

(Translation)

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To whom it may concern:

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Notice Regarding the Introduction of a Performance-Based Stock Compensation Plan

At a Board of Directors meeting held on May 13, 2019, the Board resolved to introduce a new Board Benefit Trust (BBT) performance-based stock compensation plan (hereinafter, “the Plan”), and to submit a proposal regarding the Plan to the 32nd Annual General Meeting of Shareholders (hereinafter, “the Shareholders’ Meeting”), which will be held on June 21, 2019. The details are as follows.

1. Background and Objectives of Introduction

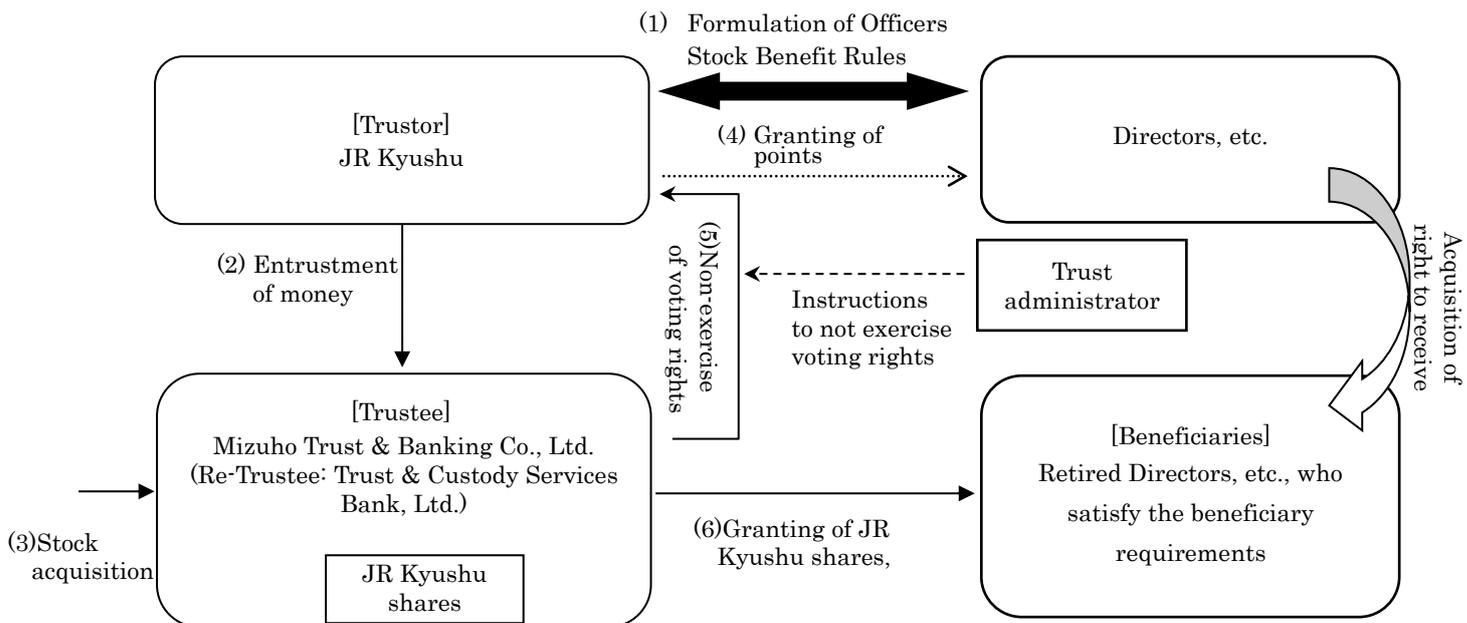
At the Board of Directors Meeting, the Board resolved to introduce the Plan, pending the approval of the shareholders at the Shareholders’ Meeting with regard to officer compensation, and decided to submit a proposal regarding the Plan to the Shareholders’ Meeting. The objectives of the Plan are to further clarify the relationship between the compensation of the Directors (excluding outside directors and directors who are Audit & Supervisory Committee Members; same below, unless otherwise indicated) and the Senior Executive Officers (hereinafter, “Directors, etc.”), and the Company’s performance and share value, and to encourage the Directors, etc. to contribute to the enhancement of the Company’s performance over the medium to long term as well as to increases in the Company’s corporate value by sharing, together with the Company’s shareholders, not only the benefits of increases in the stock price, but also the risks of decreases in the stock price.

2. Overview of the Plan

(1) Overview of the Plan

The plan is a performance-based stock compensation plan. Money contributed by the Company will be used as funds for the acquisition of JR Kyushu shares through a trust (hereinafter, the trust established in accordance with the Plan will be referred to as “the Trust”). In accordance with the Officers Stock Benefit Rules, formulated by the Company, JR Kyushu shares, and amounts of money corresponding to the value of JR Kyushu shares calculated based on the market value of those shares (hereinafter, “JR Kyushu shares, etc.”), will be distributed to the Directors, etc., through the Trust. The timing of the grants of JR Kyushu shares, etc., to the Directors, etc., will, in principle, be as of the date of their retirement.

<Framework of the Plan>



1. A resolution on officer compensation through the Plan is passed at the Shareholders' Meeting, and the Company formulates the Officers Stock Benefit Rules, within the framework limits approved at the Shareholders' Meeting.
2. The Company entrusts money within the limits approved at the Shareholders' Meeting, as described in (1).
3. The Trust uses the money entrusted as described in (2) as funds for the acquisition of the Company's shares through the implementation of transactions on the stock exchange or the acceptance of treasury shares disposed of by the Company.
4. The Company grants points to the Directors, etc., in accordance with the Officers Stock Benefit Rules.
5. In accordance with the instructions of the trust administrator, which is independent from the Company, the Trust will not exercise the voting rights associated with the Company's shares held in the Trust account.
6. Among the Directors, etc., who have retired, those who meet the beneficiary requirements stipulated in the Officers Stock Benefit Rules (hereinafter, "Beneficiaries"), will receive from the Trust distributions of the Company's shares. The distribution of the Company's shares will correspond with the number of points granted to the Beneficiary. However, if the Directors, etc., meet the requirements stipulated in the Officers Stock Benefit Rules, for a certain percentage of their points, they will be provided with an amount of money corresponding to the market value of the Company's shares.

(2) Subjects of the plan

Directors (excluding outside directors and directors who are Audit & Supervisory Committee Members; same below, unless otherwise indicated) and Senior Executive Officers

(3) Trust period

From August 2019 (planned) to the termination of the Trust (Note that, in regard to the period of the trust, the trust will continue, without a specific termination date, as long as the Plan continues. The Trust will be terminated if the Company's shares are delisted, the Officers Stock Benefit Rules are abolished, etc.)

(4) Entrusted money

With the condition that the introduction of the Plan is approved at the Shareholders' Meeting, the Company will introduce the Plan for the three-year period from the fiscal year ending March 31, 2020, to the fiscal year ending March 31, 2022 (hereinafter, this three-fiscal-year period is referred to as the "Initial Subject Period," and the Initial Subject Period and each three-fiscal-year period commencing after the Initial Subject Period are referred to as "Subject Periods") and for subsequent Subject Periods. The Company will contribute the money described below to the Trust as funds for the acquisition of the Company's shares by the Trust in order to distribute the Company's shares to the Directors, etc.

To start, at the time of the commencement of the trust period described in (3) above, the Company will contribute money to the trust as funds necessary for the Initial Subject Period, with an upper limit of ¥600 million (of which, the Directors' portion is ¥390 million).

In addition, even after the Initial Subject Period has elapsed, over the period until the termination of the Trust, the Company will, in principle, make additional contributions to the Trust for each Subject Period, with an upper limit of ¥600 million (of which, the Directors' portion is ¥390 million). However, when these additional contributions are made, if there are JR Kyushu shares (excluding JR Kyushu shares corresponding to the number of points that have been granted to the Directors, etc., in relation to each Subject Period up to the immediately prior Subject Period and have not yet been distributed to the Directors, etc.) or money (hereinafter, "Remaining Shares, etc.") remaining in the Trust assets, then the total of the amount of the Remaining Shares, etc., (for JR Kyushu shares, the market value as of the last day of the immediately preceding Subject Period) and the additionally contributed money will have an upper limit of ¥600 million (of which, the Directors' portion will be ¥390 million).

Note that, during a Subject Period, including the Initial Subject Period, the Company will be able to make multiple contributions of funds to the Trust until the cumulative total amount of contributions during the Subject Period reaches the upper limits described above. Also, when the Company decides to make an additional contribution, that decision will be disclosed in an appropriate and timely manner.

(5) Method of acquiring JR Kyushu shares and number of shares to be acquired

In regard to the acquisition of JR Kyushu shares by the Trust, the Trust will use the funds contributed as described in (4) above in order to acquire shares through the implementation of transactions on the stock exchange or the acceptance of treasury shares disposed of by the Company.

Note that, in regard to the Initial Subject Period, shares will be acquired without delay after the establishment of the Trust, with an upper limit of 200,000 shares.

In regard to the acquisition of JR Kyushu shares by the Trust, details will be disclosed in an appropriate and timely manner.

(6) Method of calculating the number of JR Kyushu shares, etc., to be distributed to the Directors, etc.

For each fiscal year, the Directors, etc., will be granted the number of points determined in accordance with the Officers Stock Benefit Rules, with reference to their position, degree of achievement of target management indicators stipulated in the Medium-Term Business Plan, etc.

Points granted to Directors, etc., will be converted to JR Kyushu shares at a conversion ratio of one share of JR Kyushu common stock per point. (However, in the event that a stock split, an allotment of shares without contribution, a stock consolidation, etc., is implemented after approval of the shareholders at the Shareholders' Meeting, then the number of granted points or the conversion ratio will be adjusted in a rational manner, in accordance with the ratio, etc., for the stock split, allotment of shares without contribution, stock consolidation, etc.)

The number of points of Directors, etc. that will serve as the basis for the distribution of JR Kyushu shares, etc., as described in (7) below will, in principle, be the number of points granted to the Directors, etc., up to the time of their retirement. (Hereinafter, points calculated in this manner are referred to as the "Finalized Number of Points.")

(7) Distribution of JR Kyushu shares, etc.

In the case of the retirement of a Director, etc., who meets the beneficiary requirements stipulated in the Officer Stock Benefit Rules, after retirement the Director, etc., will, in principle, after implementing the prescribed procedures for determining beneficiaries, receive a distribution of JR Kyushu shares from the Trust, with the number of shares determined in accordance with the Finalized Number of Points, as determined in accordance with (6) above. However, in the event that the requirements stipulated in the Officers Stock Benefit Rules are met, for a certain percentage, in place of a distribution of JR Kyushu stock, they will receive a distribution of cash in an amount corresponding to the market value of JR Kyushu stock. Note that, in order to make a cash distribution, there are cases in which the Trust will sell JR Kyushu shares.

(8) Exercise of voting rights

In accordance with the instructions of the trust administrator, none of the voting rights associated with the JR Kyushu shares held in the Trust will be exercised. This method is intended to ensure neutrality toward the Company's management in regard to the exercise of voting rights associated with the JR Kyushu shares held in the Trust account.

(9) Treatment of dividends

Dividends associated with the JR Kyushu shares held in the Trust account will be received by the Trust and allocated to the payment of the JR Kyushu share acquisition price, the payment for the trust fees, etc., for the trustee of the Trust. Note that, in the event that the Trust is terminated, the dividends, etc., remaining in the Trust will, in accordance with the

provisions of the Officers Stock Benefit Rules, be distributed to the Directors, etc., in office at that time, in accordance with the number of points held by each Director, etc.

(10) Treatment at the time of termination of the trust

The Trust will be terminated if the Company's shares are delisted, the Officers Stock Benefit Rules are abolished, etc.

Plans call for the Company to acquire, without consideration, all of the JR Kyushu shares that are included in the residual assets of the Trust at the time of the termination of the Trust and then to cancel those shares by resolution of the Board of Directors. In regard to money that is included in the residual assets of the Trust at the time of the termination of the Trust, the balance after deduction of the amount to be distributed to the Directors, etc., as described in (9) above, will be distributed to the Company.

[Overview of the Trust]

- (1) Name: Board Benefit Trust (BBT)
- (2) Trustor: JR Kyushu
- (3) Trustee: Mizuho Trust & Banking Co., Ltd.
(Re-Trustee: Trust & Custody Services Bank, Ltd.)
- (4) Beneficiaries: Retired Directors, etc., who satisfy the beneficiary requirements stipulated in the Officers Stock Benefit Rules
- (5) Trust administrator: Plans call for the selection of a third-party with no vested interest in JR Kyushu
- (6) Type of trust: Money trust other than cash trust (third-party beneficiary trust)
- (7) Date of conclusion of trust agreement: August 2019 (planned)
- (8) Date of entrustment of money: August 2019 (planned)
- (9) Period of trust: From August 2019 (planned) until termination of the trust
(The trust will continue, without a specific termination date, as long as the Plan continues.)