

(Translation)

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To whom it may concern:

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### Notice Regarding Opinions of Kyushu Railway Company's Board of Directors on Shareholder Proposals

Kyushu Railway Company ("JR Kyushu") received the letter (the "Shareholder Proposals Letter") from Fir Tree Capital Management L.P. as representative of a certain shareholder of JR Kyushu (the "Proposing Shareholder") requesting that the following proposals (the "Shareholder Proposals") be added to the agenda at JR Kyushu's 32nd general meeting of shareholders to be held on June 21, 2019 (the "General Meeting of Shareholders"). JR Kyushu hereby gives notice that, at a meeting of JR Kyushu's Board of Directors held today, it has resolved to oppose the Shareholder's Proposals.

#### I. Content of and Reasons for the Shareholder Proposals

##### 1. Agenda Items

- (1) Implementation of a Share Buyback
- (2) Amendments to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure)
- (3) Election of Three (3) Directors to the Board
- (4) Election of Three (3) Directors to the Board (Excluding Audit and Supervisory Committee Members)
- (5) Revision of Compensation Amounts for Directors (Excluding Audit and Supervisory Committee Members) and Introduction of Restricted Stock Compensation
- (6) Revision of Compensation Amounts for Outside Directors

##### 2. Summary of the Agenda Items and Reasons for the Proposal

Please refer to Appendix. Appendix sets out the relevant part of the original text of the Shareholder's Proposals Letter.

(Note) Each of the Shareholder Proposals will be referred to as follows: the shareholder proposal for Agenda Item 1(1) above as "the Shareholder Proposal to Conduct a Share Buyback"; the shareholder proposal for Agenda Item 1(2) above as "the Shareholder Proposal to Amend the

Articles of Incorporation”; the shareholder proposal for Agenda Item 1(3) above as “the Shareholder Proposal (i) to Elect Directors”; the shareholder proposal for Agenda Item 1(4) above as “the Shareholder Proposal (ii) to Elect Directors”; the shareholder proposal for Agenda Item 1(5) above as “the Shareholder Proposal to Introduce Restricted Stock Compensation”; and the shareholder proposal for Agenda Item 1(6) above as “the Shareholder Proposal to Revise Compensation Amounts.”

## II. Opinions of JR Kyushu’s Board of Directors regarding the Shareholder Proposals

### 1. The Shareholder Proposal to Conduct a Share Buyback

#### (1) Summary of the Shareholder Proposal to Conduct a Share Buyback

The Shareholder Proposal to Conduct a Share Buyback is a proposal for JR Kyushu to acquire 16,000,000 shares of JR Kyushu’s common stock for cash up to a total of ¥72 billion within 1 year from the close of the General Meeting of Shareholders in accordance with Article 156, Paragraph 1 of the Companies Act of Japan.

#### (2) Opinion of JR Kyushu’s Board of Directors

**The Board of Directors opposes the Shareholder Proposal to Conduct a Share Buyback.**

#### (3) Reasons for Opposition

The Shareholder Proposal to Conduct a Share Buyback proposes a large buyback equivalent to 10% of JR Kyushu’s outstanding shares. JR Kyushu opposes it for the following reasons.

In challenging business environment, the JR Kyushu Group, whose main business area is Kyushu, has conducted businesses such as the railway business and development in areas around stations, as typified by Seven Stars in Kyushu and JR HAKATA CITY, since its establishment upon Japan National Railway’s breakup and privatization, and has contributed to the revitalization of local societies through its development and earned trust from local people, and went public in 2016. The JR Kyushu Group, as a corporate group that provides mobility services in Kyushu, will continue to enhance the corporate value by fulfilling its social role.

On the other hand, as shown in the JR Kyushu Group Medium-Term Business Plan 2019–2021 released on March 19, 2019, operating income is expected to decline during the three-year term of the plan due to higher expenses resulting from the end of special tax measures, higher depreciation expenses in the railway business, etc. In response to a rapid change in the business environment such as population decline, the JR Kyushu Group needs to create sustainable mobility services centering on railways in Kyushu that are the source of JR Kyushu’s corporate value, and needs funds for growth investment in addition to funds for maintenance and upgrade investment (including safety investment) in the transportation segment. Further, to boost the JR Kyushu Group’s medium- and long-term corporate value, funds are needed for investment in future growth and for maintenance and upgrade investment in existing station buildings, etc., such as the development of the space above the tracks at Hakata Station and the area around Nagasaki Station, as well as the development of the area around Kumamoto Station and the west

entrance of Miyazaki Station in the real estate and hotels segment.

For the time being, capital expenditure (growth investment, maintenance and upgrade investment, safety investment) in excess of the current consolidated operating cash flow will be needed to maintain and develop the source of the JR Kyushu Group's corporate value and improve the medium- and long-term corporate value. JR Kyushu will move ahead with this strategy.

More specifically, JR Kyushu plans total capital expenditure of ¥340 billion, comprising growth investment of ¥210 billion, and maintenance and upgrade investment of ¥130 billion (including ¥70 billion of safety investment) over the three-year period of the plan. JR Kyushu forecasts consolidated operating cash flow of ¥220 billion over the same period and plans to carry out maintenance and upgrade investment, a portion of the growth investment, and pay shareholder returns from this amount, and to draw on debt capacity (corporate bonds and borrowing) for the remaining growth investment.

JR Kyushu needs to maintain financial soundness in order to realize medium- and long-term growth through these investments while at the same time appropriately fulfilling the JR Kyushu Group's social role by handling the risks of population decline and intensified natural disasters such as earthquakes and torrential rain, etc. in Kyushu in an agile and flexible manner. On the other hand, the Shareholder Proposal to Conduct a Share Buyback is the proposal to use large-scale debt financing to implement the share buyback, and it ignores financial soundness and is aimed solely at short-term shareholder returns, which would weaken JR Kyushu's ability to respond to the business risks, damage the JR Kyushu Group's trust among local societies and consequently the very source of its corporate value, and sacrifice future growth. For these reasons, the Board believes the Shareholder Proposal to Conduct a Share Buyback damages the JR Kyushu Group's medium- and long-term corporate value and it is severely flawed.

JR Kyushu is also aware of the importance of shareholder returns, and as shown in the JR Kyushu Group Medium-Term Business Plan, JR Kyushu made a firm commitment to stable shareholder returns over the long term, even during periods of falling operating profit, by raising its payout ratio from its current dividend payout ratio of 30% to a total payout ratio of 35% and by implementing share buybacks depending on circumstances. On the other hand, the total payout ratio of 50% in the Shareholder Proposal to Conduct a Share Buyback is inappropriate for the JR Kyushu Group that is aiming to realize medium- and long-term growth by exploiting investment opportunities flexibly even during periods of falling operating profit and drawing on debt capacity (corporate bonds and borrowing).

(4) Supplementary Explanation of Reason for Opposition

(i) Unique Circumstances to JR Kyushu due to Japan National Railway's Breakup and Privatization and Full Privatization

Because JR Kyushu expected its railway business to make a loss when Japan National Railway was privatized in April 1987, a management stabilization fund (¥387.7 billion) was

set up, and its investment returns had been used to cover JR Kyushu's operating losses and for capital expenditures in the railway business each year. As the management stabilization fund was terminated at the end of FY2015 prior to public listing and used for Shinkansen lease fees and debt repayment, etc., investment returns on the fund became no longer booked and JR Kyushu therefore booked an impairment loss for railway business fixed assets (approximately ¥520 billion).

(ii) Importance of Growth Investment for Stable Generation of Profit and Cash

The impact of the FY2015 impairment loss on railway business fixed assets (including a fall in depreciation expenses, etc.) is reflected in the profitability of JR Kyushu's railway business, and higher expenses (including higher depreciation expenses for maintenance and upgrade investment, etc.) are expected for the time being.

Stable profits and cash flow are necessary for the JR Kyushu Group to maintain the railway business that is central to the mobility services as the JR Kyushu Group's social role by appropriately handling the risks from population decline and natural disasters, etc. while ensuring safety and increasing efficiency. JR Kyushu considers that it is essential for the sustained growth and raising the medium- and long-term corporate value of JR Kyushu to maintain financial discipline and implementing growth investment steadily in order to generate the stable profits and cash, thereby preparing for the establishment of the business foundations for the 2030 Long-Term Vision of mobility services in Kyushu.

## 2. The Shareholder Proposal to Amend the Articles of Incorporation

(1) Summary of the Shareholder Proposal to Amend the Articles of Incorporation

The Shareholder Proposal to Amend the Articles of Incorporation is a proposal to amend a portion of the current Articles of Incorporation in order to transition to a company with a three committees structure.

(2) Opinion of JR Kyushu's Board of Directors

**The Board of Directors opposes the Shareholder Proposal to Amend the Articles of Incorporation.**

(3) Reason for Opposition

With approval by the general meeting of shareholders held in 2018, JR Kyushu transitioned to a company with an audit and supervisory committee structure with the objectives of (1) further enhancing corporate governance by strengthening the audit and supervisory functions of the Board of Directors, which includes Audit and Supervisory Committee members with voting rights, and (2) further increasing corporate value by realizing quicker and more efficient corporate management through the delegation to individual directors of a part of decisions of execution of important operations.

In addition to transitioning to a company with an audit and supervisory committee structure, JR Kyushu has adopted an executive officer system with the objective of improving business

performance by reinforcing JR Kyushu's competitiveness through the appointment of personnel who excel at business execution to the position of executive officer and the establishment of a functional and strategic management system which is able to respond appropriately and promptly to rapid changes in the business environment as a result of the separation of management decision-making and oversight functions from business execution functions through the clarification of business execution compartments.

There is no single absolutely correct answer as to a company's corporate structure and the adoption of a company with a three committees structure is not always the best solution. JR Kyushu decided to transition to a company with an audit and supervisory committee structure in recognition of the need for sweeping changes to the number and composition of directors based on the opinions of shareholders and the outcome of analysis and evaluation of the effectiveness of the Board of Directors. Deliberation by the Board of Directors led to the conclusion that an organizational structure with a company with an audit and supervisory committee structure and an executive officer system was the best solution in light of the business environment currently surrounding JR Kyushu.

In addition, in March 2019, JR Kyushu replaced the Compensation Advisory Committee with the Nomination and Compensation Advisory Committee comprising six outside directors and one inside director, chaired by an outside director, with the objectives of improving the objectivity and transparency of procedures for nominating and compensating board members and further strengthening corporate governance.

After transitioning to a company with an audit and supervisory committee structure and instituting an executive officer system at the end of June 2018, JR Kyushu has continued to make improvements, such as strengthening management of business segments, in addition to establishing the Nomination and Compensation Advisory Committee, in order to further enhance functionality and transparency in corporate governance. JR Kyushu thus believes that a company with an audit and supervisory committee structure is the best to strengthen corporate governance. At this stage, only one year after transitioning to a company with an audit and supervisory committee structure, with various measures already underway, JR Kyushu believes it would be inefficient to transition from this structure to a company with a three committees structure, as it could lead to confusion in management and is not realistic at all. At this time, JR Kyushu believes it is more important to examine the effect of improvement measures already underway, including the transition to a company with an audit and supervisory committee structure. For these reasons, JR Kyushu has decided it would be improper to transition to a company with a three committees structure.

3. Shareholder Proposals (i) and (ii) to Elect Directors (hereinafter, "Shareholder Proposals to Elect Directors" refers to both these proposals)
  - (1) Summary of Shareholder Proposals to Elect Directors

The Shareholder Proposal (i) to Elect Directors is a proposal to elect the following three candidates as directors, on the condition that the Shareholder Proposal to Amend the Articles of Incorporation is approved.

Candidate No.	Name
1	Toshiya Justin Kuroda
2	Keigo Kuroda
3	J. Michael. Owen

The Shareholder Proposal (ii) to Elect Directors is a proposal to elect the following three candidates as directors (excluding Audit and Supervisory Committee members), on the condition that the Shareholder Proposal to Amend the Articles of Incorporation is rejected.

Candidate No.	Name
1	Toshiya Justin Kuroda
2	Keigo Kuroda
3	J. Michael. Owen

(2) Opinion of JR Kyushu's Board of Directors

**The Board of Directors opposes the Shareholder Proposals to Elect Directors.**

(3) Reason for Opposition

JR Kyushu has realized quicker and more efficient corporate management through the delegation to individual directors of a part of decisions of execution of important operations, in addition to its reinforcement of the audit and supervisory functions of the Board of Directors, following shareholders' approval to transition to a company with an audit and supervisory committee structure at the general meeting of shareholders held in 2018.

The Board of Directors currently consists of nine directors who are not members of the Audit and Supervisory Committee and four directors who are members of the Audit and Supervisory Committee and three directors in each group, for a total of six directors, are independent outside directors (the outside director ratio: 46%). This composition ensures strong supervisory functions on the Board of Directors. Diversity on the Board of Directors has also been strengthened with 15% of the female director ratio.

The JR Kyushu Group Medium-Term Business Plan 2019-2021, released on March 19, 2019, places an emphasis on strengthening earnings capabilities in the real estate business, which strategically aims to develop local communities, alongside the core railway business. In this context, JR Kyushu believes it is essential to properly allocate management resources to form a strategic business portfolio. In addition, JR Kyushu has decided that it is necessary to strengthen finances and governance in support of these goals. Accordingly, while clarifying the position of

Chief Financial Officer (CFO) as an inside director, JR Kyushu newly proposes the election of the following two candidates, who have extensive experience and deep insight in the fields of real estate, finances and investor relations, as outside directors.

(Names and brief biographies of candidates proposed by JR Kyushu)

Candidate number	Name (birthdate)	Brief biography, position, area of responsibility, and other important concurrent positions	Number of JR Kyushu's shares owned
1	* Toshihide Ichikawa (September 27, 1954)	April 1977      Joined Mitsui Fudosan Co., Ltd. April 2003      (Id.) General Manager of Roppongi Project Promotion Department April 2005      (Id.) Executive Officer, General Manager of Roppongi Project Promotion Department August 2005     (Id.) Executive Officer, General Manager of Tokyo Midtown Business Department April 2008      (Id.) Managing Executive Officer, General Manager of Tokyo Midtown Business Department April 2009      (Id.) Managing Executive Officer, Director General of Accommodation Business Headquarter June 2011       (Id.) Managing Director, Managing Executive Officer, Director General of Accommodation Business Headquarter April 2013      (Id.) Director April 2013      Advisor to Mitsui Home Co., Ltd. June 2013      Special advisor to Mitsui Fudosan Co., Ltd. June 2013      Representative Director and President, Executive Officer of Mitsui Home Co., Ltd. October 2018   Group Senior Executive Officer of Mitsui Fudosan Co., Ltd. April 2019      (Id.) Advisor (current position) April 2019      Permanent Advisor to Mitsui Home Co., Ltd. (current position) (Important Concurrent Positions) Advisor to Mitsui Fudosan Co., Ltd. Permanent Advisor to Mitsui Home Co., Ltd. Chairman of Japan 2x4 Home Builders Association Vice Chairman of Japan Federation of Housing Organizations	—
(Reason for nomination as an outside director candidate)			
<p>Mr. Toshihide Ichikawa has extensive knowledge and experience in real estate and housing businesses, having worked in the housing development and building business at Mitsui Fudosan Co., Ltd. while building a track record in the community development business through the Tokyo Midtown project. He served as a director of Mitsui Fudosan Co., Ltd., the largest real estate developers in Japan, and also as representative director and president, executive officer of Mitsui Home Co., Ltd. JR Kyushu expects that the experience and insight he has gained throughout his career as a specialist in real estate and management, especially his advanced skills and know-how in real estate projects of similar scale and complexity as the urban development projects that the JR Kyushu Group intends to undertake, will be instrumental in management oversight and checking functions. He is thus nominated as a candidate for outside director of JR Kyushu.</p>			
(Special conflicts of interest)			
There are no special conflicts of interest between Mr. Toshihide Ichikawa and JR Kyushu.			

2	* Shinji Asatsuma (February 2, 1961)	April 1984      Joined Kansai Paint Co., Ltd. April 2012      (Id.) Executive Officer, General Manager of Corporate Planning Office April 2015      (Id.) Managing Executive Officer, Director General of International Headquarter June 2016      (Id.) Director, Managing Executive Officer, Director General of Administration Headquarter April 2017      (Id.) Director, Managing Executive Officer, General Manager of Administration Division, Director General of Corporate Administration Headquarter of Corporate Department April 2018      (Id.) Director, Managing Executive Officer in charge of Management, Corporate Planning and Human Resources Planning, Director General of Administration Headquarter April 2019      (Id.) Director (scheduled to retire on June 27, 2019)	—
(Reason for nomination as an outside director candidate) Mr. Shinji Asatsuma has a wealth of knowledge and insight related to financial affairs and accounting, having worked in mainly managerial roles at Kansai Paint Co., Ltd. While at Kansai Paint Co., Ltd., he engaged in formulation and implementation of the medium-term management plan as General Manager of the Corporate Planning Office, and he successfully promoted globalization as Director General of the International Headquarter. He was also in charge of investor relations activities, where he disseminated information to shareholders and investors and helped to improve corporate value. At the same time, he has been involved in management as a director. JR Kyushu expects that the experience and insight he has gained throughout his career as a specialist in financial affairs, investor relations, and management will be instrumental in management oversight and checking functions. He is thus nominated as a candidate for outside director of JR Kyushu.			
(Special conflicts of interest) There are no special conflicts of interest between Mr. Shinji Asatsuma and JR Kyushu.			

Regarding the JR Kyushu's proposal concerning candidates for outside director, the Nomination and Compensation Advisory Committee (seven members comprising one internal director and six independent outside directors) has examined and deliberated qualifications, experience and specialties of multiple candidates, including the three candidates in the Shareholder Proposal to Elect Directors, on multiple occasions, and reported to the Board of Directors. JR Kyushu's Board of Directors has considered the report and decided to nominate the aforementioned two new candidates for the position of outside director.

If both candidates were to join JR Kyushu's Board of Directors, JR Kyushu is confident they would help JR Kyushu sustain growth and improve corporate value over the medium and long terms by contributing to deliberations on real estate investments, management structures for investment real estate, proper allocation of management resources including for appropriate M&A strategies, and fund-raising strategies.

At the General Meeting of Shareholders, JR Kyushu is submitting a proposal for 11 candidates for the position of director (excluding Audit and Supervisory Committee members) and a proposal for one candidate for a director who is a member of the Audit and Supervisory

Committee to replace the current director who will resign. If all candidates are elected at the General Meeting of Shareholders, JR Kyushu's Board of Directors will have the following composition.

Directors who are not members of the Audit and Supervisory Committee	11	Including five independent outside directors Including one female director
Directors who are members of the Audit and Supervisory Committee	4	Including three independent outside directors
Total members	15	Including eight independent outside directors Including one female director (independent outside director ratio: 53%, female director ratio: 6%)

With this new Board of Directors, independent outside directors will form a majority, which will enhance transparency and integrity on the Board of Directors. In addition, two experienced corporate managers with expertise in real estate, finance, and investor relations will be newly added to the roster of outside directors, which has comprised one specialist each in the law and police administration, as well as four experienced corporate managers in the fields of regional economic development, tourism and financial affairs. JR Kyushu is confident that this will allow for the creation of an optimal management structure that is diverse and highly effective for the achievement of targets in its medium-term business plan.

Moreover, the addition of internal and outside directors with extensive experience in financial affairs and investor relations should help JR Kyushu achieve sustained growth and improvement in corporate value over the medium and long terms through communications with shareholders and investors.

JR Kyushu's Articles of Incorporation allows up to 12 directors who are not members of the Audit and Supervisory Committee, and the total number of candidates in JR Kyushu's proposal is one less than this maximum number. JR Kyushu believes this is the best composition in terms of the skill set and size of the Board of Directors, as well as of avoiding entrenchment.

Taking the above into consideration, JR Kyushu believes that the candidates in its proposal are better suited to achieving the targets in its medium-term business plan, and sees no need to elect the three candidates in the Shareholder Proposal as outside directors.

#### 4. The Shareholder Proposal to Introduce Restricted Stock Compensation

##### (1) Summary of the Shareholder Proposal to Introduce Restricted Stock Compensation

The Shareholder Proposal to Introduce Restricted Stock Compensation is a proposal to grant

of restricted stock as a form of compensation up to ¥372 million each year (up to ¥300 million for executive directors and up to ¥72 million for outside directors) to executive directors and outside directors, on the condition that the Shareholder Proposal to Amend the Articles of Incorporation is rejected. This is in addition to the compensation of up to ¥420 million per year (up to ¥36 million for outside directors) payable to directors (excluding Audit and Supervisory Committee members), as was approved by the general meeting of shareholders held in 2018.

(2) Opinion of JR Kyushu's Board of Directors

**The Board of Directors opposes the Shareholder Proposal to Introduce Restricted Stock Compensation.**

(3) Reason for Opposition

In its Medium-Term Business Plan 2019–2021 released on March 19, 2019, JR Kyushu stated its intentions to change the executive compensation system as one of the measures to strengthen corporate governance, and it has decided to propose an agenda item for the General Meeting of Shareholders to introduce a performance-linked compensation system for directors (excluding outside directors and Audit and Supervisory Committee members) and senior executive officers (for details, please refer to the notice titled “Notice Regarding the Introduction of a Performance-Based Stock Compensation Plan” released today).

The purposes of the introduction of the performance-based compensation are (i) to provide incentives for directors to increase JR Kyushu's corporate value in a steady manner by clarifying the link between their compensation and JR Kyushu's business performance and share price, and (ii) to further align their values with those of shareholders.

Although the Proposing Shareholder proposed the introduction of a restricted stock compensation system for the same purpose, there are distinct differences in the schemes and eligible recipients.

Regarding schemes, JR Kyushu's proposal is premised on a performance-based stock compensation plan through a stock benefit trust, whereas the Proposing Shareholder's proposal is premised on a restricted stock scheme. Restricted stocks are granted to directors during their office, and restrictions on the stocks are lifted after a certain period of time has passed. The performance-based stock compensation plan in JR Kyushu's proposal, on the other hand, assigns points based on the rank of the recipient and the achievement of the business performance targets designated in the medium-term business plan, etc. The number of shares to be granted is determined based on these points, which functions as an incentive to improve business performance. In addition, stocks will be granted to eligible recipients after their retirement based on the number of accumulated points, which functions as an incentive to increase the share price during their office.

Regarding eligible recipients, JR Kyushu's proposal defines eligible recipients as directors (excluding outside directors and Audit and Supervisory Committee members) and senior executive officers, whereas the Shareholder Proposal identifies recipients as directors, including

outside directors. JR Kyushu adopted an executive officer system upon the transition to a company with an audit and supervisory committee structure in 2018, thereby separating management decision-making and supervisory functions from business execution functions through the clarification of business execution compartments. Based on the report from the Nomination and Compensation Advisory Committee, JR Kyushu decided that it would be best to have clearly separate compensation systems for executing persons and supervising persons, and it thus decided to adopt a performance-based compensation system for inside directors who also serve as executive officers and for senior executive officers. JR Kyushu believes supervisory functions will be strengthened because incentives are provided to executing persons but not to outside directors and directors who are members of the Audit and Supervisory Committee (i.e., supervising persons).

For the reasons above, JR Kyushu believes its proposal for a performance-based stock compensation scheme is better.

(Comparison of stock-based compensation schemes in JR Kyushu's proposal and in the Proposing Shareholder's proposal)

	JR Kyushu's proposal	Proposing Shareholder's proposal
Type	Stock benefit trust	Restricted stock
Funds	¥600 million over three years (including ¥390 million for directors)	¥372 million over one year (total for inside and outside directors)
Maximum number of shares	Up to 200,000 shares	Not mentioned
Period	Trust period: three fiscal years (paid out on retirement)	Two to five years, as determined by the Board of Directors
Eligibility	<ul style="list-style-type: none"> <li>• Directors (excluding outside directors and Audit and Supervisory Committee members)</li> <li>• Senior Executive Officers</li> </ul>	<ul style="list-style-type: none"> <li>• Directors (excluding Audit and Supervisory Committee members)</li> </ul>
Performance achievement requirements	Yes	Not mentioned

## 5. The Shareholder Proposal to Revise Compensation Amounts

### (1) Summary of the Shareholder Proposal to Revise Compensation Amounts

The Shareholder Proposal to Revise Compensation Amounts is a proposal to set the amount of compensations for directors (excluding Audit and Supervisory Committee members) at no more than ¥456 million per year (including no more than ¥72 million per year for outside directors),

on the condition that the Shareholder Proposal to Amend the Articles of Incorporation is rejected and the Shareholder Proposal (2) to Elect Directors is approved.

(2) Opinion of JR Kyushu's Board of Directors

**The Board of Directors opposes the Shareholder Proposal to Revise Compensation Amounts.**

(3) Reason for Opposition

The amount of compensations payable to JR Kyushu's directors (excluding Audit and Supervisory Committee members, the same hereinafter as pertains to this JR Kyushu's proposal) has been set as a maximum of ¥420 million per year (including ¥36 million for outside directors) as approved by the general meeting of shareholders held in 2018. Taking into consideration the addition of outside directors which aims at improving corporate governance, JR Kyushu plans to propose an agenda item for the General Meeting of Shareholders (i) to change the amount of compensations per year for outside directors to ¥60 million, while keeping unchanged the amount of compensations per year for directors who are not members of the Audit and Supervisory Committee at ¥420 million, and (ii) to delegate the decision as to specific amount of compensation and date of payment for individual directors to the Board of Directors. These amounts of compensations do not include the portion of employee's salary for directors who concurrently serve as employees.

For the reasons above, JR Kyushu's proposal adequately covers the increase in the amount of compensations resulting from the increase in the number of outside directors who are not Audit and Supervisory Committee members, and JR Kyushu sees no need to approve the Shareholder Proposal to Revise Compensation Amounts.

(Comparison of the maximum compensation amounts in JR Kyushu's proposal and in the Proposing Shareholder's proposal)

	JR Kyushu's proposal	Proposing Shareholder's proposal
Total amount of compensations	¥420 million per year (the same as the current amount)	¥456 million per year (increase of ¥36 million per year)
Portion for outside directors	¥60 million per year (increase of ¥24 million per year)	¥72 million per year (increase of ¥36 million per year)

I. Summary of Proposals

**Agenda Item 1: Implementation of Share Buyback**

**Agenda Item 2: Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure)**

**Agenda Item 3: Election of Three (3) Directors to the Board**

**Agenda Item 4: Election of Three (3) Directors to the Board (Excluding Audit and Supervisory Committee Members)**

**Agenda Item 5: Change to the Compensation Amounts for Directors (Excluding Audit and Supervisory Committee Members) and Implementation of Restricted Stock Compensation**

**Agenda Item 6: Revision of Compensation Amount for Outside Directors**

Description

II. Content of the Shareholder Proposals

1. Agenda Item 1: Implementation of Share Buyback

(1) Summary of the Agenda Item

The Company shall acquire 16,000,000 shares of the Company's common shares ("**Common Shares**") by payment of an acquisition cost up to a total of 72 billion Japanese Yen (however, if the permitted total acquisition cost under the Companies Act (Clause 461 of the Companies Act, "**Distributable Amount**") is less than the aforementioned acquisition cost for, then up to the Distributable Amount) within 1 year from the end of the annual shareholders' meeting in accordance with Article 156, Paragraph 1 of the Companies Act.

(2) Reasons for the Proposal

Japan's Corporate Governance Code states that management should articulate its capital policies and define its cost of capital. While JR Kyushu's Medium-Term Plan outlined its real estate pipeline, it failed to define its cost of capital or optimal capital structure. Fir Tree believes a balance sheet composed mainly of real estate assets but financed without debt is inefficient and diminishes return on equity (ROE).

Fir Tree is proposing that JR Kyushu's Board repurchase 10% of outstanding shares to lower its cost of capital and offset the projected decline in ROE. Buying back stock would result in earnings per share growth of over 10%, an immediate increase in ROE from 12.2% to 13.7%<sup>1</sup> and a lower cost of capital. Even with this share repurchase and the Company's planned capex, JR Kyushu's net debt would remain far below its peers.

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<sup>1</sup> Sources: Fir Tree Partners FY 3/2020 estimates, JR Kyushu Company materials

Following the buyback, the Company’s total payout ratio should be increased to 50% (through buybacks and/or dividends).

**2. Agenda Item 2: Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure)**

(1) Summary of the Agenda Item

The current Articles of Incorporation shall be revised as follows, in order to adopt a three committee structure. The clauses related to this agenda item shall be modified to reflect the formalistic changes required to account for the other agenda items in the shareholders’ meeting (including agenda items related to Company proposals) that are approved.

Current Articles of Incorporation	Proposed Changes
<p>(Corporate Organs)</p> <p>Article 4 The Company shall have the following organs in addition to the general shareholders’ meeting and directors.</p> <p>( 1 ) Board of Directors</p> <p>( 2 ) <u>Audit and supervisory committee</u></p> <p>( 3 ) Accountant auditor</p>	<p>(Corporate Organs)</p> <p>Article 4 The Company shall, <u>as the Company with Committees, etc.,</u> have the following organs in addition to the general shareholders’ meeting and directors.</p> <p>( 1 ) Board of Directors</p> <p>( 2 ) <u>Nominating committee, audit committee and compensation committee</u></p> <p>( 3 ) <u>Executive officers</u></p> <p><u>( 4 ) Accountant auditor</u></p>
<p>(Shareholder registry administrator)</p> <p>Article 11 The Company shall have a shareholder registry administrator.</p> <p>2. The shareholder registry administrator and its place of business operations shall be <u>set by resolution of the Board of Directors</u> and shall be announced publicly.</p> <p>3. The creation and implementation of the Company’s stock ledger and registry of stock options and other matters related to the stock ledger and registry of stock options are entrusted with the shareholder registry administrator and shall not be handled by the Company.</p>	<p>(Shareholder registry administrator)</p> <p>Article 11 The Company shall have a shareholder registry administrator.</p> <p>2. The shareholder registry administrator and its place of business operations <u>shall be set by the executive entrusted by the Board of Directors or by resolution of the Board of Directors</u> and shall be announced publicly.</p> <p>3. The creation and implementation of the Company’s stock ledger and registry of stock options and other matters related to the stock ledger and registry of stock options are entrusted with the shareholder registry administrator and shall not be handled by the Company.</p>
<p>(Rules for Handling Shares)</p> <p>Article 12 The rules for handling the Shares relating</p>	<p>(Rules for Handling Shares)</p> <p>Article 12 The rules for handling the Shares relating</p>

<p>to the handling and fees related to the Company’s shares shall be the applicable laws and this Articles of Incorporation, as well as the rules for handling shares <u>as determined by the Board of Directors.</u></p>	<p>to the handling and fees related to the Company’s shares shall be the applicable laws and this Articles of Incorporation, as well as the rules for handling shares <u>as determined by the executive delegated such authority by the Board of Directors or by resolution of the Board of Directors.</u></p>
<p>(Convenor and Chair)  Article 15 <u>The President-Director</u> shall convene the Shareholders’ Meeting and serve as its chair.  2. <u>If the Representative Director and President</u> is unable to chair, another director shall chair in the order determined by the Board of Directors in advance.</p>	<p>(Convenor and Chair)  Article 15 <u>The director with a dual role as the President</u> shall convene the Shareholders’ Meeting and serve as its chair.  2. <u>If there is no director with a dual role as the President in place or if the director with a dual role as the President</u> is unable to chair, another director shall chair in the order determined by the Board of Directors in advance.</p>
<p>(Number of Directors)  Article 20 The number of directors for the Board of Directors <u>(excluding directors who are members of the audit and supervisory committee)</u> shall be <u>12</u> directors or less.  2 <u>The number of directors who are members of the audit and supervisory committee of the Company (“Audit and Supervisor Committee Member”)</u> shall be <u>five (5) directors or less.</u></p>	<p>(Number of Directors)  Article 20 The number of directors for the Board of Directors shall be <u>17</u> directors or less.   (Paragraph 2 is deleted)</p>
<p>(Method of Election of Directors)  Article 21 The directors shall be elected at the general shareholder meeting <u>by distinguishing between the Audit and Supervisory Committee Members and other directors.</u>  2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present.  3. Cumulative voting shall not be used for the above paragraph’s election resolution of the directors.</p>	<p>(Method of Election of Directors)  Article 21 The directors shall be elected at the general shareholder meeting.   2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present.  3. Cumulative voting shall not be used for the above paragraph’s election resolution of the directors.</p>
<p>(Term of Office of Directors)  Article 22 Term of office of a director <u>(excluding</u></p>	<p>(Term of Office of Directors)  Article 22 Term of office of a director <u>shall continue</u></p>

<p><u>the Audit and Supervisory Committee Members) shall continue until the conclusion of the annual shareholders meeting for the last business year which ends within one (1) year from the time of his or her election.</u></p> <p><u>2. The term of office of an Audit and Supervisory Committee Member shall continue until the conclusion of the annual shareholders meeting for the last business year which ends within two (2) years from the time of his or her election.</u></p> <p><u>3. The term of office of an Audit and Supervisory Committee Member who filled the vacancy of an Audit and Supervisory Committee Member who withdrew prior to the end of the term shall be the same time period which would have ended for the withdrawn Audit and Supervisory Committee Member.</u></p>	<p><u>until the conclusion of the annual shareholders meeting for the last business year which ends within one (1) year from the time of his or her election.</u></p> <p>(Paragraph 2 deleted)</p> <p>(Paragraph 3 deleted)</p>
<p><u>(Representative Directors and Directors with Titles)</u></p> <p><u>Article 23 The Representative Director of the Board of Directors shall be elected by resolution.</u></p> <p><u>2 The Board of Directors may elect by resolution one (1) Chairman, one (1) President and Executive President, and a few managing directors and executive directors.</u></p> <p><u>3. President-Director, by vote of the Board of Directors, may oversee presidential business duties.</u></p> <p><u>4. If the President-Director is unable to act, another director shall administer such job duties in the order determined by the Board of Directors in advance.</u></p>	<p>(Deleted)</p>
<p>(Convener and Chair of the Board of Directors)</p> <p>Article <u>24</u> The meetings of the Board of Directors shall be convened and chaired by <u>the Director and Chairman.</u></p> <p>2. If <u>the Representative Director and President</u> is absent or unable to act, <u>the Chairman</u> shall, and if <u>the Chairman is unable to act</u> another director in the order determined by the Board of Directors in</p>	<p>(Convener and Chair of the Board of Directors)</p> <p>Article <u>23</u> The meetings of the Board of Directors shall be convened and chaired by <u>the Director who has a dual role as the President.</u></p> <p>2. If <u>the director with a dual role as the President</u> is not in place or the director with a dual role as the <u>President</u> is absent or unable to act, the other directors in the order determined by the Board of</p>

advance shall convene the Board of Directors and chair.	Directors in advance shall convene and chair the Board of Directors.
Article <u>25</u> (Omitted)	Article <u>24</u> (as present)
(Entrustment of decision-making for important executive matters) Article <u>26</u> The Board of Directors may delegate to individual directors all or a portion of the decision-making authority for important executive matters (other than the items listed in paragraph 5 of this clause) by resolution, as prescribed in Clause 366, Paragraph 13(6) of the Companies Act.	(Board of Directors) Article <u>25</u> The Board of Directors shall decide on the Company's executive matters and oversee the execution of the work of the executives and directors. 2. The Board of Directors may delegate decision-making on executive matters to executives, except as otherwise provided under applicable law.
Articles <u>27-28</u> (abbreviated)	Articles <u>26-27</u> (as present)
<u>(Compensation, etc.)</u> Article <u>29</u> <u>The financial benefit received by the Company for compensation, bonuses and other consideration to executives shall be decided by resolution at the shareholders meeting by dividing up the Board of Directors who are Audit and Supervisory Committee Members from the Board of Directors who are not.</u>	(Deleted)
(Advisers and Counselors) Article <u>30</u> The Company may elect a few advisors and counselors by way of vote by the Board of Directors. 2 The general duties of an adviser to the Company and particular duties of a counselor shall be to respond to the inquiries of the President.	(Advisers and Counselors) Article <u>28</u> The Company may elect a few advisors and counselors by way of vote by the Board of Directors therefor <u>in accordance with the answer provided in response to an inquiry to the nominating committee.</u> 2 The general duties of an adviser to the Company and particular duties of a counselor shall be to respond to the inquiries of the President and Chief Executive Officer.
Article <u>31</u> (omitted)	Article <u>29</u> (as current)
<u>Chapter 5 Audit and Supervisory Committee</u>	(Deleted)
<u>(Members who are full-time Auditors, etc.)</u> Article <u>32</u> <u>The Audit and Supervisory Committee may elect by resolution full-time auditor members.</u>	(Deleted)

<p><u>(Notice to Convene the Audit and Supervisory Committee)</u></p> <p><u>Article 33 The notice to convene the Audit and Supervisory Committee shall be issued to each Audit and Supervisory Committee member three (3) days prior to the date of meeting. However, as necessary in case of emergency, this time period may be shortened.</u></p> <p><u>2. With the agreement of all of the members of the Audit and Supervisory Committee, a meeting of the Audit and Supervisory Committee may occur without the convocation procedures.</u></p>	<p>(Deleted)</p>
<p><u>(Audit and Supervisory Committee Rules)</u></p> <p><u>Article 34 Matters concerning the Audit and Supervisory Committee shall be according to the Audit and Supervisory Committee Rules in addition to the laws or this Articles of Incorporation.</u></p>	<p>(Deleted)</p>
<p>(Newly Established)</p>	<p><u>Chapter 5 Nominating Committee, Audit Committee and Compensation Committee</u></p>
<p>(Newly Established)</p>	<p><u>(Election of Committee Members)</u></p> <p><u>Article 30 The nominating committee, audit committee and compensation committee members shall be elected by resolution of the Board of Directors from among the directors.</u></p>
<p>(Newly Established)</p>	<p><u>(Authority of Each Committee)</u></p> <p><u>Article 31 The nominating committee shall determine the content of agenda items for election and dismissal of directors to be submitted to the general shareholder meeting and deliberate on matters concerning the election and dismissal of advisers and counselors.</u></p> <p><u>Nominating committee shall refer candidates for executive officers to the Board of Directors after selection and the Board of Directors shall give utmost respect to such nominations.</u></p> <p><u>2. The audit committee shall audit the execution of the duties of executive officers and directors and prepare audit reports and shall determine the content of agenda</u></p>

	<p><u>items for election and dismissal of accountant auditors and not re-electing accountant auditors to be submitted to the general shareholder meetings.</u></p> <p><u>3. The compensation committee shall determine the policy concerning the determination of the content of the compensation, etc. individually for executive officers and directors and advisers and counselors. If the executive officer is concurrently an employee of the Company, content of the compensation, etc. of such employee shall be treated in the same way.</u></p>
(Newly Established)	<p><u>(Matters concerning Committees)</u></p> <p><u>Article 32 Matters concerning committees shall be determined in accordance with the rules of committees determined by the Board of Directors in addition to law and this Articles of Incorporation.</u></p>
(Newly Established)	<u>Chapter VI Executive Officers</u>
(Newly Established)	<p><u>(Election of Executive Officers)</u></p> <p><u>Article 33 Executive Officers of the Company shall be elected by resolution of the Board of Directors.</u></p>
(Newly Established)	<p><u>(Term of Office of Executive Officers)</u></p> <p><u>Article 34 Term of office of an executive officer shall continue until the conclusion of the Board of Director meeting first convened after the conclusion of the annual general shareholder meeting for the last business year which ends within one (1) year from the time of his or her election.</u></p> <p><u>2. The term of office of an executive officer elected to fill an increase or a vacancy shall continue until the expiry of term of office of other executive officers.</u></p>
(Newly Established)	<p><u>(Representative Executive Officer and Executive Officer with Titles)</u></p> <p><u>Article 35 The Board of Directors shall elect by resolution a representative executive officer from among the executive officers by resolution of the Board of Directors.</u></p> <p><u>A President and Chief Executive Officer shall be elected and, if necessary, a few vice executive presidents, executive managing director and managing</u></p>

	<u>director may be elected from among the executive officers by resolution of the Board of Directors.</u>
(Newly Established)	<u>(Exclusion of Liability of Executive Officer)</u> <u>Article 36 If falling under the requirements specified by law regarding indemnification liability under Article 423, Paragraph 1 of the Companies Act for executive officers (including persons who were executive officers), the Company may exclude indemnification liability up to the amount provided by law.</u>
Chapter <u>6</u> External Auditor	Chapter <u>7</u> External Auditor
Articles <u>35-36</u> (omitted)	Articles <u>37-38</u> (as present)
Chapter <u>7</u> Calculation	Article <u>8</u> Calculation
Articles <u>37-40</u> (omitted)	Articles <u>39-42</u> (as present)

(2) Reason for the Proposal

Fir Tree believes that a three Committee structure will allow for more meaningful and effective oversight, as well as improved decision making by the Company. In line with the Company’s new JR Kyushu Group’s 2019-2021 Medium-Term Business Plan (the “Plan”) of strengthening governance, these changes will accelerate the separation of monitoring of management and execution, and together with the change to executive compensation, better enable the Company’s management to achieve its long-term growth potential and corporate value.

Although the Company currently has a nominating committee and compensation advisory committee in place, Fir Tree believes that to be an insufficient mechanism given the reporting of the nominating and compensation advisory committees to the Board of Directors has no legal binding effect on the Board whatsoever. In line with our stewardship responsibilities, Fir Tree is proposing the three committee structure to strengthen the management supervisory function through a clear division of executive and management duties.

**3. Agenda Item 3: Election of Three (3) Directors to the Board**

(1) Summary of the Agenda Item

On the condition that Agenda Item 2, Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure) is approved, the below three candidates shall be elected as Directors.

Candidate number	Name
1	Toshiya Justin Kuroda
2	Keigo Kuroda

3	J. Michael Owen
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(2) Reason for the Proposal

Fir Tree believes the addition of independent directors that are industry experts with extensive experience in Japanese real estate, finance and corporate communications will better enable the Board to allocate capital more rationally, make smart real estate investments and improve disclosure in order to achieve sustainable growth and improve corporate value for the Company, in line with the Corporate Governance Code (Principle 4-7). Fir Tree proposes to nominate three (3) independent directors in line with the Company’s Medium Term Plan goal of “strengthening governance.”

(3) Brief bios of the candidates

Candidate number 1	<b>Toshiya Justin Kuroda</b>	Birthdate: 10 April 1960 Number of Company Shares Owned: 0 shares														
<p>■ Brief biography, position at Company, area of responsibility, other important positions</p> <table border="1"> <tr> <td style="width: 20%;">1993-1994</td> <td><b>Kidder, Peabody &amp; Co</b> in New York as an Analyst in the Real Estate Group.</td> </tr> <tr> <td>1994-1998</td> <td><b>Sumitomo Mitsui Banking Corp</b>, in Los Angeles as Vice President in Corporate &amp; Project Finance.</td> </tr> <tr> <td>1999-2001</td> <td><b>KPMG</b>, in Los Angeles as a Senior Manager within the Real Estate Consulting practice.</td> </tr> <tr> <td>2001-2003</td> <td><b>Oaktree Capital Management</b>, in Tokyo as Senior Vice President responsible for acquiring real estate investments of over \$10bln in value.</td> </tr> <tr> <td>2005-2006</td> <td><b>Kennedy Wilson Japan</b> in Tokyo as Director responsible for asset management of the company’s real estate portfolio.</td> </tr> <tr> <td>2006-2017</td> <td><b>Oaktree Capital Management</b>, in Tokyo as Managing Director &amp; Representative overseeing Tokyo investment office and successful investment in a publicly traded Japanese REIT</td> </tr> <tr> <td>2017-Present</td> <td><b>TJK Partners</b> in Tokyo as CEO advising institutional clients on cross-border acquisitions.</td> </tr> </table>			1993-1994	<b>Kidder, Peabody &amp; Co</b> in New York as an Analyst in the Real Estate Group.	1994-1998	<b>Sumitomo Mitsui Banking Corp</b> , in Los Angeles as Vice President in Corporate & Project Finance.	1999-2001	<b>KPMG</b> , in Los Angeles as a Senior Manager within the Real Estate Consulting practice.	2001-2003	<b>Oaktree Capital Management</b> , in Tokyo as Senior Vice President responsible for acquiring real estate investments of over \$10bln in value.	2005-2006	<b>Kennedy Wilson Japan</b> in Tokyo as Director responsible for asset management of the company’s real estate portfolio.	2006-2017	<b>Oaktree Capital Management</b> , in Tokyo as Managing Director & Representative overseeing Tokyo investment office and successful investment in a publicly traded Japanese REIT	2017-Present	<b>TJK Partners</b> in Tokyo as CEO advising institutional clients on cross-border acquisitions.
1993-1994	<b>Kidder, Peabody &amp; Co</b> in New York as an Analyst in the Real Estate Group.															
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2005-2006	<b>Kennedy Wilson Japan</b> in Tokyo as Director responsible for asset management of the company’s real estate portfolio.															
2006-2017	<b>Oaktree Capital Management</b> , in Tokyo as Managing Director & Representative overseeing Tokyo investment office and successful investment in a publicly traded Japanese REIT															
2017-Present	<b>TJK Partners</b> in Tokyo as CEO advising institutional clients on cross-border acquisitions.															
<p>■ Reason for nomination as a Director candidate</p> <p>Mr. Toshiya Kuroda is a seasoned financial executive with more than 25 years of experience in private equity investment in real estate, distressed assets and non-performing loans, both in Japan and abroad. Mr. Kuroda has successfully managed large real estate teams responsible for structuring, due diligence and financing commercial property acquisitions, including hotel and residential use properties all over Japan. As Managing Director in charge of Oaktree Capital’s Japan office, Mr. Kuroda also served as Executive Director of a Japan REIT, following a majority stake acquisition in 2008.</p> <p>We propose to nominate Mr. Toshiya Kuroda as a truly independent outside director</p>																

because his broad knowledge and views in the real estate business would be invaluable to the Company's management.

(Special conflicts of interest) There are no special conflicts of interest between Mr Toshiya Kuroda and the Company.

Candidate number 2	<b>Keigo Kuroda</b>	Birthdate: 22 Sept 1972
		Number of Company Shares Owned: 0 shares

<p>■ Brief biography, position at Company, area of responsibility, other important positions</p>	
1995-1998	<b>Sharp Corporation</b> in Osaka as a Planning Associate & System Administrator in LCD Group.
2000-2002	<b>UBS</b> as Associate Director of M&A in Investment Banking Division based in New York and Tokyo.
2002-2007	<b>Lone Star Japan</b> as a Vice President in charge of origination and acquisition of commercial real estate in Japan, including non-performing loans.
2007-2013	<b>Blackstone Group</b> as Director responsible for Japan real estate portfolio growth and financing.
2013-Present	<b>Crosspath Advisors</b> as President & CEO advising foreign clients on Japan real estate transactions.

■ Reason for nomination as a Director candidate

Mr. Keigo Kuroda is President and CEO of Crosspath Advisors, overseeing Japanese real estate investment for a variety of foreign institutional investors. Prior to starting his own practice, Mr. Kuroda worked as a Director at Blackstone Group, playing a key role in their Japan real estate acquisition and asset management, including deal origination of more than 35 hotels and 40 golf courses. Mr. Kuroda also spent two years in investment banking at UBS, working on a variety of large business acquisitions as well as disposals for Japanese parent companies.

We propose Mr. Kuroda as an outside director because Mr. Kuroda's understanding of finance, combined with his real estate experience, would serve an immediate need on JR Kyushu's Board of Directors.

(Special conflicts of interest) There are no special conflicts of interest between Mr. Keigo Kuroda and the Company.

Candidate number 3	<b>J. Michael Owen</b>	Birthdate: 10 March 1968
		Number of Company Shares Owned: 0 shares

<p>■ Brief biography, position at Company, area of responsibility, other important positions</p>	
1995-Present	<b>Transpacific Enterprises</b> as Chairman & CEO, providing communication,

2004-Present	marketing and investor relations support for Japanese companies. <b>Urban Land Institute Japan</b> as Executive Director encouraging the responsible use of land and best urban planning practices.
2012-Present	<b>Japan “Future City” Initiative</b> as Promotional Council member
<p>■ Reason for nomination as a Director candidate</p> <p>Mr. J. Michael Owen was born in Japan and is fully bilingual. Mr. Owen has developed a particular focus on investor relations and capital raising activities of J-REITs, including the Fukuoka REIT. In 2004, Mr. Owen assumed the post of Executive Director for The Urban Land Institute Japan and he has since also worked to strengthen the networks of real estate development and investment firms both in Japan and overseas. He has also served as a Future City Promotion Council Member of the Japanese Cabinet Office since 2012, and for the past year has been advising the Nippon-Ham Fighters of the Japan Professional Baseball League on its relocation to a 40-hectare site along with ensuing city planning.</p> <p>We propose Mr. Owen as an outside board member because Mr. Owen would be an invaluable asset to JR Kyushu’s board given his extensive investor relations experience and his broad network of contacts within Japan’s urban planning and development circles.</p>	
(Special conflicts of interest) There are no special conflicts of interest between Mr. Michael Owen and the Company.	

(Note)

Mr. Toshiya Kuroda, Mr. Keigo Kuroda and Mr. J. Michael Owen are outside director candidates.

#### 4. Agenda Item 4: Election of Three (3) Directors to the Board (Excluding Audit and Supervisory Committee Members)

##### (1) Summary of the Agenda Item

On the condition that Agenda Item 2, Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure) is rejected, the below three candidates shall be elected as Directors (excluding audit and supervisory committee members).

Candidate number	Name
1	Toshiya Justin Kuroda
2	Keigo Kuroda
3	J. Michael Owen

##### (2) Reason for the Proposal

Fir Tree believes the addition of independent directors that are industry experts with extensive experience in Japanese real estate, finance and corporate communications will better enable the Board to allocate capital more rationally, make smart real estate investments and improve disclosure in order to achieve sustainable growth and improve corporate value for the Company, in line with the Corporate

Governance Code (Principle 4-7). Fir Tree proposes to nominate three (3) independent directors in line with the Company's Medium Term Plan goal of "strengthening governance."

(3) Brief bios of the candidates

Please see Agenda Item 3 (3) for brief bios of candidates Mr. Toshiya Justin Kuroda (no. 1), Mr. Keigo Kuroda (no. 2), and Mr. J. Michael Owen (no. 3).

**5. Agenda Item 5: Revision of Compensation Amounts for Directors (Excluding Audit and Supervisory Committee Members) and Implementation of Restricted Stock Compensation**

(1) Summary of the Agenda Item

This Agenda Item is proposed on the condition that Agenda Item 2, Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure) is rejected.

At the Company's June 22, 2018 annual shareholders' meeting, an amount of compensation for Directors (excluding audit and supervisory committee members) was approved up to 420 million Japanese yen per year (of which, remuneration for outside directors was approved up to a maximum of 36 million Japanese yen per year).

Fir Tree proposes that each executive Director and outside Director (such Directors, collectively, "**Subject Directors**") shall receive stock based compensation for their respective services which is separate and in addition to their existing cash compensation. The total amount of stock based compensation shall be no more than 372 million Japanese yen per year. The details of such restricted stock based compensation shall be as follows:

- (a) The total amount of restricted stock based compensation for executive Directors of the Board shall not be more than 300 million Japanese yen per year.
- (b) The total amount of restricted stock based compensation for outside Directors of the Board shall not be more than 72 million Japanese yen per year.
- (c) The applicable compensation paid for the purpose of granting restricted stock to the Subject Directors will be treated as a monetary compensation claim, and the Company shall issue or dispose of shares of its stock in exchange for payment in the form of a capital contribution in-kind in the amount of such monetary compensation claim.
- (d) The Subject Directors shall not transfer, create a security interest in, or otherwise dispose of the granted restricted shares of the Company during the period stipulated in advance by the Board of Directors, which shall be between two (2) and five (5) years after the allotment date of the restricted shares.
- (e) Other details of the restricted stock compensation program (including payment timing, number of shares issued to each Subject Director and allocation of shares to be issued or disposed of by the Company as restricted stock) shall be determined by the Board of Directors within the framework above.

(2) Reason for the Proposal

Fir Tree believes that JR Kyushu's current management compensation plan is inadequate because it is not tied to the long-term results of the Company, and therefore is not aligned with shareholders. Senior management and the Board combined own less than 0.01% of JR Kyushu's stock. By adopting a restricted stock compensation plan for executive Directors and outside Directors of the Company, we believe management's incentives will be better aligned with those of shareholders. We would encourage the Board and the Company to explore ways of extending such a restricted stock plan to Senior Executive Officers of the Company.

We emphasize that this proposal for a restricted stock compensation program is an additional incentive to the Company's management, and not a replacement for existing salary compensation.

## **6. Agenda Topic 6: Revision of Compensation Amounts for Outside Directors**

### **(1) Summary of the Agenda Item**

On the condition that Agenda Item 2, Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure) is rejected and Agenda Item 4 "Election of Three Directors (excluding audit and supervisory committee members) to the Board" is approved, the annual amount of compensation for Directors (excluding audit and supervisory committee members) shall be up to 456 million Japanese yen per year (of which, with respect to outside directors, up to a maximum of 72 million Japanese yen will be allocated per year).

### **(2) Reason for the Proposal**

At the Company's June 22, 2018 annual shareholders' meeting, the annual total compensation amount for Directors (excluding audit and supervisory committee members) was approved in an amount up to 420 million Japanese yen per year (of which, remuneration for outside directors was approved up to a maximum of 36 million Japanese yen per year).

However, should Agenda Item 2, Revisions to a Portion of the Articles of Incorporation (Change to a Company with a Three Committees Structure) be rejected and Agenda Item 4 "Election of Three Directors (excluding audit and supervisory committee members) to the Board" be approved, the number of outside Directors on the board would increase from three (3) to six (6). Fir Tree believes that both the executive Directors and outside Directors on the Board should continue to receive no less than the same amount of cash remuneration approved by shareholders last year, regardless of any increase in the number of Directors on the Board. As a result, we propose that the outside director compensation amount be increased to a maximum of 72 million Japanese yen, and accordingly the total Director (excluding audit and supervisory committee members) compensation be increased to a maximum of 456 million Japanese yen per year, to account for the potential increase in outside Directors from three (3) to six (6).

End.