

Main Questions and Answers from the FY 2023/3 Financial Results Presentation

- Q. Given the weaker yen situation, what do you think about the potential for increasing prices on products targeting inbound travelers? Specifically, do you think it would be possible to further increase prices on rail passes?
- A. The number of rail passes sold in March was approximately 70% of the level before the pandemic. However, due to price increases, revenue has recovered somewhat. Additionally, the number of tickets other than rail passes sold to foreign tourists has increased, and inbound revenue for railways in March has returned to approximately the same level as before the pandemic. Sales are expected to grow further as the number of customers from China increases. Price increases are currently under consideration. As for hotels, approximately 70% to 80% of customers in Tokyo and 50% of customers in Fukuoka are from overseas. Despite raising prices by nearly 1.5 to 2 times compared to before the recovery of inbound tourism, occupancy rates in Tokyo have reached nearly 90%.
- Q. Is there room to improve yield in the railway business?
- A. In the previous fiscal year, we implemented measures such as increasing limited express surcharges on conventional lines, making comparison difficult. However, we plan to continue implementing yield improvement measures going forward and will take action to maximize revenues.
- Q. What is your assessment of the Nishi-Kyushu Shinkansen in the six months since its opening, and what are your thoughts about the section between Shin-Tosu and Takeo Onsen?
- A. Revenues from the Nishi-Kyushu Shinkansen were ¥2.5 billion. Compared with the Kyushu Shinkansen's partial opening in March 2004, I think ¥2.5 billion is a reasonable result. Also, performance was affected by COVID-19. The number of people using the Kyushu Shinkansen in the second half of the previous fiscal year, was about 80% of the pre-pandemic level, while the rate was about 100% for the Nishi-Kyushu Shinkansen. We understand that 20% difference to be due to the effect of its opening. As for the section between Shin-Tosu and Takeo Onsen, we have received requests from customers for direct service. In addition, the record shows increased usage when the Kyushu Shinkansen went from a partial opening to opening all sections. Although we believe it is desirable for the full standard route on the section between Shin-Tosu and Takeo Onsen to pass through Saga Station, "wide-ranging discussions" are underway between Saga Prefecture and the government. If there is an opportunity for us to participate in the discussion in the future, we would like to assert our position.

Q. How would you assess the situation during Golden Week? Do you think things will improve moving into summer?

A. The Tokyo–Osaka route was operating at around 100% compared to before the pandemic, but this level fell as the Shinkansen approached Kyushu, with the rate gradually declining to just over 80% for the Kyushu Shinkansen. On the other hand, conventional lines were operating in the 70% range, indicating that the flow of people has not yet returned to pre-pandemic levels. This week, COVID-19 was recategorized to Class 5, and we will continue with efforts to encourage customer movement, such as offering an inexpensive unlimited-travel weekend pass called “Minna no Kyushu Kippu” during the quiet period after the Golden Week holiday, so we expect the situation to improve.

Q. Could you provide the forecast for maintenance costs on a non-consolidated basis? Additionally, while we can assume that energy costs have increased, do you expect railroad expenses to remain within the assumptions of the medium-term business plan, or do you expect them to exceed those assumptions? How do you evaluate the current cost situation in relation to the income target for the Transportation Segment outlined in the medium-term business plan?

A. This fiscal year, we expect maintenance cost to be up by around ¥2.0 billion compared with the previous fiscal year. However, the main reason for the increase in costs is a rebound from the emergency restraints that were implemented in the previous period. In the future, we do not expect costs to increase at the same level. Within overall railroad expenses, energy cost has increased more than we had expected. Costs may outpace our initial expectations, but the Future Railway Project is expected to have an improvement effect on income and expenses of approximately ¥1.0 billion this fiscal year. In addition, we will work to further entrench this project next fiscal year.

Q. According to publicly available statistics, the office vacancy rate in Fukuoka is 5.8%. What is the leasing status of offices in the development pipeline?

A. In late April, we opened an office in Kagoshima. In autumn, we plan to open an office in Nagasaki, followed by Fukuoka. We understand that leasing is progressing smoothly in Kagoshima. Leasing, including commercial properties, is progressing well in Nagasaki. As for Fukuoka, demand for offices near Hakata Station is firm, and we do not anticipate any issues.

Q. Looking at current-year for the Real Estate Leasing Business and the Hotel Business, I believe that profits are expected to be almost flat due to the substantial opening costs for new projects. Could you please provide information on what kind of expenses are expected and to what extent?

A. As the opening of URESHINO YADOYA and Nagasaki Marriott Hotel approaches in the second half of the fiscal year, we anticipate to incur opening expenses such as for interior equipment and sales promotion.

Q. Regarding the establishment of the intermediate holding company in the construction segment, do you still believe it is possible to achieve the initial growth expectations despite labor shortages and overtime regulations? Have there been any discrepancies between the initial expectations and the current business environment since the plan was created?

A. The intermediate holding company is scheduled for establishment on July 3. By bringing together companies with various functions such as construction consulting, civil engineering, architecture, and design, we believe the company will be able to take on larger projects and undertake PFI initiatives. In addition, establishing a single holding company will create an advantage in securing and developing human resources. Furthermore, we anticipate cost reductions due to the sharing of back-office systems and indirect business operations.

Q. I have a question regarding progress under the medium-term business plan. Your projected operating income is ¥45.7 billion, meaning that you will require a significant jump to reach the ¥57.0 billion target. How do you assess this situation?

A. We believe the performance forecast for the current fiscal year indicates that progress is generally on track toward our medium-term business plan.

Q. With regard to return to shareholders, if the Company's performance exceeds expectations, what are the chances of the dividend being raised? Alternatively, would the Company consider share buybacks?

A. When considering our shareholder return method, we will review our management capabilities and other factors and consider various alternatives, taking operating performance into account.

< 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.