

(Translation)

May 12, 2022

Kyushu Railway Company

### **Main Questions and Answers from the FY 2022/3 Financial Results Web Conference**

Q. Your assumptions state that you expect handling revenues from railway transportation in 4Q FY 2023/3 to recover to around 90% of FY 2019/3 levels. However, in your preliminary monthly revenue report for April, the current recovery in commuter revenues appears to be weak. Meanwhile, non-commuter revenues seem to be firm. Would it be correct to say that demand is generally recovering in line with the assumptions in your performance forecasts for FY 2023/3?

A. We anticipate a moderate recovery in mobility demand. Non-commuter revenues are currently firm, and commuter revenues are within the scope of our expectations. We will continue our efforts to generate revenue.

Q. To what extent do your performance forecasts for FY 2023/3 factor in the effects of opening the Nishi-Kyushu Shinkansen?

A. The forecasts incorporate an increase in revenue due to such factors as the opening of the Nishi-Kyushu Shinkansen, but we are unable to provide specific amounts at this time. Under the scheme for new Shinkansen lines, usage fees are calculated based on the expected benefits, so over the long term revenue and expenses should be neutral. Through management efforts, it may be possible to improve revenue and expenses, however. We aim to maximize the effect of this opening through multi-faceted development in the Nishi-Kyushu area.

Q. How much do you expect yield results to increase as a result of ticket reevaluation efforts to date?

A. Owing to factors such as our review of discount tickets and limited express surcharges on conventional lines from FY 2022/3 onward, we expect an increase of around ¥2.0 billion against our pre-pandemic revenue base.

Q. I understand that your efforts to reduce fixed costs through BPR are on track. Your operating expense target for FY 2025/3 is ¥142.5 billion. Will it be possible to cut operating expenses to around ¥140.0 billion through further efforts to lower fixed costs?

A. At present, our operating expense target is ¥142.5 billion. We hope to reduce fixed costs further through such efforts as the promotion of DX and technological innovation.

Q. In real estate sales, I understand that you generated a gain on sales of around ¥3.0 billion from approximately ¥20.0 billion in the sale of properties to a private REIT in FY 2022/3. The performance forecasts for FY 2023/3 explain a combined amount of around ¥17.0 billion from the sale of properties to a private REIT and to third parties. Approximately how much of a gain on sale do you anticipate?

A. In FY 2022/3, we generated a gain of around ¥3.5 billion from sales to a private REIT. We anticipate around the same profit margin on the sale of properties in FY 2023/3.

Q. What requests does Kyushu Railway Company have of the Ministry of Land, Infrastructure, Transport and Tourism regarding an ideal fare and charge system? Also, West Japan Railway Company apparently is considering the introduction of dynamic pricing on the Shinkansen. If dynamic pricing is approved, will Kyushu Railway Company consider applying it on the Kyushu Shinkansen as well?

A. At a meeting of the Ministry of Land, Infrastructure, Transport and Tourism's Subcommittee on Rail Fares and Charges, we noted that since the era before privatization discounts on commuter pass fares have been higher than for private railways. We also commented on issues with the revenue cost calculation procedure, specifically the inability to reflect the recording of business impairments in costs of sales. We hear that this summer, the Ministry of Land, Infrastructure, Transport and Tourism will be considering how the fare and charge system should work. We will take action based on the direction it decides upon.

Q. My understanding is that with dynamic pricing, prices would be set in such a way that total revenue would be constant. Would your aim be to improve profit or boost revenue?

A. Under the current system, we recognize that the total amount of revenue will remain constant even if dynamic pricing is introduced. The upper limit on Shinkansen charges approved by the Minister of Land, Infrastructure, Transport and Tourism will depend on the outcome of discussions on how the fare and charge system should work, but we will consider ways to increase revenue even a little.

<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 status of the COVID-19 epidemic, changes in peoples' values and lifestyles, 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.