

(Translation)

**Consolidated Financial Results**  
**for the Nine-Month Period Ended December 31, 2021**  
**(Japanese GAAP)**

February 8, 2022

Company name: Kyushu Railway Company  
Stock exchange listings: Tokyo and Fukuoka  
Securities code: 9142  
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Planned 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 Nine-Month Period Ended December 31, 2021**  
**(From April 1, 2021 to December 31, 2021)**

**(1) Consolidated operating results**

(Percentages show year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	222,712	10.0	2,784	—	6,967	—	9,214	—
December 31, 2020	202,405	(36.7)	(18,601)	—	(16,153)	—	(11,662)	—

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥8,364 million (—%)  
Nine months ended December 31, 2020: ¥(13,547) million (—%)

	Net income per share — basic	Net income per share — diluted
Nine months ended	Yen	Yen
December 31, 2021	58.65	—
December 31, 2020	(74.23)	—

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	926,495	386,301	41.5
As of March 31, 2021	891,379	395,408	43.8

(Reference) Shareholders' equity: As of December 31, 2021: ¥384,507 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
Year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 93.00	Yen 93.00
Year ending March 31, 2022	—	0.00	—		
Year ending March 31, 2022 (Forecast)				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 revenue		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	332,800	13.2	2,700	—	6,900	—	9,800	—	62.37

(Note) Revisions to the most recently disclosed financial forecasts: Yes

### Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 13 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 14 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 December 31, 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 December 31, 2021	183,700 shares	As of March 31, 2021	184,600 shares
iii Average number of shares during the period	As of December 31, 2021	157,117,600 shares	As of December 31, 2020	157,116,500 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) (Third quarter of FY2022/3, 183,700 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 (Third quarter of FY2022/3, 184,000 shares; Third quarter of FY2021/3, 185,100 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

<b>1. Qualitative Information on Quarterly Consolidated Financial Performance.....</b>	<b>2</b>
(1) Qualitative Information on Consolidated Operating Results .....	2
(2) Qualitative Information on Consolidated Financial Position .....	7
(3) Qualitative Information on Consolidated Performance Outlook.....	7
<b>2. Quarterly Consolidated Financial Statements and Major Notes .....</b>	<b>9</b>
(1) Consolidated Balance Sheets .....	9
(2) Consolidated Statements of Income and Comprehensive Income .....	11
Quarterly Consolidated Income Statements	
Consolidated Cumulative Third Quarter .....	11
Quarterly Consolidated Comprehensive Income Statements	
Consolidated Cumulative Third Quarter .....	12
(3) Notes to Quarterly Consolidated Financial Statements .....	13
(Notes on Going Concern Assumption) .....	13
(Notes on Significant Changes in the Value of Shareholders' Equity).....	13
(Changes in Accounting Policies) .....	13
(Changes in Accounting Policies That Are Difficult to Distinguish from Changes in	
Accounting Estimates and Changes in Accounting Estimates) .....	14
(Additional Information) .....	15
(Segment Information) .....	16
(Significant Subsequent Events) .....	17

○(Financial results presentation materials)

Financial Results for the Third Quarter of FY22.3 (Cumulative total for the nine-month period from April to December)

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements in this document are based on assessments as of the end of the third 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 nine month period ended December 31, 2021, due to the re-spread of the COVID-19 infection, a state of emergency was declared and extended multiple times. Domestic demand remained sluggish, centered on the service sector. Due to the expansion of vaccination programs, etc., there are expectations for progress with the control of COVID-19 and with economic activity. However, a new COVID-19 variant has emerged, and the timing, extent, etc., of a recovery in economic activity remain highly uncertain. Challenging conditions are expected to continue for the time being.

Looking at the Group’s results, due to spread of the COVID-19 infection and to the state of emergency declarations, the railway and other businesses were affected by declining mobility demand and 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 “Supporting Each Other Until It’s Over,” 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 revenue was up 10.0% year on year, to ¥222,712 million; operating income was ¥2,784 million (compared with operating loss of ¥18,601 million in the same period of the previous fiscal year); EBITDA was ¥22,665 million (compared with EBITDA of ¥1,728 million in the same period of the previous fiscal year); ordinary income was ¥6,967 million (compared with ordinary loss of ¥16,153 million in the same period of the previous fiscal year); and net income attributable to owners of the parent was ¥9,214 million (compared with net loss attributable to owners of the parent of ¥11,662 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 revenue			Operating income / loss			EBITDA (Note 2)		
	FY2022/3, consolidated cumulative third quarter (nine months ended December 31, 2021)	YoY		FY2022/3, consolidated cumulative third quarter (nine months ended December 31, 2021)	YoY		FY2022/3, consolidated cumulative third quarter (nine months ended December 31, 2021)	YoY	
Transportation	81,498	11,200	15.9%	(11,393)	13,451	—	(5,000)	11,568	—
Construction	62,627	4,329	7.4%	2,689	43	1.6%	3,428	20	0.6%
Real Estate and Hotels	62,762	13,689	27.9%	10,729	5,305	97.8%	21,111	6,583	45.3%
Real estate lease	43,294	6,894	18.9%	11,667	2,861	32.5%	20,406	4,277	26.5%
Real estate sale	12,748	5,446	74.6%	1,296	1,196	—	1,305	1,196	—
Hotel	6,719	1,348	25.1%	(2,234)	1,246	—	(600)	1,108	—
Retail and Restaurant	32,462	(8,731)	(21.2%)	(794)	1,183	—	135	1,071	—
Other	41,759	(2,551)	(5.8%)	2,079	1,192	134.5%	3,778	1,509	66.5%
Total	281,110	17,936	6.8%	3,310	21,175	—	23,452	20,753	768.8%
Adjustment (Note 1)	(58,398)	2,370	—	(526)	210	—	(787)	183	—
Amount on the consolidated financial statements	222,712	20,306	10.0%	2,784	21,386	—	22,665	20,936	—

(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 that was implemented in collaboration with Lion Corporation, and the announcement of verification testing of limited-express tickets using QR code payment, which was implemented in cooperation with PayPay Corporation.

In marketing, for the opening of the Nishi-Kyushu Shinkansen in fall 2022, we conducted a tourism campaign communicating the appeal of Saga and Nagasaki. Together with HKT48, and in cooperation with other Kyushu railway companies, we also implemented the “Minna no Kyushu Project.” Furthermore, we implemented a promotion to expand the use of the Internet train reservation services, with the catchphrase “For the ticket, 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 there were state of emergency declarations. As a result, domestic sightseeing operations were suspended from May 6 to July 11, 2021 and from August 2 to September 30, 2021.

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), with the objective of restoring a lively atmosphere to the center of Fukuoka City, which has been affected by the influence of the COVID-19 infection, we launched sales of digital tickets on a MaaS app in conjunction with Nishi-Nippon Railroad Co., Ltd., and 18 commercial facilities in the Tenjin and Hakata areas. Also, on September 30, 2021, together with DAIICHI KOUTSU SANGYO Co., Ltd., and Nishi-Nippon Railroad Co., Ltd., we concluded a memorandum regarding the establishment of mobility services utilizing digital technologies. Initiatives targeting the realization of a seamless, highly convenient transportation network have been started, centered on Kitakyushu City, where the three companies have strong foundations. We have been advancing MaaS initiatives in the Miyazaki region since FY2021/3. Targeting the establishment of sustainable regional transportation services in the Miyazaki region, in September 10, 2021 we concluded a memorandum regarding collaboration in regional transportation services with Miyazaki kotsu Co., Ltd, and we started a new regional transportation service utilizing bus and railway services

at Nippo Main Line's Takanabe Station. In addition, we are working to advance MaaS initiatives in areas around Kyushu, and we are aiming to introduce these programs in Saga Prefecture and in the Yufuin region in Oita Prefecture within this fiscal year. Furthermore, we also advanced initiatives through collaboration with other transportation companies outside of Kyushu. For example, we agreed to provide information related to stations and train locations within the JR Kyushu service area through a MaaS app provided by West Japan Railway Company, and we started the provision of this service.

As a result, the Transportation Group recorded operating revenue of ¥81,498 million, up 15.9% year on year; an operating loss of ¥11,393 million (compared with operating loss of ¥24,844 million in the same period of the previous fiscal year); and negative EBITDA of ¥5,000 million (compared with negative EBITDA of ¥16,569 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 revenue of ¥62,627 million, up 7.4% year on year; operating income of ¥2,689 million, up 1.6%; and EBITDA of ¥3,428 million, up 0.6%.

### **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 Miyazakieki Minami Park Side" and other condominium buildings, and we sought to promote sales of "MJR the Garden Shimoori," "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. Occupancy rates had declined due to the spread of the COVID-19 infection, but from October 2021 there were signs of improvement as a result of a recovery in mobility following the lifting of the state of emergency.

As a result, the Real Estate and Hotels Group posted operating revenue of ¥62,762 million, up 27.9% year on year; operating income of ¥10,729 million, up 97.8%; and EBITDA of ¥21,111 million, up 45.3%.



#### **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 implemented online openings of “Yobuko Manbou” and “FAMILK!!” on Ekicho Osusume No e-MALL, a JR Kyushu Group e-commerce site that opened in August 2021. Furthermore, in September 2021 we opened the “Famima Toranomom Hills,” our first convenience store in the Kanto region.

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, in August 2021 we opened the first Umaya freestanding restaurant in a suburban location. In addition, we continued the initiative of using platform stores at Hakata Station as pop-up shops, and we also worked to further improve management efficiency, including closing unprofitable stores. Moreover, in October 2021, Nurubon Inc., which was established in August as a subsidiary of the Company, acquired and began to operate Yakuniku Nurubon, which is a yakiniku chain, and other restaurants from Amiya Co., Ltd. and Royal Foods Co., Ltd.

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 revenue of ¥32,462 million, down 21.2% year on year; operating loss of ¥794 million (compared with operating loss of ¥1,978 million in the same period of the previous fiscal year); and EBITDA of ¥135 million (compared with negative EBITDA of ¥935 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 revenue of ¥41,759 million, down 5.8% year on year; operating income of ¥2,079 million, up 134.5%; and EBITDA of ¥3,778 million, up 66.5%.

(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 December 31, 2021, were up 3.9% compared with the previous fiscal year-end, to ¥926,495 million. Current assets increased 0.9%, to ¥202,758 million, due to an increase in cash and time deposits and other factors. Non-current assets increased 4.8%, to ¥723,736 million, due principally to the acquisition of property, plant and equipment, etc.

Meanwhile, total liabilities increased 8.9% compared with the previous fiscal year-end, to ¥540,193 million. Current liabilities increased 10.0%, to ¥159,117 million, due to the issuance of commercial papers and other factors. Non-current liabilities were up 8.5%, to ¥381,076 million, as a result of the issuance of bonds and other factors.

Furthermore, total equity decreased 2.3% compared with the previous fiscal year-end, to ¥386,301 million, due primarily to a decrease in retained earnings resulting from the payment of dividends, etc.

## (3) Qualitative Information on Consolidated Performance Outlook

Looking at the consolidated performance forecasts for FY2022/3, there is ongoing uncertainty due to the spread of the new COVID-19 variant. However, with consideration for recent results trends, for the expected sale of Company properties accompanying the start of operations of JR Kyushu Private REIT Inc., and for other factors, we have implemented upward revisions to the forecasts for operating revenue, operating income, ordinary income, and net income attributable to owners of the parent that were announced on November 2, 2021.

Full-year performance forecasts for FY2022/3

Operating revenue	¥332,800 million (up 13.2% YoY)
Operating income	¥2,700 million (operating loss of ¥22,873 million in previous fiscal year)
Ordinary income	¥6,900 million (ordinary loss of ¥19,323 million in previous fiscal year)
Net income attributable to owners of the parent	¥9,800 million (net loss attributable to owners of parent of ¥18,984 million in previous fiscal year)
EBITDA	¥29,900 million (increase of 544.5 % YoY)

\* In regard to the method of depreciation for railway business fixed assets, previously the Company primarily used the declining-balance method. However, from FY2022/3, the Company has changed to mainly using the straight-line method. In addition, in regard to rolling stock, the Company has changed to useful life in line with usage condition. As a result, in comparison with before the change, depreciation in the railway business is expected to decline by approximately ¥3,100 million.

Also, forecasts by segment for operating revenue, operating income, and EBITDA are as follows.

(Millions of Yen)

	Operating revenue			Operating income / loss			EBITDA		
	FY 2022/3 (April 1, 2021 – March 31, 2022)	YoY		FY 2022/3 (April 1, 2021 – March 31, 2022)	YoY		FY 2022/3 (April 1, 2021 – March 31, 2022)	YoY	
Transportation	110,000	14,705	15.4%	(22,300)	15,329	—	(13,400)	13,107	—
Construction	95,100	(1,423)	(1.5%)	6,300	(690)	(9.9%)	7,200	(841)	(10.5%)
Real Estate and Hotels	110,800	30,672	38.3%	18,200	8,286	83.6%	32,100	9,874	44.4%
Real estate lease	58,200	8,438	17.0%	15,000	2,927	24.3%	26,700	4,690	21.3%
Real estate sale	43,500	19,939	84.6%	6,100	3,459	131.0%	6,100	3,447	129.9%
Hotel	9,100	2,293	33.7%	(2,900)	1,899	—	(700)	1,737	—
Retail and Restaurant	44,400	(7,088)	(13.8%)	(900)	1,675	—	300	1,480	—
Other	59,300	(4,341)	(6.8%)	2,400	648	37.0%	4,900	1,192	32.2%
Total	419,600	32,524	8.4%	3,700	25,248	—	31,100	24,813	394.7%
Adjustment	(86,800)	6,361	—	(1,000)	325	—	(1,200)	447	—
Amount on the consolidated financial statements	332,800	38,885	13.2%	2,700	25,573	—	29,900	25,260	544.5%

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, Third Quarter (As of December 31, 2021)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	22,927	48,097
Notes and accounts receivable–trade	50,857	—
Notes and accounts receivable–trade, and contract assets	—	43,476
Fares receivable	1,059	1,739
Securities	42,096	33,027
Merchandise and finished goods	13,583	21,849
Work in process	20,429	26,204
Raw materials and supplies	8,352	9,849
Other	41,646	18,555
Allowance for doubtful accounts	(47)	(42)
<b>Total current assets</b>	<b>200,906</b>	<b>202,758</b>
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	284,255	300,273
Machinery, rolling stock and vehicles (net)	38,047	41,369
Land	153,553	148,216
Lease assets (net)	19,664	19,755
Construction in progress	28,498	44,915
Other (net)	8,002	7,496
<b>Net property, plant and equipment</b>	<b>532,021</b>	<b>562,026</b>
<b>Intangible assets</b>	<b>3,940</b>	<b>4,144</b>
Investments and other assets		
Investment securities	45,162	42,740
Deferred tax assets	55,252	58,060
Net defined benefit assets	873	1,221
Other	54,062	56,367
Allowance for doubtful accounts	(840)	(824)
<b>Total investments and other assets</b>	<b>154,510</b>	<b>157,565</b>
<b>Total non-current assets</b>	<b>690,472</b>	<b>723,736</b>
<b>Total assets</b>	<b>891,379</b>	<b>926,495</b>

(Millions of Yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3, Third Quarter (As of December 31, 2021)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Notes and accounts payable–trade	31,942	16,801
Short-term loans	6,885	6,523
Commercial papers	—	30,000
Current portion of long-term debt	4,674	10,836
Payables	47,952	38,038
Accrued income taxes	2,749	507
Fare deposits received with regard to railway connecting services	3,060	2,939
Railway fares received in advance	4,737	5,025
Accrued bonuses	5,814	3,516
Other	36,864	44,927
<b>Total current liabilities</b>	<b>144,681</b>	<b>159,117</b>
Non-current liabilities		
Corporate bonds	80,000	120,000
Long-term debt	159,383	150,575
Allowance for safety and environmental measures	1,412	1,436
Allowance for disaster-damage losses	3,773	3,437
Net defined benefit liabilities	50,507	49,399
Asset retirement obligations	1,462	1,455
Other	54,750	54,771
<b>Total non-current liabilities</b>	<b>351,290</b>	<b>381,076</b>
<b>Total liabilities</b>	<b>495,971</b>	<b>540,193</b>
<b>EQUITY</b>		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	224,021	225,038
Retained earnings (Deficit)	150,017	143,905
Treasury stock	(594)	(591)
<b>Total shareholders' equity</b>	<b>389,445</b>	<b>384,352</b>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	7,079	5,655
Foreign currency translation adjustments	(186)	(174)
Remeasurements of defined benefit plans	(6,148)	(5,325)
<b>Total accumulated other comprehensive income</b>	<b>743</b>	<b>155</b>
Non-controlling interests	5,218	1,793
<b>Total equity</b>	<b>395,408</b>	<b>386,301</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>891,379</b>	<b>926,495</b>

## (2) Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Income Statements

### Consolidated Cumulative Third Quarter

(Millions of Yen)

	FY 2021/3, Third Quarter (Nine months ended December 31, 2020)	FY 2022/3, Third Quarter (Nine months ended December 31, 2021)
OPERATING REVENUE	202,405	222,712
OPERATING EXPENSE		
Transportation, other services and cost of sales	152,553	151,514
Selling, general and administrative expense	68,453	68,412
Total operating expense	221,006	219,927
OPERATING INCOME (LOSS)	(18,601)	2,784
NON-OPERATING INCOME		
Interest income	59	70
Dividend income	608	573
Gain on assets held in trust	1,379	1,693
Subsidies for employment adjustment	1,498	1,647
Other	552	2,039
Total non-operating income	4,099	6,025
NON-OPERATING EXPENSE		
Interest expense	1,306	1,119
Other	344	722
Total non-operating expense	1,651	1,842
ORDINARY INCOME (LOSS)	(16,153)	6,967
EXTRAORDINARY GAINS		
Construction grants received	997	637
Gain on sales of shares of subsidiaries and associates	9,144	—
Other	620	475
Total extraordinary gains	10,762	1,113
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	954	627
Provision for loss on disaster	5,194	806
Disaster-damage losses	585	146
Other	1,521	500
Total extraordinary losses	8,254	2,079
INCOME (LOSS) BEFORE INCOME TAXES	(13,646)	6,001
INCOME TAXES -Current	765	761
INCOME TAXES -Deferred	(2,668)	(3,726)
Total income taxes	(1,902)	(2,965)
NET INCOME (LOSS)	(11,743)	8,967
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(81)	(247)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(11,662)	9,214

Quarterly Consolidated Comprehensive Income Statements  
Consolidated Cumulative Third Quarter

(Millions of Yen)

	FY 2021/3, Third Quarter (Nine months ended December 31, 2020)	FY 2022/3, Third Quarter (Nine months ended December 31, 2021)
NET INCOME (LOSS)	(11,743)	8,967
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(2,458)	(1,425)
Gain (loss) on deferred hedges	(15)	—
Foreign currency translation adjustments	(72)	17
Remeasurements of defined benefit plans	742	805
Total other comprehensive income	(1,803)	(603)
COMPREHENSIVE INCOME	(13,547)	8,364
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	(13,436)	8,624
Non-controlling interests	(111)	(260)

### **(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 third quarter of the current consolidated fiscal year, this had the result of increasing operating revenue by ¥2,403 million, increasing operating expenses by ¥2,341 million, and increasing each of operating income, ordinary income, and income before income taxes by ¥61 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.

(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, for the first nine months of the fiscal year, operating income, ordinary income, and income before income taxes each improved by ¥2,518 million.

The influence on segment information is described in “Segment Information.”

(Additional information)

(Occurrence of damage due to rainstorms and heavy rains in the period from August 7, 2021, to August 23, 2021)

Due to the influence of the heavy rains that occurred throughout Kyushu in August 2021, damage occurred on multiple lines, including the Sasebo Line and the Kyudai Main Line. This damage included deformation of tracks over bridges and flooding of tracks. Among the recovery expenses, etc., resulting from this damage, extraordinary losses were recorded in the quarterly consolidated income statements for the consolidated cumulative third quarter. Recovery expenses, etc., for the consolidated cumulative third quarter were recorded as “disaster-damage losses” and a reasonable estimate of the amount of recovery expenses, etc., anticipated in the consolidated fourth quarter and thereafter was recorded as “provision for loss on disaster.”

(Segment Information)

I FY 2021/3, Third Quarter (Nine-Month Period Ended December 31, 2020)

1. Information Related to Operating Revenue 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 Revenue								
Outside Customers	65,349	25,070	46,488	41,074	24,422	202,405	—	202,405
Inside Group	4,948	33,227	2,585	119	19,888	60,769	(60,769)	—
Total	70,297	58,298	49,073	41,194	44,311	263,174	(60,769)	202,405
Segment income (loss)	(24,844)	2,646	5,424	(1,978)	886	(17,864)	(736)	(18,601)

(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 ¥736 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 ¥16,167 million.

II FY 2022/3, Third Quarter (Nine-Month Period Ended December 31, 2021)

1. Information Related to Operating Revenue 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 Revenue								
Outside Customers	76,330	29,584	59,901	32,315	24,579	222,712	—	222,712
Inside Group	5,168	33,043	2,860	146	17,180	58,398	(58,398)	—
Total	81,498	62,627	62,762	32,462	41,759	281,110	(58,398)	222,712
Segment income (loss)	(11,393)	2,689	10,729	(794)	2,079	3,310	(526)	2,784

(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 ¥526 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

3. Segment income (loss) has been adjusted for the operating income 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 revenue decreased by ¥145 million in Transportation, increased by ¥7,409 million in Construction, decreased by ¥54 million in Real Estate and Hotels, decreased by ¥1,100 million in Retail and Restaurant, and decreased by ¥954 million in Other. Segment income increased by ¥61 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 for the first nine months of the fiscal year improved by ¥2,518 million.

(Significant Subsequent Events)

None