

(Translation)

August 5, 2019

To whom it may concern:

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Notice Regarding Change of Subsidiary (Share Transfer)

Kyushu Railway Company (hereinafter, “JR Kyushu”) announces that, at a Board of Directors meeting held on August 5, 2019, it has resolved to transfer to a subsidiary that has been newly established all of the business operations, other than the leasing and installment financing businesses, of JR Kyushu Financial Management Company (JFM), a subsidiary of JR Kyushu, through an absorption-type split with an effective date of October 1, 2019, and then to transfer 90% of JFM shares after the absorption-type split to the Higo Bank, Ltd. (hereinafter, “The Higo Bank”). JR Kyushu has concluded a share transfer agreement with The Higo Bank. The details are as follows.

1. Background to and Reason for the Transfer

As a JR Kyushu subsidiary in the Group’s financial services business operations, JFM has handled leasing and installment financing businesses inside and outside the Group and financial services within the Group. However, in JFM’s core leasing and installment financing businesses, methods of fund-raising have diversified against a background of lower market interest rates, and lease accounting standards have changed. Due to these and other factors, significant growth is not expected. In this setting, to foster the further development of JFM’s leasing and installment financing businesses, it was determined that the best option was for these businesses to aim for growth under the management of The Higo Bank, which has extensive financial know-how and a solid customer base.

2. Outline of subsidiary transferred

(1)	Name*1	JR Kyushu Financial Management Company
(2)	Location	1-5-1 Hakata-ekimae, Hakata-ku, Fukuoka
(3)	Position and name of representative	President: Ryota Nakano
(4)	Business Activities*2	Leasing and installment financing businesses, cash management services business, financial shared services operations, etc.

(5)	Capital stock (as of the end of March 2019)	¥400 million		
(6)	Date of establishment	July 12, 1988		
(7)	Major shareholders and shareholding ratio (as of the end of March 2019)	Kyushu Railway Company: 100%		
(8)	Relationship between the listed company and the company concerned (as of the end of March 2019)	Capital relationship	JR Kyushu holds 100% of the issued shares	
		Personnel relationship	JR Kyushu has dispatched an executive to serve as President and Representative Director of JFM, and in addition JR Kyushu has seconded seven employees to JFM.	
		Business relationship	JFM has lease contracts, etc., with JR Kyushu	
(9)	Operating results and financial condition of the company concerned for the most recent three years			
	Fiscal year	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Net assets	¥1,746 million	¥1,783 million	¥1,886 million
	Total assets	¥58,216 million	¥66,007 million	¥61,914 million
	Net sales	¥5,541 million	¥5,312 million	¥5,321 million
	Operating income	¥93 million	¥110 million	¥186 million
	Ordinary income	¥115 million	¥119 million	¥189 million
	Net income	¥124 million	¥70 million	¥140 million

*1. Plans call for a change in the company name to JR Kyushu FG Lease, Inc. after the share transfer.

*2. Plans call for all businesses other than the leasing and installment financing businesses (cash management services business, financial shared services operations, etc.) to be transferred to JR Kyushu Business Partners Company, a subsidiary of JR Kyushu newly established on July 18, 2019, through the absorption-type split with an effective date of October 1, 2019.

3. Outline of company purchasing the shares

(1)	Name	The Higo Bank, Ltd.
(2)	Location	1, Rempeicho, Chuo-ku, Kumamoto City
(3)	Position and name of representative	President: Yoshihisa Kasahara
(4)	Business Activities	Banking (deposits, lending, etc.)

(5)	Capital stock (as of the end of March 2019)	¥18,128 million	
(6)	Date of establishment	July 25, 1925	
(7)	Major shareholders and shareholding ratio (as of the end of March 2019)	Kyushu Financial Group, Inc.: 100%	
(8)	Relationship between the listed company and the company concerned (as of the end of March 2019)	Capital relationship	The Higo Bank holds 0.18% of JR Kyushu's total number of issued shares.
		Personnel relationship	There are no matters requiring mention.
		Business relationship	There no matters requiring mention other than normally occurring banking transactions.

4. Number of transferred shares and status of shareholding before and after the transfer

(1)	Number of shares owned before transfer	8,000 shares Number of voting rights: 8,000 Ratio of voting rights: 100.0%
(2)	Number of transferred shares	7,200 shares Number of voting rights: 7,200 Ratio of voting rights: 90.0%
(3)	Transfer price	This will not be disclosed due to the duty of confidentiality among the parties, but the transfer price will be determined through negotiations with the other party after a fair process.
(4)	Number of shares owned after the transfer	800 shares Number of voting rights: 800 Ratio of voting rights: 10.0%

5. Schedule

(1)	Date of conclusion of share transfer contract	August 5, 2019
(2)	Effective date of absorption-type company split	October 1, 2019 (planned)
(3)	Effective date of share transfer	October 2, 2019 (planned)

6. Future outlook

The influence of this transfer on the Company's consolidated results in FY2020/3 will be insignificant.