(Translation)

Consolidated Financial Results for the Three-Month Period Ended June 30, 2021 (Japanese GAAP)

August 3, 2021

Company name:	Kyushu Railway Company
Stock exchange listings:	Tokyo and Fukuoka
Securities code:	9142
URL:	https://www.jrkyushu.co.jp/
Representative:	Toshihiko Aoyagi, President and CEO
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Scheduled date for filing of quarterly report:	August 6, 2021
Scheduled date of dividend payment commencement:	―
Preparation of supplementary explanations for financial results:	Yes
Holding of a briefing on quarterly financial results:	None

(Amounts less than one million yen, except for per share amounts, are omitted.)

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	72,097	16.6	(1,333)	―	385	―	927	―
June 30, 2020	61,848	(38.4)	(15,703)	―	(15,234)	―	(5,119)	―

(Note) Comprehensive income: Three months ended June 30, 2021: ¥2,360 million (―%)
Three months ended June 30, 2020: ¥(6,658) million [(―%)]

	Net income per share — basic	Net income per share — diluted
Three months ended	Yen	Yen
June 30, 2021	5.90	―
June 30, 2020	(32.59)	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	862,867	380,940	43.9
As of March 31, 2021	891,379	395,408	43.8

(Reference) Shareholders' equity: As of June 30, 2021: ¥378,519 million
As of March 31, 2021: ¥390,189 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	―	0.00	―	93.00	93.00
Year ending March 31, 2022	―				
Year ending March 31, 2022 (Forecast)		0.00	―	93.00	93.00

(Note) Revisions to the most recently disclosed dividend forecasts: No

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages for the full year show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	344,200	17.1	10,600	―	10,600	―	12,900	―	82.10

(Note) Revisions to the most recently disclosed financial forecasts: No

Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2021 (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
i Changes in accounting policies with revision of accounting standards: Yes
ii Changes in accounting policies other than the above: Yes
iii Changes in accounting estimates: Yes
iv Restatement of revisions: No
(Notes)
ii is subject to “Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates.”

For details about i, please refer to “(3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 12 of the accompanying materials.

For details about ii and iii, please refer to “(3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates” on page 13 of the accompanying materials.

(4) Number of shares outstanding (common stock)

i Number of shares issued and outstanding at end of period (including treasury stock)	As of June 30, 2021	157,301,600 shares	As of March 31, 2021	157,301,600 shares
ii Number of shares of treasury stock at end of period	As of June 30, 2021	184,600 shares	As of March 31, 2021	184,600 shares
iii Average number of shares during the period	As of June 30, 2021	157,117,000 shares	As of June 30, 2020	157,115,500 shares

Note: The number of shares of treasury stock at the end of the period includes the number of shares of the Company's stock held by the Board Benefit Trust (BBT) (First quarter of FY2022/3, 184,600 shares; FY2021/3, 184,600 shares). In addition, the number of shares of the Company's stock held by the Board Benefit Trust (BBT) is included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (First quarter of FY2022/3, 184,600 shares; First quarter of FY2021/3, 186,100 shares)

* This summary of consolidated financial results is not subject to quarterly reviews by certified public accountants or corporate auditors.

Explanation of Appropriate Uses of Performance Forecasts and Other Important Items

Performance forecasts and other forward-looking statements appearing in this document are based on currently available information and specific assumptions deemed rational, and are not assurances that the Company will achieve these forecasts. Actual performance can vary greatly depending on various factors such as fluctuations in interest rates, fluctuations in share prices, changes in exchange rates, fluctuations in the value of assets, changes in the economic and financial environment, changes in the conditions of competition, occurrences of large-scale and other disasters, and changes in regulations.

Supplementary quarterly materials are attached to this summary of consolidated financial results.

Contents of Accompanying Materials

○ (Financial results presentation materials)
Financial Results for the First Quarter of FY2022/3 (Cumulative total for the three-month period from April to June)

1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements in this document are based on assessments as of the end of the first quarter of FY2022/3.

From the first quarter of FY2022/3, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc.

Details are provided in “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” and “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements (Segment Information).”

(1) Qualitative Information on Consolidated Operating Results

In the three month period ended June 30, 2021, Japan’s economy faced downward pressure on business conditions due to the influence of the COVID-19 infection in Japan and overseas. Due to the re-spread of the infection from April 2021, a state of emergency was declared for the third time in 10 prefectures, including Fukuoka Prefecture. The timing, extent, etc., of a recovery in economic activity remain highly uncertain, and challenging conditions are expected to continue for the time being.

Looking at the Group’s results, due to spread of the COVID-19 infection, the railway and other businesses were affected by declining mobility demand, sluggish consumer spending. In these conditions, we worked in accordance with our recognition that our most important mission is safety in the railway business, which is our mainstay business. We steadily invested in railway safety, and in April 2021 we opened the Kumamoto Station Building, which is part of our implementation of strategic city-building initiatives in the regions around our bases. Furthermore, we rolled out a project under the title “Until the day the state of emergency is lifted, let’s stay strong together,” which expresses our wishes for the resolution of COVID-19 and the invigoration of Kyushu. We also implemented initiatives to promote “Local Community Invigoration,” such as establishing a specialized regional fund. In addition, the future course of trends in the management environment is unclear. In preparation for changes in the management environment, we took steps to reduce costs, centered on the railway business. These steps included temporary leave for employees.

As a result, operating revenues were up 16.6% year on year, to ¥72,097 million; operating loss was ¥1,333 million (compared with operating loss of ¥15,703 million in the same period of the previous fiscal year); EBITDA was ¥5,041 million (compared with negative EBITDA of ¥9,144 million in the same period of the previous fiscal year); ordinary income was ¥385 million (compared with ordinary loss of ¥15,234 million in the same period of the previous fiscal year); and net income attributable to owners of the parent was ¥927 million (compared with net loss attributable to owners of the parent of ¥5,119 million in the same period of the previous fiscal year).

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation (excluding the cost of depreciation related to lease assets held for the purpose of subleasing).

The Group's business performance by segment is as follows.

(Millions of Yen)

	Operating revenues			Operating income / loss			EBITDA (Note 2)		
	FY 2022/3, First Quarter (Three months ended June 30, 2021)	YoY		FY 2022/3, First Quarter (Three months ended June 30, 2021)	YoY		FY 2022/3, First Quarter (Three months ended June 30, 2021)	YoY	
Transportation	24,170	6,866	39.7%	(5,215)	8,768	—	(3,136)	8,235	—
Construction	17,928	1,066	6.3%	183	(80)	(30.5%)	422	(81)	(16.3%)
Real Estate and Hotels	25,250	13,733	119.2%	4,034	4,387	—	7,505	4,869	184.7%
Real estate lease	13,920	3,718	36.5%	4,008	2,348	141.4%	6,929	2,880	71.2%
Real estate sale	9,687	9,205	—	1,510	1,714	—	1,513	1,715	—
Hotel	1,642	809	97.2%	(1,484)	324	—	(937)	273	—
Retail and Restaurant	9,454	(10,164)	(51.8%)	(825)	685	—	(543)	553	—
Other	13,679	(638)	(4.5%)	578	443	327.1%	966	456	89.5%
Total	90,482	10,862	13.6%	(1,245)	14,204	—	5,214	14,032	—
Adjustment (Note 1)	(18,384)	(613)	—	(88)	164	—	(172)	154	—
Amount on the consolidated financial statements	72,097	10,249	16.6%	(1,333)	14,369	—	5,041	14,186	—

(Notes) 1. Adjustments reflect the elimination of intersegment transactions.

2. Consolidated EBITDA = operating income + depreciation (after elimination of intersegment transactions, excluding depreciation of leased assets held for subleasing purposes), segment EBITDA = segment operating income + segment depreciation (after elimination of intersegment transactions, excluding depreciation of leased assets held for subleasing purposes)

a. Transportation Group

In the railway business, the Company worked to secure safety and implemented measures to prevent the spread of COVID-19. On that basis, we worked to secure revenues. In addition, we advanced cost reductions in order to improve profitability in the railway business, which has a high percentage of fixed costs.

In terms of safety initiatives, we implemented safety creation activities in order to steadily create safety for the entire JR Kyushu Group. The slogan of the activities was “Save lives!! Understand the rules and put them into practice.” In addition, we steadily implemented safety investment, such as new production of rolling stock and replacement of aging facilities.

In regard to services, with consideration for prevention of the COVID-19 infection, we worked to understand the needs of each customer and to meet their expectations with prompt action. In addition, we worked to provide services that are aligned with new lifestyles, are safe, and can be used with peace of mind, such as a hygiene promotion using D&S trains, which was implemented in collaboration with Lion Corporation, and test operation of a shared-office Shinkansen.

In marketing, we conducted a tourism campaign in Kumamoto and Kagoshima to commemorate the 10th anniversary of the full opening of the Kyushu Shinkansen. Together with HKT48, we also implemented the “Motto! Minna no Kyushu Project.” Furthermore, we implemented a promotion to expand the use of the Internet train reservation services, with the catchphrase “For the train, use the Internet!” In line with the decrease in usage accompanying the spread of the COVID-19 infection, for certain discount tickets, we ended sales or revised prices. In addition, we started a new Shinkansen cargo transport business with the aim of securing new earnings opportunities.

In transportation, while implementing infection prevention measures at stations and on trains, we worked to maintain the transportation network, which is social infrastructure. Due to the impacts of heavy rain that occurred in northern Kyushu in July 2017, we are implementing substitute forms of transportation between Soeda Station and Yoake Station on the Hitahikosan Line. We have obtained the approval of related local governments regarding restoration through the introduction of a bus rapid transit (BRT) system, and we are advancing preparations for the restoration. Furthermore, due to the influence of the heavy rains in July 2020, which occurred in July 2020, railway facilities on the Hisatsu Line were damaged, and we are implementing substitute forms of transportation on certain sections.

In our passenger ship business, as a protection measure to prevent the spread of the COVID-19 infection, the Japanese government requested the halting of passenger transportation operations, and operations have been suspended on all scheduled routes since March 2020. Also, as an initiative to be implemented during the suspension of service on scheduled routes, from March 2021 we were conducting domestic sightseeing operation of the “QUEEN BEETLE” new-style hydrofoil ferry. However, measures equivalent to priority measures were implemented, such as measures to prevent the spread of the infection in Fukuoka Prefecture, and as a result domestic sightseeing operations were suspended from May 6.

In our bus business, we reduced service in line with usage conditions, while working to create an environment in which customers can use bus services with peace of mind through measures to prevent the spread of infection.

In the field of new mobility services (MaaS), we advanced initiatives targeting the establishment of a sustainable public transportation network, centered on collaboration with DAIICHI KOUTSU SANGYO Co., Ltd., and Nishi-Nippon Railroad Co., Ltd. In the Miyazaki region, where a MaaS initiative was started in FY2021/3, we continued to implement initiatives aiming for the realization of seamless transportation services through collaboration among diverse modes of transportation; the promotion of visits to the area in collaboration with commercial facilities, such as Amu Plaza Miyazaki, and tourism facilities; and the enhancement of the central urban district's suitability for excursions. Also, in the Yufuin region, where MaaS initiatives had been postponed due to the influence of the COVID-19 infection, discussions were restarted regarding MaaS related initiatives, with the objectives of increasing convenience for tourists and realizing sustainable transportation services that can be utilized by both tourists and local residents. Furthermore, we advanced initiatives through collaboration with other transportation companies. For example, we agreed to provide information related to stations within the JR Kyushu service area through a MaaS app provided by Nishi-Nippon Railroad Co., Ltd., and we started the provision of this service.

As a result, the Transportation Group recorded operating revenues of ¥24,170 million, up 39.7% year on year; an operating loss of ¥5,215 million (compared with operating loss of ¥13,984 million in the same period of the previous fiscal year), and negative EBITDA of ¥3,136 million (compared with negative EBITDA of ¥11,371 million in the same period of the previous fiscal year).

b. Construction Group

In the construction business, we leveraged specialized skills in the railway business in order to contribute to safe, stable railway operations through railway-related civil engineering, railroad track, and construction work as well as through maintenance operations and rolling stock equipment work. In railway construction, in a continuation from the previous fiscal year, we endeavored to steadily advance work related to the Nishi-Kyushu Shinkansen and the Hokuriku Shinkansen.

Furthermore, we worked to obtain orders from government and municipal offices and from private enterprises for the construction of elevated tracks and for work related to the Shinkansen, condominiums, and other projects. We also endeavored to reduce costs.

As a result, the Construction Group posted operating revenues of ¥17,928 million, up 6.3% year on year; operating income of ¥183 million, down 30.5%; and EBITDA of ¥422 million, down 16.3%.

c. Real Estate and Hotels Group

In the real estate business, we opened Amu Plaza Kumamoto in April 2021. On the other hand, a state of emergency was declared, and in accordance with requests from the local government, at our station buildings we implemented shorter operating hours and certain tenants suspended operations at stores.

In the real estate sale business, while instituting infection prevention measures at model rooms, we recorded sales from “MJR Sakaisuji Honmachi Tower,” “MJR Hirao Ekimae,” “MJR the Garden Kagoshima-Chuo” and other condominium buildings, and we sought to promote sales of “MJR the Garden Kashii,” “MJR Kumamoto The Tower,” etc.

In the hotel business, we opened THE BLOSSOM KUMAMOTO in April 2021. In addition, we took steps to capture limited demand, such as sales of a plan for teleworking. Nonetheless, our business was affected by people refraining from going out, the cancellation of events, the disappearance of inbound demand, etc., due to the spread of the COVID-19 infection.

As a result, the Real Estate and Hotels Group posted operating revenues of ¥25,250 million, up 119.2% year on year; operating income of ¥4,034 million (compared with operating loss of ¥353 million in the same period of the previous fiscal year); and EBITDA of ¥7,505 million, up 184.7%.

d. Retail and Restaurant Group
In our retail business, we renovated convenience stores, and we opened "hands be Amu Plaza Kumamoto" at Amu Plaza Kumamoto, which opened in April 2021. In addition, we took steps to create demand, such as opening the Meihingura and Hakata Unmori online stores at JRE MALL, a JR East e-commerce site, and implementing plans for sales of limited-edition products.

In the restaurant business, we took steps to expand new store openings. For example, we opened a new Cinnabon specialty cinnamon roll shop in Amu Plaza Kumamoto, which opened in April 2021. Furthermore, we took steps to create new demand. For example, we started an initiative under which sales of station lunch boxes that had been limited to Kagoshima were also made available at stores at Hakata Station. This initiative uses the "Haya! Delivery" cargo transport service via the Kyushu Shinkansen. In addition, we continued the initiative of using platform stores at Hakata Station as pop-up shops. Moreover, we also worked to further improve management efficiency, including closing unprofitable stores.

Nonetheless, stores in stations and existing restaurants were affected by the decline in mobility demand and sluggish consumption demand due to the influence of the spread of COVID-19. In addition, in May 2020, the Company transferred to TSURUHA Holdings, Inc. a portion of its holdings of the shares of JR Kyushu Drug Eleven Inc. JR Kyushu Drug Eleven was removed from the scope of consolidation from the end of the first quarter of FY2021/3, which also had an effect on the Retail and Restaurant Group.

As a result, the Retail and Restaurant Group recorded operating revenues of ¥9,454 million, down 51.8% year on year; operating loss of ¥825 million (compared with operating loss of ¥1,511 million in the same period of the previous fiscal year); and negative EBITDA of ¥543 million (compared with negative EBITDA of ¥1,096 million in the same period of the previous fiscal year).

e. Other Groups
For the construction machinery sales and rental business, we worked to secure earnings through aggressive sales activities.

As a result, Other Groups posted operating revenues of ¥13,679 million, down 4.5% year on year; operating income of ¥578 million, up 327.1%; and EBITDA of ¥966 million, up 89.5%.

(Note) EBITDA for the consolidated period under review is the numerical value of operating income plus the cost of depreciation (excluding the cost of depreciation related to lease assets held for the purpose of subleasing).

(2) Qualitative Information on Consolidated Financial Position

Total assets as of June 30, 2021, decreased 3.2% compared with the previous fiscal year-end, to ¥862,867 million. Current assets decreased 27.8%, to ¥145,140 million, due to the collection of accounts receivable and other factors. Non-current assets increased 3.9%, to ¥717,727 million, due to the acquisition of property, plant and equipment and other factors.

Meanwhile, total liabilities decreased 2.8% compared with the previous fiscal year-end, to ¥481,926 million. Current liabilities fell 22.7%, to ¥111,863 million, due to payment of accounts payable–trade and payables and other factors. Non-current liabilities were up 5.3%, to ¥370,063 million, as a result of the issuance of bonds and other factors.

Furthermore, total equity decreased 3.7% compared with the previous fiscal year-end, to ¥380,940 million, due primarily to a decrease in retained earnings resulting from the payment of dividends, etc.

(3) Qualitative Information on Consolidated Performance Outlook

In regard to our full-year performance forecasts for FY2022.3, there are no revisions to the forecasts announced on May 12, 2021.

Moreover, the performance outlook was prepared based on information available as of the release date of these materials, and there are cases where actual performance differs from outlook figures due to various factors that arise going forward.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3, First Quarter (As of June 30, 2021)
ASSETS		
Current assets		
Cash and time deposits	22,927	50,201
Notes and accounts receivable–trade	50,857	—
Notes and accounts receivable–trade, and contract assets	—	30,894
Fares receivable	1,059	3,794
Securities	42,096	3,031
Merchandise and finished goods	13,583	7,443
Work in process	20,429	20,921
Raw materials and supplies	8,352	9,722
Other	41,646	19,172
Allowance for doubtful accounts	(47)	(41)
Total current assets	200,906	145,140
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	284,255	310,614
Machinery, rolling stock and vehicles (net)	38,047	38,934
Land	153,553	153,910
Leased assets (net)	19,664	19,917
Construction in progress	28,498	27,160
Other (net)	8,002	8,134
Net property, plant and equipment	532,021	558,672
Intangible assets	3,940	3,836
Investments and other assets		
Investment securities	45,162	44,214
Deferred tax assets	55,252	54,738
Net defined benefit assets	873	1,036
Other	54,062	56,063
Allowance for doubtful accounts	(840)	(835)
Total investments and other assets	154,510	155,218
Total noncurrent assets	690,472	717,727
Total assets	891,379	862,867

(Millions of Yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3, First Quarter (As of June 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	31,942	14,559
Short-term loans	6,885	7,005
Current portion of long-term debt	4,674	4,733
Payables	47,952	31,325
Accrued income taxes	2,749	201
Fare deposits received with regard to railway connecting services	3,060	1,118
Railway fares received in advance	4,737	5,031
Accrued bonuses	5,814	4,657
Other	36,864	43,229
Total current liabilities	144,681	111,863
Non-current liabilities		
Debt	80,000	100,000
Long-term debt	159,383	158,384
Allowance for safety and environmental measures	1,412	1,412
Allowance for disaster-damage losses	3,773	3,490
Liability for retirement benefits	50,507	50,162
Asset retirement obligations	1,462	1,479
Other	54,750	55,134
Total noncurrent liabilities	351,290	370,063
Total liabilities	495,971	481,926
EQUITY		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	224,021	224,824
Retained earnings (Deficit)	150,017	135,617
Treasury stock	(594)	(594)
Total shareholders' equity	389,445	375,847
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	7,079	8,341
Foreign currency translation adjustments	(186)	162
Defined retirement benefit plans	(6,148)	(5,833)
Total accumulated other comprehensive income	743	2,671
Non-controlling interests	5,218	2,421
Total equity	395,408	380,940
TOTAL LIABILITIES AND EQUITY	891,379	862,867

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2021/3, First Quarter (Three months ended June 30, 2020)	FY 2022/3, First Quarter (Three months ended June 30, 2021)
OPERATING REVENUES	61,848	72,097
OPERATING EXPENSES		
Transportation, other services and cost of sales	53,703	51,184
Selling, general and administrative expenses	23,848	22,247
Total operating expenses	77,551	73,431
OPERATING LOSS	(15,703)	(1,333)
NON-OPERATING INCOME		
Interest income	20	20
Dividend income	371	317
Gain on assets held in trust	366	531
Subsidies for employment adjustment	84	652
Other	212	982
Total non-operating income	1,055	2,504
NON-OPERATING EXPENSES		
Interest expense	381	354
Foreign exchange losses	0	203
Other	205	226
Total non-operating expenses	587	785
ORDINARY INCOME (LOSS)	(15,234)	385
EXTRAORDINARY GAINS		
Construction grants received	787	478
Gain on sales of shares of subsidiaries and associates	9,144	—
Other	271	138
Total extraordinary gains	10,203	616
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	753	472
Provision for loss on disaster	2,187	—
Other	180	88
Total extraordinary losses	3,121	560
INCOME (LOSS) BEFORE INCOME TAXES	(8,151)	441
INCOME TAXES		
Current	129	204
Deferred	(3,156)	(520)
Total income taxes	(3,027)	(315)
NET INCOME (LOSS)	(5,124)	757
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4)	(169)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(5,119)	927

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2021/3, First Quarter (Three months ended June 30, 2020)	FY 2022/3, First Quarter (Three months ended June 30, 2021)
NET INCOME (LOSS)	(5,124)	757
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(1,686)	1,257
Gain (loss) on deferred hedges	(8)	—
Foreign currency translation adjustments	(80)	6
Defined retirement benefit plans	240	339
Total other comprehensive income	(1,534)	1,603
COMPREHENSIVE INCOME	(6,658)	2,360
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	(6,609)	2,511
Non-controlling interests	(49)	(150)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Notes on Significant Changes in the Value of Shareholders' Equity)

None

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc., from the beginning of the first quarter of the current consolidated fiscal year. The Company has decided to recognize as revenue the amount expected to be received in exchange for promised goods or services at the point when control of the goods or services is transferred to the customer. The major resulting changes are as follows.

(1) Revenue recognition related to contract work

Previously, in regard to construction contracts, the percentage of completion method was applied to work for which it was possible to accurately confirm the degree of progress, and the completed-contract method was applied to other work. From the current consolidated fiscal year, this has been changed to the method of recognizing revenue over a certain period of time as performance obligations are fulfilled. In regard to work for which it is not possible to rationally estimate the percentage of progress related to the fulfillment of performance obligations, the cost-recovery method is applied.

(2) Revenue recognition related to agent transactions

For certain transactions, previously the Company recognized as revenue the total amount of consideration received from the customer. From the current consolidated fiscal year, for transactions in which the role of the Group corresponds to that of an agent in the provision of goods or services to the customer, the net amount, calculated by subtracting the amount paid to the supplier from the amount received from the customer, is recognized as revenue.

(3) Revenue recognition related to seniors business

Previously, in regard to certain lump-sum move-in fees at private retirement homes, revenue was recognized at the point when it was confirmed that repayment would not be required. From the current consolidated fiscal year, the Company has decided to estimate a rational period of time related to the fulfillment of performance obligations and to recognize revenue over a certain period of time in accordance with the percentage of progress.

The application of the Accounting Standard for Revenue Recognition, etc., is in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied from this starting balance.

In the first quarter of the current consolidated fiscal year, this had the result of increasing operating revenues by ¥477 million, increasing operating expenses by ¥455 million, and improving each of operating loss, ordinary income, and income before income taxes by ¥21 million. In addition, the starting balance of retained earnings for the period was decreased by ¥698 million.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable–trade,” which were presented under “current assets” in the consolidated balance sheet for the previous consolidated fiscal year, are included in ”notes and accounts receivable–trade, and contract assets”, from the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, prior fiscal years have not been reclassified using the new presentation method. In addition, in accordance with the transitional treatment stipulated in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers for the first quarter of the previous consolidated fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, “fair value measurement accounting standard”), etc., from the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in article 19 of the fair value measurement accounting standard and article 44–2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has decided to prospectively apply the new accounting policies specified by the fair value measurement accounting standard. The application of the fair value measurement accounting standard had no effect on the quarterly consolidated financial statements.

(Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates)

(Changes in method of depreciation and useful life for property, plant and equipment)

In regard to the method of depreciation for property, plant and equipment, previously the Company primarily used the declining-balance method. However, from the first quarter, the Company has changed to mainly using the straight-line method.

In the Company’s railway business, the current rolling stock is becoming obsolete. The Medium-Term Business Plan includes the policy of developing and expanding the introduction of energy-saving rolling stock with the objective of efficient energy usage. In accordance with this policy, as replacements for conventional-line rolling stock, the Company is advancing the new production of 821 series AC suburban-type rolling stock, YC1 series storage battery-equipped diesel-electric rolling stock, etc. In addition, future plans call for a substantial amount of investment in new rolling stock, such as the new production of Shinkansen rolling stock at the time of the opening of the Nishi-Kyushu Shinkansen route.

With consideration for these changes in the management environment and future investment plans in the railway business, the Company reconsidered the pattern of consumption of the future economic benefit for all property, plant and equipment, including that in the railway business. As a result, the

Company determined that from the first quarter the economic situation would be more appropriately reflected if the Company changed to mainly using the straight-line method for property, plant and equipment.

In addition, the useful life of the Company's property, plant and equipment was in line with the same standards as the method stipulated in the Corporation Tax Act. However, with the change in the method of depreciation, the useful life has been revised to the estimated economic useful life from the first quarter. This revision was decided with comprehensive consideration for the physical useful life of property, plant and equipment as well as the usage record, etc.

Due to these changes, in comparison with the previous method, operating loss for the first quarter, ordinary income for the first quarter and income before income taxes for the first quarter were both improved by ¥762 million.

The influence on segment information is described in "Segment Information."

(Segment Information)

I FY 2021/3, First Quarter (Three-Month Period Ended June 30, 2020)

1. Information Related to Operating Revenues and Income (Loss) by Segment

(Millions of Yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment (Note 2)	Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Construction	Real Estate and Hotels	Retail and Restaurant				
Operating Revenues								
Outside Customers	15,715	8,320	10,753	19,593	7,466	61,848	—	61,848
Inside Group	1,588	8,541	763	25	6,851	17,770	(17,770)	—
Total	17,303	16,861	11,516	19,619	14,317	79,619	(17,770)	61,848
Segment income (loss)	(13,984)	263	(353)	(1,511)	135	(15,450)	(252)	(15,703)

(Notes) 1. "Others" represents categories of business that are not included in reportable segments and includes the construction machinery sales and rental business, etc.

2. The ¥252 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

3. Segment income (loss) has been adjusted for the operating loss figure on the quarterly consolidated income statements.

2. Information related to assets for each reportable segment

(Significant decrease in assets due to decline in the number of subsidiaries)

Due to the exclusion from the scope of consolidation of JR Kyushu Drug Eleven Inc. (currently:DRUG ELEVEN CO., LTD.), in comparison with the previous fiscal year, assets in the Retail and Restaurant segment were down ¥18,488 million.

II FY 2022/3, First Quarter (Three-Month Period Ended June 30, 2021)

1. Information Related to Operating Revenues and Income (Loss) by Segment

(Millions of Yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment (Note 2)	Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Construction	Real Estate and Hotels	Retail and Restaurant				
Operating Revenues								
Outside Customers	22,506	8,337	24,310	9,414	7,528	72,097	—	72,097
Inside Group	1,663	9,591	939	39	6,150	18,384	(18,384)	—
Total	24,170	17,928	25,250	9,454	13,679	90,482	(18,384)	72,097
Segment income (loss)	(5,215)	183	4,034	(825)	578	(1,245)	(88)	(1,333)

(Notes) 1. "Others" represents categories of business that are not included in reportable segments and includes the construction machinery sales and rental business, etc.
2. The ¥88 million deduction from segment income (loss) reflects the elimination of intersegment transactions.
3. Segment income (loss) has been adjusted for the operating loss figure on the quarterly consolidated income statements.

2. Information regarding changes to reportable segments, etc.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in "Changes in Accounting Policies" the Company has applied the Accounting Standard for Revenue Recognition, etc., from the beginning of the first quarter of the current consolidated fiscal year and changed the method of accounting for revenue recognition. As a result, the Company has similarly changed the method of calculating segment income or loss.

As a result of this change, in comparison with the previous method, operating revenues decreased by ¥57 million in Transportation, increased by ¥2,767 million in Construction, decreased by ¥2 million in Real Estate and Hotels, decreased by ¥336 million in Retail and Restaurant, and decreased by ¥286 million in Other. Segment income improved by ¥21 million in Real Estate and Hotels.

(Changes in method of depreciation and useful life for property, plant and equipment)

As described in "Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates," previously the Company primarily used the declining-balance method of depreciation for property, plant and equipment. However, from the first quarter, the Company has changed to mainly using the straight-line method. In addition, with the change in the method of depreciation, the useful life has been revised to the estimated economic useful life from the first quarter. Due to these changes, in comparison with the previous method, the segment loss in the transportation segment improved by ¥762 million.

(Significant Subsequent Events)

None