

August 7, 2018  
Kyushu Railway Company

**Main Questions and Answers from the Financial Results Teleconference, First Quarter, FY2019/3**

**Q. What kind of impact did the heavy rain that occurred in July 2018 have in terms of revenue and expenditures? Also, what is the outlook for restoring the suspended operations of the Chikuho Main Line (Haruda line)?**

A. We believe that the heavy rain that occurred in July 2018 had a certain level of impact from the perspective of revenues. However, we are not able to release a quantitative estimate at this time. For recovery of the Chikuho Main Line (Haruda line), damage has been sustained alongside the railway lines as well, and we are currently examining restoration methods with relevant parties. Accordingly, we are unable to make a rational estimation of such matters as recovery period and recovery expenses at this time.

**Q. Could you comment on the reasons behind the ¥400 million decrease in railway transportation revenue from conventional lines?**

A. In addition to the adverse impact of the heavy rain that occurred in northern Kyushu in July 2017 on the Kyudai Main Line and other lines, we believe this decline in railway transportation revenue can be partly attributed to the unfavorable weather in June of this year, in contrast to the pleasant weather in June 2017.

**Q. What kind of progress are you making on the Hitahikosan Line, which was damaged by the heavy rain in northern Kyushu in 2017?**

A. In regard to the Hitahikosan Line, we had an opportunity for discussion with local governments in towns alongside the railway line in April 2018, and we are currently deliberating the steps to take in terms of restoration going forward. When it comes to undertaking restoration efforts, we are aware that we face two major issues: examining policies for repairing the railway lines and considering ways to ensure the continuous operation of the Hitahikosan Line after the restoration process is complete. We believe that within a year's time, we will determine the direction to take in terms of these issues through the discussions we are currently having.

**Q. Amid the frequent occurrence of disasters, what is the status of examinations pertaining to investments in disaster prevention?**

A. It is difficult for us to determine the extent to which we should carry out investments in disaster prevention. However, we will steadily implement safety investments going forward. At this time, we are not giving consideration to raising investment amounts in the railway business over the medium to long term.

**Q. There was a press release regarding the Company forming a strategic alliance with Alibaba Group Holding Ltd. The release detailed how Alibaba Group intends to encourage 50,000 tourists to visit Kyushu in the second half of the fiscal year. In your plans for FY2019/3, are you forecasting additional investments and revenue increases from this alliance in the second half?**

A. In relation to this alliance, we do not expect additional investments to occur in the second half. In terms of revenues, we are examining such matters as selling travel products that leverage our “Design & Story” trains via Alibaba Group. We therefore believe that this alliance will contribute to revenues, to some extent, in the second half.