

**Main Questions and Answers from the FY 2017/3 Financial Results Presentation**

**Q. The JR Kyushu Group Medium-Term Business Plan 2016–2018 calls for a total of ¥65.0 billion in investments to improve safety in the railway business to be conducted over its three-year period. The amount of investment in the fiscal year ended March 31, 2017, and the projected amount for the fiscal year ending March 31, 2018, seem to represent slow progress toward this guideline amount. Is it correct to assume that safety investments will be stepped up in the fiscal year ending March 31, 2019, approaching the guideline amount of ¥65.0 billion? Also, it was stated that the Company is allowing for the possibility that the actual three-year amount of growth investments might exceed the guideline amount of ¥80.0 billion. To what extent are total investment amounts likely to exceed the figure of ¥190.0 billion earmarked for the three-year period of the Medium-Term Business Plan?**

A. The forecast amount of railway business safety investments for the fiscal year ending March 31, 2018, is lower than the amount actually conducted during the previous fiscal year. This projection is based on the fact that the installation of additional derailment prevention guards was conducted during the fiscal year ended March 31, 2017, on Shinkansen tracks primarily in the areas impacted by the 2016 Kumamoto earthquakes. Nonetheless, we feel that we are more or less on point to achieve the three-year guideline amount of ¥65.0 billion. Moreover, JR Kyushu recognizes the extreme importance of safety, and we are therefore committed to continuing steady investments in safety.

Although I cannot offer concrete details on our forecast for total investment amounts, I can say that the Company intends to make proactive growth investments in projects that conform to our investment criteria. As a result of this policy, total investments over the period of the plan are anticipated to exceed our initial guideline amount.

**Q. Non-consolidated maintenance costs in the fiscal year ending March 31, 2018, are projected to amount to ¥34.9 billion, ¥2.9 billion less than in the previous fiscal year. Will maintenance costs remain at this level over the next two or three years?**

A. In the fiscal year ended March 31, 2017, we repaired elevated Shinkansen tracks as part of our safety measures. Maintenance costs in the fiscal year ending March 31, 2018, are anticipated to decline due in part to the absence of these repairs. Looking ahead, we expect that maintenance costs will not fall significantly below the current level as Kyushu is an area with frequent natural disasters and it is necessary to conduct ongoing repairs to ensure safety.

**Q. With regard to the Kumamoto project and Nagasaki redevelopment project, what progress was made over the past six months?**

A. For the Kumamoto project, the overall urban development plan has been selected, and we had the municipal government agency in question revise the floor space ratios and other aspects of the plan. Accordingly, we have begun drawing up detailed designs, and we expect to be able to provide a more concrete image of the project around summer. Also, the construction of elevated tracks is scheduled for completion in spring 2018, while construction of the station building is slated to commence in spring 2019. We will continue to offer ongoing progress updates as the project advances. The Nagasaki project is a bit further down the line, and the project will not actually begin to solidify until later as a result.

**Q. The wage rates of Shinkansen operations are on the rise. What is the background for this rise and what is the Company's outlook for this trend?**

A. It is difficult to perform an in-depth analysis of this trend. In July 2016, we increased the price of frequently used discount tickets for Shinkansen services between Hakata Station and Kumamoto Station and between Hakata Station and Kagoshima-Chuo Station. In addition, we are implementing ongoing yield management measures, and we feel that these measures are proving beneficial. We plan to carefully monitor this trend going forward.

**Q. Why is the Construction segment projected to see increased revenues but decreased income in the fiscal year ending March 31, 2018?**

A. The Construction segment's operating margin was higher than usual in the fiscal year

ended March 31, 2017. In the fiscal year ending March 31, 2018, however, the operating margin is anticipated to return to normal levels due to an increase in orders from outside of the Group and the resulting intensification of competition.

**Q. I would like to request some clarification on the Company's dividend policy. The stated policy is to keep the consolidated dividend payout ratio at a level of approximately 30%, and yet the forecast payout ratio for the fiscal year ending March 31, 2018, is 27.7%. Is this amount more of an upper limit?**

A. We aim to keep the consolidated dividend payout ratio at a level of approximately 30% for the three-year period of the current Medium-Term Business Plan, and this figure of 30% has not been set as an upper limit. Moving forward, we aim to issue stable dividend payments and to avoid dividend decreases. Actual dividend amounts will be decided based on the conditions faced.

**Q. Revenues from railway passenger traffic are forecast to increase ¥3.0 billion year on year in the fiscal year ending March 31, 2018. How will this increase look when broken down by Shinkansen and conventional lines?**

A. In the fiscal year ending March 31, 2018, we anticipate that revenues from railway passenger traffic will increase as the impact of the Kumamoto earthquakes dissipates. However, as there is still a line segment on which we have yet to resume operations, this increase will be limited to ¥3.0 billion. This forecast has not been broken down by Shinkansen and conventional lines. However, I can say that Shinkansen revenues are thought to have room to be increased in the future through yield management and other measures. Short-distance transportation revenues from conventional lines are expected to remain firm going forward.

**Q. With regard to transportation lines in outlying areas, I suspect that performance is poor on some of JR Kyushu's lines, and this situation will only likely be compounded as the population declines. What are the Company's thoughts with regard to this situation?**

A. Several local lines in Kyushu were abolished when the Company was established 30 years ago. Those lines that remain in service are necessary for maintaining JR Kyushu's

transportation network. We have been working to improve the profitability of these lines, and we will continue these efforts into the future. However, we are also studying the local line issues currently being discussed by other companies. At this point in time, there are no specific lines for which we are considering taking action. We may discuss future actions with the communities that will be impacted. In addition, the Company intends to disclose figures for the transportation indices currently being released by other companies going forward. Through such disclosure, we hope to build a foundation for future action by helping members of the community understand usage trends for our railways.

**Q. Other companies are carrying out derailment prevention measures on all Shinkansen lines. What is JR Kyushu's policy with this regard? I assume that the assets related to Kyushu Shinkansen line are owned by the Japan Railway Construction, Transport and Technology Agency. How will these measures be funded?**

A. We have been installing derailment prevention guards up until now, and we plan to determine the locations in which we should install additional guards based on the simulation data from the Railway Technical Research Institute as well as the insight gained through our experience with the 2016 Kumamoto earthquakes. The Company plans to install guards in the necessary locations, but it is currently unclear how these measures will be funded.

**Q. It was previously announced that JR Kyushu has received an issuer rating from Rating and Investment Information, Inc. Does the Company currently have plans to issue bonds in the future? What are your policies with this regard?**

A. The Company currently has no plans to issue any bonds. However, we do wish to examine this possibility based on circumstances regarding growth investment candidates and the market environment. The main goal of acquiring this rating was to receive an evaluation of JR Kyushu from a third-party standpoint and thereby prove its credibility to those outside of the Company. We hope that this rating will facilitate our efforts to maintain stable and ongoing relationships with customers, investors, and business partners.