

(Translation)

November 4, 2022  
Kyushu Railway Company

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

- Q. How do you view the future recovery of the railway business? Please indicate any future reservation circumstances or other information.
- A. In the first half, railway transportation revenues were at 73.4% of pre-pandemic levels, although there were some waves in the first and second quarters. From the start of the second half until October 22, preliminary figures for handling revenues from railway transportation were at 84.6% of pre-pandemic levels. Of this amount, commuter revenues were at nearly 90%, and medium- to long-distance revenues were at 82.4%. Also looking at reservation circumstances for November, combined reservations for Shinkansen and conventional lines are at around 75% of pre-pandemic levels; demand is gradually rising, boosted by the easing of protection measures, the effects of the nationwide travel support program, and other factors. As the assumptions behind our performance forecasts, we anticipate a gradual recovery to around 90% of pre-pandemic levels in the fourth quarter.
- Q. I would like to ask about your ADR assumptions for the hotel business as of the end of FY2023.3. Conjecturing that the second-quarter ADR of ¥13,200 was comparable to pre-pandemic levels, do you expect some upside from the nationwide travel support program and other factors?
- A. Due to factors such as the nationwide travel support program and the easing of protection measures, occupancy rates are up to around 90% at some hotels. Going forward, we hope to raise ADR further in line with the demand recovery trend.
- Q. Regarding the attributes of hotel business customers, is tourism demand driving the recovery and business-related demand relatively lagging? Also, what are reservation circumstances with regard to inbound tourists?
- A. At Tokyo hotels in particular, business use was relatively high. However, we are currently seeing an increase in tourism demand, including inbound demand.
- Q. You mentioned that there has been no significant change in vacancy rates for office space, but do you have any concerns about the increase in the supply of office space in Fukuoka? Also, what is the leasing situation for the project for effective use of the site of the Fukuoka Prefecture east government building?

A. The supply of offices is increasing as a result of such projects as Tenjin Big Bang and Hakata Connected, but vacancy rates at Company properties are not rising. The project for effective use of site of Fukuoka Prefecture east government building and the project utilizing the space above the tracks at Hakata Station are near Hakata Station and highly convenient, so we are not concerned about leasing.

Q. Has the situation changed following the interim report of the Subcommittee on the Railway Fare and Toll System? I would like to ask again about any requests or similar that you may have for the Ministry of Land, Infrastructure, Transport and Tourism.

A. At the subcommittee, we have expressed our opinions on such issues as the problem that arises when railway operators experience the impairment of fixed assets, etc., and on revising the system to introduce flexibility through railway fare revisions and other means, and some of this was reflected in the interim summary. We are aware that a specialized committee will meet in the future, and we will carefully monitor the discussions.

Q. Is revenue on the Nishi-Kyushu Shinkansen in line with your plans? Please explain the situation. For example, has the effect of the Shinkansen's opening been greater than expected? Are promotions going well?

A. It is difficult to set revenue targets for the Nishi-Kyushu Shinkansen, and we do not have a concrete plan. We think we are off to a good start, given that usage during the first month after opening was at 102% of pre-pandemic levels and that usage on the Kyushu Shinkansen between Hakata and Kumamoto for that same time period was at 77%.

Q. I saw your report that the Nishi-Kyushu Shinkansen had a passenger load factor of 33%, but around what level is an appropriate passenger load factor for the Shinkansen? Also, how would you evaluate this passenger load factor?

A. We emphasize the number of passengers more than the passenger load factor, because the passenger load factor fluctuates depending on train capacity.

Q. How will the opening of the Nishi-Kyushu Shinkansen affect your hotel business and retail business, and what ripple effects will it have on Kyushu as a whole? Also, what is the likely impact on the debate about the future development of Shinkansen lines in the Western Kyushu area, on the awareness of local residents, and other factors?

A. Triggered by the Nishi-Kyushu Shinkansen, we hope to further boost revenues and improve profitability through city-building efforts in the western Kyushu area, such as the Nagasaki Station Building, the Marriott Hotel, and the Ureshino Japanese-style inn. As for the ripple effect on Kyushu as a whole, the opening of the Nishi-Kyushu Shinkansen is expected to draw attention to western Kyushu in the form of national news coverage and stimulate travel demand, which will ultimately lead to tours of the entire Kyushu region. We hope that once

visitors experience the convenience of the Shinkansen, this will increase the momentum for further Shinkansen development.

Q. Does this mean that momentum has not changed much yet, but will in the future?

A. A newspaper poll on whether or not the Nishi-Kyushu Shinkansen is necessary was conducted in Saga. While very few respondents in previous surveys said it was necessary, it appears that over 50% of respondents in the July survey said it was necessary. We understand that opening under these conditions is giving momentum a very large boost.

Q. It seems that in rural areas, there are customers who don't know how to ride the train. Do you have any thoughts on how to approach and educate customers on how to ride and utilize the train?

A. Kyushu has a large number of people who use private cars, and for some this event marked their first time using the railway. If we can expect events and other activities to boost usage, we will set up a system to provide appropriate information to customers.

< 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 COVID-19 situation, changes in people's 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.