

(Translation)

August 5, 2021

Kyushu Railway Company

**Main Questions and Answers from the Financial Results Web Conference,
First Quarter, FY2022/3**

Q. In comparison with expectations, what is your evaluation of results in the first quarter? Is it the case that demand declined but results were line with plans due to cost reductions? Also, are the circumstances challenging with regard to the full-year performance forecasts? Please discuss your thoughts at this point.

A. Looking at our first quarter results, there was an operating loss, but with the declaration of a state of emergency and infection prevention and other priority measures, we were able to record ordinary income and net income for the quarter. We did not reach the expected levels of revenue, centered on the railway business and the retail and restaurant businesses. However, in terms of profits, a major contribution was made by the ¥3.6 billion in cost reductions in the railway business. Going forward, we will consider additional cost reductions while monitoring the status of the recovery in revenue.

Q. Of the ¥3.6 billion in cost reductions in the railway business in the first quarter, what was the level of fixed cost reductions through BPR? Also, what is the goal for fixed cost reductions in the next fiscal year and thereafter?

A. In a continuation from the previous year, this year the central role will be played by cost reductions through urgent control measures. However, the level of fixed cost reductions through BPR was slightly less than ¥1.0 billion. As BPR initiatives, without waiting until next year, we revised inspection cycles and took other measures from this year. At this point, of the ¥14.0 billion in fixed cost reductions, we have a goal for the realization of about 50% to 60%. The rest will primarily require coordination with other companies, and we will deepen consideration of this issue in preparation for the second half.

Q. Given the BPR first quarter fixed cost reductions were slightly less than ¥1.0 billion, will the

fixed cost reductions for the full year be about ¥4.0 billion?

A. We have no problem with that understanding. Note that the BPR fixed cost reductions of slightly less than ¥1.0 billion were achieved earlier than expected. The achievement of the remaining fixed cost reductions is currently under consideration, and we will provide notice when this issue is clarified.

Q. In regard to the reevaluation of limited express surcharges and the shift to on-line sales, what contribution will be made to increased revenue? Also, the Company seems to be implemented rather wide-ranging reevaluations of discount tickets. Is it the case that tickets for which reevaluations are possible to a certain extent have been reevaluated?

A. In regard to the conventional-line limited-express surcharge revision etc., compared with the level of revenue before COVID-19, we expect it will have an effect of increase revenue by about ¥1.0 billion. At this point, basically the reevaluation process has been implemented where possible. Moving forward, in conjunction with the introduction of EX-IC in the next period and thereafter, we will consider what items to address.

Q. In regard to the real estate leasing business, there was a year on year increase in operating income of ¥2.3 billion. It appears that the year on year profit increase of ¥1.9 billion in the full-year performance forecasts has already been achieved. In the first quarter of the previous fiscal year, the influence of tenant support measures, such as fixed rent reductions, was -¥1.5 billion, so are these results basically in line with expectations?

A. In the first quarter of the previous fiscal year, we closed station buildings, and in addition we implemented tenant support measures, such as fixed rent reductions, etc. As a result, in the first quarter of this year, there was a rebound increase and profit rose. We think that results are basically in line with expectations and are moving firmly.

Q. What contribution to first quarter results was made by the opening of the Kumamoto and Miyazaki station buildings?

A. The Miyazaki Station Building opened in November 2020, and the Kumamoto Station Building opened in April 2021. In the first quarter, the two new station buildings contributed a combined

total of ¥1.0 billion to ¥1.5 billion in revenue. However, COVID-19 had a significant influence, and we did not reach the level of revenue that we had anticipated. They did not make a substantial contribution in profits.

Q. In the first quarter, the scale of the loss contracted. This seems to be a result of increased sales of condominiums, but are condominium deliveries concentrated in the first quarter? Also, in the second quarter and thereafter, does the Company expect a continued increase in sales, as in the first quarter?

A. For this year, we anticipate revenue from sales of condominiums at about the same level as in the previous year. In the previous year, deliveries were concentrated in the third and fourth quarters, but this year deliveries were concentrated in the first quarter.

<A Cautionary Note>

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