

**Main Questions and Answers from the Session of Financial Results Teleconference,
Third Quarter, FY2017/3**

Q. Why were no revisions made to the dividend outlook when net income was revised upward for this quarter's yearly performance outlook?

A. As our basic policy for dividends is "the goal of a consolidated payout ratio of approximately 30%, the Company aims for a stable dividend per share," and will evaluate dividend amounts in consideration of this fiscal year's financial results. The dividend outlook remains as announced at this time.

Q. How has the third quarter outlook changed from the outlook at the beginning of the fiscal year in regard to the effects of the Kumamoto earthquakes, as well as in terms of extraordinary profits and losses and revenues?

A. According to this quarter's consolidated performance outlook, extraordinary losses from the earthquakes are expected to total ¥9.1 billion, an increase from what was recorded in the second quarter. One of the reasons for this is that in November new damage was discovered during surveys for reconstruction of sections of railway damaged in the earthquakes, for which additional allowances had to be made. At present, ¥9.1 billion is a reasonable estimate, but we recognize that increases and decreases to that amount may happen.

As for revenue, the outlook at the beginning of the fiscal year projected a decrease of ¥9.0 billion in total consolidated revenues. Of that amount, a decrease of ¥6.0 billion in revenue from railway passenger traffic was announced. As of the end of the third quarter, performance showed a decrease of ¥3.6 billion year on year in revenue from railway passenger traffic, the majority of which was due to the effects of the earthquakes. As of the end of the third quarter, recovery to levels approximate to those of the previous fiscal year are being achieved, and we believe that the repercussions of the earthquakes are dying down.

Furthermore, while a decrease of ¥3.0 billion in revenue from other businesses,

particularly the retail and restaurant business, was forecast at the beginning of the fiscal year, the effects on financial performance were negligible.

Q. What is the background for the increase in operating expenses and repair costs for safety measures in this quarter's non-consolidated earnings forecast?

A. Repair costs increased due to implementation of safety measures for elevated bridges on Shinkansen lines. While this is not an emergency situation, we believe that making use of infrastructure already in place for earthquake repair work to conduct these overhauls will lead to cost reductions in the long term. These effects on expenses should not be present from FY2018/3 on.

Moreover, repair costs for dead sections of overhead lines were included in this quarter's outlook following the overhead line accident in November.

Q. Taking the lease and sales businesses separately, was the lease business the main contributor to the upward revision of the real estate segment's yearly performance outlook in comparison to the previous outlook?

A. Yes, the lease business was the main contributor. In addition to the good condition of preexisting commercial facilities, another factor was the strong start of the JRJP Hakata Building, which opened this fiscal year.

Q. Revenue from railway passenger traffic was revised upward by ¥2.5 billion in this quarter's yearly performance outlook. How does that break down in terms of Shinkansen lines and conventional train lines?

A. The effects of the earthquakes are dying down sooner than expected. The reason for the upward revision is that repercussions of the earthquakes did not have as great an impact as was originally anticipated. Decreases in revenues as of the end of the third quarter amounted to ¥3.6 billion (year on year), the majority of which are thought to be in consequence to the earthquakes. It is best to think of the upward revisions as making up the difference between these amounts and the announced ¥6.0 billion decrease due to the earthquakes occurring at the beginning of the fiscal year.

While separate outlooks for Shinkansen lines and conventional train lines have not been established, discounting extraordinary items, recent revenues are expected to increase 1% for Shinkansen lines and remain flat for conventional train lines, year on

year.

Q. What is the situation in the hotel business in relation to the effects of the earthquakes as of the end of the third quarter?

A. While occupancy rates in the hotel business as a whole decreased slightly year on year as of the end of the third quarter, unit price per room increased throughout the business. By and large, revenues and profits in the hotel business are progressing relatively steadily. However, due to a decrease in customers from overseas, there are hotels that saw a drop in revenues.