

(Translation)

February 12, 2020
Kyushu Railway Company

**Main Questions and Answers from the Financial Results Teleconference,
Third Quarter, FY2020/3**

Q. Would you discuss the Company's operating income results through the third quarter, versus the plan?

A. Our operating income results are basically in line with the plan. The hydrofoil business is sluggish due to the worsening of Japan-South Korea relations. However, revenues from railway transportation and the station building business are recording steady results and are up year on year.

Q. Would you comment on the reasons for the year-on-year decline in Shinkansen transportation revenues in the third quarter?

A. The primary reason for the decline was the conclusion of the NHK Taiga Drama "Sego-don," a period drama that ended in December 2018.

Q. At this point, what effect has the new type of pneumonia had?

A. Looking at inbound-related demand, the largest effect has been seen in the hotel business, where there has been a total of approximately ¥10 million in cancellations. On the other hand, in the railway business, we have not seen a significant effect on sales of the JR Kyushu Rail Pass. However, on international routes between Fukuoka and China, there have been large-scale suspensions of service from February. In addition, short-distance transportation revenues are firm at this time, but growth is sluggish in medium and long distance transportation revenues, such as transportation among urban areas in Kyushu as well as between Kyushu and the Kansai region. Moving forward, we will continue to pay careful attention to the issue of Japanese customers refraining from going out.

Q. Would you comment on factors behind changes in revenues and in expenses in the next fiscal year?

A. In the railway business, there are a number of factors that will increase revenues, such as the pattern of weekdays and weekends and the opening of the Miyazaki Station Building in fall 2019. However, at this point it is difficult to forecast the effects of the Tokyo Olympic and Paralympic Games and the new type of pneumonia. Furthermore, two hotels that were opened during this fiscal year (Hibiya, Hakata) will make full-year contributions during the next fiscal year. On the other hand, looking at expenses, personnel costs will continue to decline slightly, and there will be a downward rebound from the opening expenses for the two hotels that we recorded during this year. However, we will carefully track such factors as the influence of the opening expenses for the Miyazaki Station Building and the Kumamoto Station Building.

Q. Would you discuss the direction of capital investment in the next fiscal year?

A. To make progress with station area development construction in Kumamoto and Miyazaki, with consideration for the growth investment included in the Medium-Term Business Plan, we anticipate a certain level of capital investment.