR Kyushu Housing managers will be newly implemented to obtain direct feedback from suppliers. In this way, steps will be taken to build relationships of trust.

**2. Clarification of responsibility for this incident**

(1) JR Kyushu Housing

JR Kyushu Housing directors have reacted to the recent situation in a strictly impartial and earnest manner, and they have indicated that they want to return a portion of their compensation. Accordingly, the following measures will be implemented.

Also, for JR Kyushu Housing employees, strict measures will be implemented in accordance with internal regulations.

Director: 10% reduction in monthly compensation (3 months)

(2) JR Kyushu

JR Kyushu directors have reacted to the recent situation in a strictly impartial and earnest manner, and they have indicated that they want to return a portion of their compensation. Accordingly, the following measures will be implemented.

Also, for JR Kyushu employees, strict measures will be implemented in accordance with internal regulations.

Senior Managing Director and Corporate Officer:

10% reduction in monthly compensation (1 month)

**3. Timing of announcement of results for the second quarter**

The Company plans to release its financial results for the second quarter of the fiscal year ending March 31, 2019, on December 13, 2018, and to submit its quarterly securities report for the second quarter of its 32nd fiscal year (the fiscal year ending March 31, 2019) on December 14, 2018.

In regard to this activity, JR Kyushu offers its deepest apologies for the trouble caused to shareholders, investors, and all of our other stakeholders, and the Company will do its utmost to prevent a recurrence going forward.