

(Translation)

February 10, 2021

Kyushu Railway Company

**Main Questions and Answers from the Financial Results Web Conference,
Third Quarter, FY2021/3**

Q. For cost reductions, the targets for the current fiscal year are ¥14.0 billion on a non-consolidated basis and ¥3.0 billion for Group companies. Going forward, what level of cost reductions will the Company aim for, and what specific costs will be reduced? Also, depreciation seems to be increasing at ¥2.0 billion to ¥3.0 billion a year. Will it be possible for the Company to achieve cost reductions that exceed the growth in depreciation?

A. We have achieved about 80% of the non-consolidated target of ¥14.0 billion, and we are confident that we will achieve the Group company target of ¥3.0 billion. We believe that we can achieve the targets for this fiscal year. In the next fiscal year and thereafter, we will utilize BPR initiatives to address cost reductions. With these initiatives, we are examining a variety of issues, such as the reevaluation of operations that are duplicated among Group companies and, with consideration for the decline in railway demand, the reevaluation of station counter operations. We plan to formulate a road-map for cost structure reform by the end of this fiscal year. First, excluding depreciation, which is increasing, we would like to target cost reductions of more than ¥10.0 billion for the next fiscal year and thereafter.

Q. In regard to the reevaluation of discount tickets, the average price revision is approximately 8%. Does this correspond to the increase of approximately 8% in revenues from railway transportation?

A. Discount tickets are sold as sets that include both the fare and the express charges. Rather than overall revenues from railway transportation, the average price revision is approximately 8% for those discount tickets for which prices were increased.

Q. What is the current discount rate on discount tickets? Also, is it possible that discount tickets will be reevaluated again in the future?

A. The rates in various areas differ considerably, from several percent to approximately 50%, based on the competitive circumstances versus other means of transportation. In addition, there are a wide

variety of tickets. Accordingly, we cannot provide a general figure for the discount rate on discount tickets. Also, the reevaluation of discount tickets is not something that requires the approval of related government authorities. It can be handled on a notification basis. Accordingly, we will take a flexible approach in the future, while monitoring competition with other means of transportation and usage conditions.

Q. Will the Company consider setting fares by time slot, as is done by other companies?

A. Under the current fare system, we consider three years of railway earnings, and time is required for the examination of fare increases. First, we reevaluated discount tickets, which is something that can be rapidly implemented. In Kyushu, the congestion rate during commuting hours is not as high as in the Tokyo area, and accordingly we are not considering off-peak revisions. However, going forward we will consider initiatives in line with circumstances, while monitoring trends at other companies.

Q. What is the status of progress with the reevaluation of rural routes, which would seem to be a fundamental part of the improvement of earnings from the railway business?

A. Looking at the Hitahikosan Line, we decided on restoration initiatives utilizing BRT in July 2020, and we are currently moving ahead with construction work. In addition, we are advancing detailed consideration of such matters as the locations of stops and the mobility services that will be offered. Also, last year we disclosed the earnings of regional routes. We are holding meetings to discuss the invigoration of railways, and we are moving ahead with discussions with local governments. However, looking at the current circumstances, COVID-19 has had an influence, and we believe that time will be required for further progress.

Q. In the real estate leasing business, tenant sales in the third quarter were 83.6% of the level in the same period of the previous fiscal year, but third quarter earnings are estimated to be down approximately 4% year on year. What factors account for this difference?

A. This is likely due to a combination of factors in the station building business, such as the following. (1) The recovery in the number of customer visits to stations has been rapid in areas outside Fukuoka. (2) The stations have different percentages of fixed rents and variable rents. Furthermore, operations other than the station building businesses have been strong, and the Miyazaki Station west entrance development, which opened in the third quarter, has also made a contribution.

Q. In the hotel business, is the Company considering the reevaluation of the development plan?

A. We are considering the implementation of investment within our region, such as in Kumamoto and Nagasaki. On the other hand, we are considering the limitation of investment outside our region, other than development projects that are currently under way.

<A Cautionary Note>

* Please note that this document is a brief summary prepared at the discretion of the Company rather than a verbatim transcript of the questions posed and answers given on the day of the presentation. Furthermore, the statements in this document are judgments made by JR Kyushu based on information and projections available as well as assumptions at the time of the presentation's preparation. Please be advised that actual operating results could greatly differ from the statements in this document due to the effects of the economic situation both inside and outside Kyushu and Japan as a whole, real estate market conditions, the progress of our projects, changes in laws and regulations, and a wide range of other risk factors.