

(Translation)

August 3, 2022

Kyushu Railway Company

**Main Questions and Answers from the Financial Results Web Conference,
First Quarter, FY2023/3**

Q. Consolidated operating income moved into the black in the first quarter, amounting to ¥7.8 billion. You have indicated that railway transportation revenues were better than expected; how do you assess how results compare with plans? Also, non-commuter numbers were down. How do you analyze factors such as the current situation as of July and the status of reservations during the Obon holidays?

A. First quarter revenues were solid, with railway transportation revenues recovering at a faster pace than expected and other things. Also, a Companywide effort to reduce fixed costs through BPR were effective, making a significant contribution. However, July handling revenues from railway transportation (according to preliminary figures through the 26th) were 73.9% of pre-pandemic levels, with non-commuter revenues at 71.1%. The figures were at around 80% of pre-pandemic levels in the first half of July and around 60% in the second half. We will carefully monitor the impact of the pandemic's seventh wave. Reservations during Obon are at around half of their pre-pandemic levels, but they are twice the previous year's figure (up 228% year on year). Consumer activity is not bad, given the COVID-19 situation.

Q. Has the reservation rate changed between the time you announced the status of Obon reservations and the present, or has it declined? Also, your reservation rate is lower than at other companies, which have a reservation rate of around 60% compared with pre-pandemic levels. Is this due to such factors as regional characteristics?

A. At present, there is little change in the Obon reservation situation. We may be slightly below other companies' figures, but sometimes reservations are made at the last minute based on related movements, so we will continue to monitor the reservation situation.

Q. I understand that the performance in the railway business was better than expected. Did other segments perform as planned?

A. Business other than the railway business performed in line with our initial expectations. Our solid results for the first quarter were due mainly to the recovery of revenues and progress on reducing costs in the railway business.

Q. Non-consolidated operating income was ¥7.7 billion in the first quarter, which amounts to a 40% rate of progress toward your full-year forecast of ¥ 18.2 billion. Would it be accurate to understand that you expect to incur future expenses, such as those for the Nishi-Kyushu Shinkansen and maintenance costs? Could you indicate expenses for the Nishi-Kyushu Shinkansen for the full year and describe first-quarter results?

A. Progress was favorable in the first quarter, but performance is leveling off at the moment due to the rise in infections, so our full-year forecast remains unchanged. The majority of maintenance costs are also recorded in the second half of the fiscal year. We do not disclose expenses related to the Nishi-Kyushu Shinkansen, but most of these expenses will be recorded in and after the second quarter. This period includes September, when the Shinkansen opens.

Q. What is the reason for the year-on-year decline in non-consolidated personnel expenses for the first quarter? Bonuses typically rise when performance recovers. Are some technical factors in play?

A. Compared to the previous year, the number of months of summer bonus payments increased. On the other hand, personnel expenses decreased due to a natural fall in the number of employees as a result of not hiring at the beginning of FY2023.3 and the impact of accounting technicalities related to personnel expenses.

Q. The Subcommittee on Rail Fares and Charges recently released its draft interim report. What is your company's impression at this point?

A. Although the details remain to be worked out, we have a good impression of the draft interim report, which mentions a review of the summary cost calculation method, among other items.

Q. Under your director compensation system, basic remuneration accounts for 80%, while remuneration linked to business performance is 20%. Why is this?

A. We have introduced new performance-linked, monetary compensation; the ratio was determined based on examples from other companies.

< 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

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