



## **Fir Tree Comments on Shareholder Proposals Delivered to JR Kyushu to Help the Company Achieve its Full Potential**

*Encouraging Company Announcements on Board Composition, Corporate Governance and Capital Allocation Decisions – But More Change is Needed*

**NEW YORK and TOKYO, May 20, 2019** – Fir Tree Partners ("Fir Tree"), manager of certain funds that reported collective beneficial ownership of approximately 6.1% of the outstanding shares of Kyushu Railway Company ("JR Kyushu" or the "Company") (TSE ticker 9142) in the amendment to their large shareholding report disclosed on March 22, 2019, today issued the following statement regarding Fir Tree's recent shareholder proposals, for the Company's Annual Meeting of Shareholders (the "Annual Meeting") to be held on June 21, 2019.

Fir Tree also today launched a website ([www.ABetterWayforJRK.com](http://www.ABetterWayforJRK.com)) to provide stakeholders with additional information regarding its engagement with JR Kyushu. An investor presentation on the Company is available on this website.

On May 13<sup>th</sup>, JR Kyushu announced certain corporate governance updates and also noted its opinion on Fir Tree's proposals. Fir Tree is encouraged by certain elements of the Company's announcement, but believes additional changes are required.

In particular, Fir Tree notes the following positive developments by the Company:

1. Nominating two new independent director nominees for election at the Annual Meeting – highlighting JR Kyushu's openness to outside perspectives on the Board;
2. Introducing a performance-based stock compensation plan – providing the Executive Directors on the Board and the management team greater alignment with shareholders.

However, more remains to be done. The share price reaction and financial analyst community commentary after the May 13<sup>th</sup> announcement clearly shows disappointment. This reaction follows on the heels of historical share price underperformance relative to its peers.

Fir Tree's proposals are the result of extensive work over a period of nearly three years, in which it has worked with experts and consultants in real estate, transportation and corporate governance to ensure its proposals would be reasonable and balance the needs of all stakeholders, including providing significant financial flexibility for JR Kyushu's robust capital plan for the continued safety of its railway passengers.

Fir Tree's proposals seek to address several key issues:

1. **Inefficient capital structure resulting in a higher cost of capital and lower return on equity**
  - *Fir Tree's proposal: Issue debt to repurchase 10% of outstanding shares.*
2. **Corporate governance**
  - *Fir Tree's proposal: Implement a Three-Committee Board structure.*
3. **Questionable goal alignment between the Board and the Company's performance**
  - *Fir Tree's proposal: Implement a stock compensation plan for directors on the Board.*
4. **Lack of industry expertise on Board**
  - *Fir Tree's proposal: Elect three outside independent industry experts to the Board.*



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For more details on these proposals please consult Fir Tree's website: [www.ABetterWayforJRK.com](http://www.ABetterWayforJRK.com).

Aaron Stern, Managing Director and Partner at Fir Tree, said:

"We appreciate that JR Kyushu's recent announcements acknowledge and reflect, to a degree, Fir Tree's input and recommendations in our shareholder proposals submitted to the Company. Specifically, we are pleased to see JR Kyushu take some initial steps towards adding independent directors to the Board and introducing a stock compensation program at the Board and management level. However, based on several years of engagement with the Company, we firmly believe that more change is needed in order to fully address the issues that we have highlighted."

"We are disappointed that JR Kyushu chose to oppose our three highly qualified, independent nominees, especially after Fir Tree had ongoing proactive conversations with the Company, followed by what we understand were very positive discussions by the Company with our nominees. These nominees have significant professional and strong personal ties to Japan and possess superior experience in the specific areas that we believe are critical to the Company's success, including real estate, corporate finance, M&A and corporate communications. If elected, these three individuals would work towards growing JR Kyushu's long-term potential and help the Company continue on its growth path."

"We continue to believe all JR Kyushu shareholders deserve a Board which firmly adopts the best practices of the Corporate Governance Code and balances shareholder returns with future investments."

"We look forward to further discussing our ideas and nominees with our fellow shareholders."

## About Fir Tree Partners

Fir Tree Partners, founded in 1994 and located in New York City (HQ) and Miami, is a value-oriented investment manager that invests on behalf of endowments, charitable and philanthropic foundations, pension funds and other institutional and private investors. The firm has successfully applied its opportunistic approach across a wide array of asset classes, industries and geographies, including in Japan where it has been actively investing for nearly a decade. Fir Tree Partners has adopted Japan's Stewardship Code.



Fir Tree Partners

### **Important Notice**

This press release should not be construed as asking for an agreement on Fir Tree's proposals or soliciting any person to authorize Fir Tree or any third party to exercise voting rights on such person's behalf with respect to the election of directors of JR Kyushu or any other matter to be presented to shareholders at JR Kyushu's upcoming Annual General Meeting (the "AGM"). Fir Tree intends to encourage fellow shareholders to cast their votes against certain proposals by JR Kyushu and in favor of Fir Tree's proposals by either attending the AGM or using the voting card enclosed with the convocation notice that will be sent by JR Kyushu. This press release is not intended and should not be considered to solicit, encourage, induce or seek for fellow shareholders to authorize Fir Tree or any other third party as their proxy in exercising their voting rights on their behalf.

This press release is based solely on Fir Tree's own analysis and information made publicly available by JR Kyushu.

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