

Main Questions and Answers from the FY 2018/3 Financial Results Presentation

Q.

In the fiscal year ending March 31, 2019, railway transportation revenues are forecast to increase by 0.2% year on year. I suspect that if the natural disaster-related impacts are excluded, performance in the fiscal year ending March 31, 2019, will be around the same level as in the fiscal year ended March 31, 2018, or even slightly lower. Is this assumption correct?

A.

In the fiscal years ended March 31, 2017 and 2018, we were forced to operate our business in an opaque environment due to the impacts of natural disasters. Looking ahead, we aim to develop our railway business in a manner that ensures its resilience to natural disasters by effectively incorporating growth in Shinkansen and urban transportation operations. By developing our business in this manner, we hope to achieve performance in the fiscal year ending March 31, 2019, that exceeds that of the previous fiscal year.

Q.

It has been stated that annual safety investments of around ¥20.0 billion will be conducted in the railway business. Does it mean that investments will be in the area of approximately ¥20.0 billion a year going forward?

A.

From a long-term perspective, annual safety investments will eventually come to fall between ¥20.0 billion and ¥25.0 billion. However, we expect that there will be a temporary increase in safety investments for the purpose of introducing new rolling stock. The new rolling stock to be introduced will be a hybrid-type of rolling stock, and we will work to reduce the amount of labor required to perform maintenance going forward.

Q.

The decision to invest in operations in Thailand seems abrupt. What was the background behind this decision?

A.

Our relationship with the State Railway of Thailand goes back a number of years and

has included such activities as technical collaboration. As such, we have been able to maintain an understanding of the real estate industry conditions in Thailand. JR Kyushu has been endeavoring to develop operations outside of Kyushu. Despite our expertise in the real estate business, we have not yet been involved in the service apartment field. We saw the potential for the Company to take part in service apartment operations in Bangkok, where this market is relatively mature. After gaining expertise in this field in Thailand, we will examine the possibility of extending these operations into Japan.

Q.

Will there be any changes to the Company's shareholder return policies under the next Medium-Term Business Plan? Given the increases in depreciation forecast to occur each year, I feel that dividends based on the income figures on the financial statements will not reflect the actual growth in the Company's income and will therefore not promise increases in dividends. Is there no chance of JR Kyushu implementing shareholder return policies that reflect the actual financial state of the Company?

A.

Our future growth strategies call for investments in the development of operations in Kumamoto, Nagasaki, and other areas as well as in rolling stock for use on Nagasaki Route. For this reason, we plan to manage cash flows in a manner that strikes a balance between growth and dividends. We will formulate the shareholder return policies of the next Medium-Term Business Plan while examining this matter from various perspectives.