(Translation)

May 15, 2019

Kyushu Railway Company

Main Questions and Answers from the FY 2019/3 Financial Results Presentation

Q. Looking at the performance forecasts for the Real Estate and Hotels Segment, what is the reason behind the forecasts for lower profits in real estate leasing and in real estate sales?

A. In real estate leasing, excluding the ¥4.6 billion effect resulting from the change in revenue/expense classifications related to station buildings, etc., we are forecasting approximately ¥1.0 billion in opening expenses for two hotels that will open within this fiscal year. In addition, in the real estate sales business, the cost of sales will increase due to a decline in the development of company-owned land in comparison with the previous fiscal year.

Q. In the retail and restaurant segment, the number of stores, sales, and profits appear to have hit a ceiling. In regard to future positioning, what type of development initiatives is the Company considering, such as M&A, aggressive new openings, or a shift in focus toward efficiency, such as through the closure of unprofitable stores?

A. Conditions are challenging due to increases in personnel and other costs. Stores in stations continue to record solid results, but conditions for stores in suburban areas have started to become more difficult. We consider the determination of how to handle stores in suburban areas to be an urgent issue. We will continue to advance store openings this year, while on the other hand we are also planning a certain degree of store closures. Moving forward, we will pursue efficiency.

Q. The medium-term business plan calls for growth investment of ¥210.0 billion. What percentage of that amount has been confirmed? Also, in regard to the growth investment, it is difficult to determine if governance is being implemented effectively without disclosure of the extent to which EBITDA and profit will increase, or what standards are being used.

A. Two-thirds of the planned growth investment has been confirmed. Currently, we are making investment decisions with consideration for IRR, WACC, etc. We will continue to consider how to disclose the numbers while listening to the opinions of investors. We have also announced the 2030 Vision. In order for the Group to record sustained growth in Kyushu, one issue is to figure out ways to prevent the population in areas around our railway lines from decreasing. Additionally, we will also work to generate synergies with the railway business in the development of sites other than those owned by the Company.

Q. In regard to MaaS, the presentation included an explanation of urban-style, tourism-style, and regional-style MaaS initiatives. Would you discuss the road-map for when verification testing will be commenced, etc.? Also, it seems that it will depend on whether or not they can be commercialized and developed into businesses with a high level of profit contribution. What is the Company's approach to the monetization of MaaS initiatives?

A. It will be difficult to commercialize MaaS itself. The issues that we face include how far we can progress on our own and how MaaS can be monetized. Moving forward, as we implement initiatives we will focus on the timing, methods, and effects of monetization. In urban-style MaaS, it will be important to become a leader. For tourism-style MaaS, we should be able to foster demand by incorporating community-based business initiatives in such areas as accommodations. Furthermore, for regional-style MaaS, with the population declining, we expect to be able to improve earnings by reducing fixed costs. We will work to implement verification testing from the customer's perspective while implementing close communications with local communities.

Q. The equity ratio is currently at approximately 50%. The medium-term business plan mentions the possible use of debt with attention paid to financial discipline and credit ratings. Going forward, if the Company will need to maintain an equity ratio level that is high in comparison with other railway companies, please explain why that will be necessary.

A. JR Kyushu was founded as a company with no debt, and accordingly we believe that simple comparisons with other railway companies in other industries are not appropriate. We will not utilize debt for the purpose of reducing WACC, but in the end this will likely result in lower WACC. In the same way, the maintenance of credit ratings would not be our objective in regard to the use of debt. Kyushu is subject to large numbers of disasters. Looking at the past three years, there have been the Kumamoto earthquakes, July 2017 and heavy rains. We believe that equity is necessary as a buffer. Despite the equity ratio, we believe that the absolute amount of equity should not be viewed as excessive.