

(Translation)

Consolidated Financial Results
for the Three-Month Period Ended June 30, 2022
(Japanese GAAP)

August 2, 2022

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
URL: <https://www.jrkyushu.co.jp/>
Representative: Yoji Furumiya, President and CEO
Contact: Kazuyo Hisano, General Manager, Public Relations Department
Tel.: +81-92-474-3677

Scheduled date for filing of quarterly report: August 5, 2022
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 Three-Month Period Ended June 30, 2022
(From April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	90,476	25.5	7,883	—	8,557	—	6,915	646.0
June 30, 2021	72,097	16.6	(1,333)	—	385	—	927	—

(Note) Comprehensive income: Three months ended June 30, 2022: ¥8,216 million (248.0%)
Three months ended June 30, 2021: ¥2,360 million (—%)

	Net income per share — basic	Net income per share — diluted
Three months ended June 30, 2022	Yen 44.01	Yen —
June 30, 2021	5.90	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	901,932	382,612	42.3
As of March 31, 2022	951,980	389,024	40.8

(Reference) Shareholders' equity: As of June 30, 2022: ¥381,821 million
As of March 31, 2022: ¥388,331 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Year ended March 31, 2022	Yen —	Yen 0.00	Yen —	Yen 93.00	Yen 93.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(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	381,400	15.7	29,000	635.2	30,000	224.8	24,500	84.9	155.93

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

Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (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: No
 - iii Changes in accounting estimates: No
 - iv Restatement of revisions: No

(Notes)

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.

(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, 2022	157,301,600 shares	As of March 31, 2022	157,301,600 shares
ii	Number of shares of treasury stock at end of period	As of June 30, 2022	183,705 shares	As of March 31, 2022	183,705 shares
iii	Average number of shares during the period	As of June 30, 2022	157,117,895 shares	As of June 30, 2021	157,117,000 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 FY2023/3, 183,700 shares; FY2022/3, 183,700 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 FY2023/3, 183,700 shares; First quarter of FY2022/3, 184,600 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

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	2
(1) Qualitative Information on Consolidated Operating Results	2
(2) Qualitative Information on Consolidated Financial Position	7
(3) Qualitative Information on Consolidated Performance Outlook.....	7
2. Quarterly Consolidated Financial Statements and Major Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
Quarterly Consolidated Income Statements	
Consolidated Cumulative First Quarter.....	10
Quarterly Consolidated Comprehensive Income Statements	
Consolidated Cumulative First Quarter	11
(3) Notes to Quarterly Consolidated Financial Statements.....	12
(Notes on Going Concern Assumption)	12
(Notes on Significant Changes in the Value of Shareholders' Equity).....	12
(Changes in Accounting Policies)	12
(Segment Information)	13
(Significant Subsequent Events)	13

○(Financial results presentation materials)

Financial Results for the First Quarter of FY2023/3 (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 the fiscal year ending March 31, 2023.

(1) Qualitative Information on Consolidated Operating Results

In the first quarter of the fiscal year ending March 31, 2023, the Japanese economy showed signs of a modest rebound, centered on personal consumption initially. As the number of new COVID-19 infections trended downward, restrictions on behavior and socioeconomic activity began to normalize.

However, the number of new COVID-19 infections began to increase again in late June, and raw materials prices rose as the situation in the Ukraine was prolonged. Owing to such factors, the economic outlook remains uncertain, and the Group's operating environment appears likely to remain challenging.

Against this backdrop, the JR Kyushu Group advanced under the three key strategies of JR Kyushu Group Medium-Term Business Plan 2022–2024, its three-year plan commencing from the fiscal year ending March 31, 2023. The strategies are “completing business structural reforms,” “creating a model for building cities that promote well-being,” and “developing businesses in new areas in which we can contribute.” In addition, we focused on developing human resources for the implementation and realization of strategies, and on building foundations for advancing strategies on a Groupwide basis.

As a result, operating revenue was up 25.5% year on year, to ¥90,476 million; operating income was ¥7,883 million (compared with operating loss of ¥1,333 million in the same period of the previous fiscal year); EBITDA increased 192.5%, to ¥14,747 million; ordinary income was ¥8,557 million (compared with ordinary income of ¥385 million in the same period of the previous fiscal year); and net income attributable to owners of the parent increased 646.0%, to ¥6,915 million.

(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. Reportable segments have been revised from the first quarter under review. In the year-on-year comparisons below, results from previous years have been retroactively adjusted to match the new segment classifications.

(Millions of Yen)

	Operating revenue			Operating income / loss			EBITDA (Note 2)		
	FY2023/3, consolidated cumulative first quarter (three months ended June 30, 2022)	YoY		FY2023/3, consolidated cumulative first quarter (three months ended June 30, 2022)	YoY		FY2023/3, consolidated cumulative first quarter (three months ended June 30, 2022)	YoY	
Transportation	31,427	8,379	36.4%	2,387	7,703	—	4,804	8,061	—
Real Estate and Hotels	32,623	6,702	25.9%	5,186	1,262	32.2%	8,623	1,210	16.3%
Real estate lease	14,901	831	5.9%	3,774	44	1.2%	6,681	14	0.2%
Real estate sale	14,483	4,275	41.9%	1,552	164	11.8%	1,557	164	11.8%
Hotel	3,238	1,595	97.1%	(140)	1,054	—	384	1,031	—
Retail and Restaurant	12,303	2,849	30.1%	(13)	812	—	298	841	—
Construction	16,319	(949)	(5.5%)	(410)	(591)	—	(147)	(565)	—
Business Services	16,785	764	4.8%	992	325	48.8%	1,515	455	43.0%
Total	109,459	17,746	19.3%	8,142	9,512	—	15,094	10,004	196.6%
Adjustment (Note 1)	(18,982)	632	—	(259)	(295)	—	(346)	(297)	—
Amount on the consolidated financial statements	90,476	18,378	25.5%	7,883	9,217	—	14,747	9,706	192.5%

(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)

i) Transportation Group

In the railway business, the Company worked to ensure safety and implemented measures to prevent the spread of COVID-19. In light of these factors, we worked to secure revenues. In addition, we strove to reduce costs, particularly fixed costs, which account for a high percentage of costs in the railway business. Also, we worked steadily to prepare for the September 2022 opening of the Nishi-Kyushu Shinkansen.

We promoted safety creation activities based on the understanding that safety is the foundation of everything we do. The slogan of the activities was “Save lives!! Understand the rules and put them into practice.” In addition, we steadily made safety-oriented investments, such as introducing new rolling stock, replacing aging facilities, and introducing disaster-prevention measures.

On the service front, we promoted initiatives aimed at emphasizing a corporate culture founded on service. The theme of these initiatives is “I listen to customer feedback, and think and act on behalf of

the Company.” In addition, as an initiative to enhance customer convenience, we had been conducting a demonstration experiment on the introduction of limited-express tickets that can be purchased via the PayPay app provided by PayPay Corporation. In April 2022, we decided to commence sales for the entire year.

In marketing, leading up to the opening of the Nishi-Kyushu Shinkansen in September 2022, we conducted a tourism campaign communicating the appeal of Saga and Nagasaki. We also ran a campaign styled “LOVE & MEET by SHINKANSEN,” targeting the Fukuoka, Kumamoto, and Kagoshima areas. In June 2022, we extended the EX Service (internet reservations and ticketless boarding) area to the Kyushu Shinkansen and ran promotions to encourage use. In addition, based on customer usage and the introduction of the EX Service, we reevaluated limited-express surcharges on conventional lines, stopped selling some discount tickets, and revised prices.

In transportation, while implementing infection prevention measures at stations and on trains, we worked to maintain the transportation network, which is an important aspect of regional social infrastructure. Due to the impact 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 are preparing to restore service by introducing a bus rapid transit (BRT) system along the Hitahikosan Line (nicknamed the “BRT Hikoboshi Line”). We are working to commence service in summer of 2023. We are also introducing alternative means of transportation on certain sections of the Hisatsu Line that were seriously damaged by heavy rains in July 2020.

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 of infection. In addition, in March 2022 we introduced a dynamic pricing fare system on a high-speed bus route. Under this system, fares are changed flexibly within a wider price range in line with the most-recent reservation circumstances.

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, we continued domestic sightseeing operation of the “QUEEN BEETLE” new-style hydrofoil ferry. In addition, in March 2022 we changed the QUEEN BEETLE to Japanese registry and began operating the ferry between two points in Japan.

In the field of new mobility services (MaaS), we have already commenced operations in Fukuoka, Saga, Oita, and Miyazaki prefectures. In collaboration with transportation operators in each region, we promoted efforts to realize seamless transportation services using the “my route” MaaS application. In addition, we cooperated with local governments, transportation operators, and others to expand the service to prefectures where it has not yet been introduced and to provide integrated services in the wider Kyushu region.

As a result, the Transportation Group recorded operating revenue of ¥31,427 million, up 36.4% year on year; an operating income of ¥2,387 million (compared with operating loss of ¥5,316 million in the same period of the previous fiscal year); and EBITDA of ¥4,804 million (compared with negative EBITDA of ¥3,257 million in the same period of the previous fiscal year).

ii) Real Estate and Hotels Group

In the real estate leasing business, we have seen a moderate recovery in tenant sales at each station building since the lifting of infection prevention and other priority measures, and occupancy at the offices and rental condominiums we own has remained strong. In March 2022, we also opened Nagasaki Kaido Kamome Ichiba, which is under the elevated railway tracks at Nagasaki Station. With moves such as these, we are making steady development progress toward the planned opening of the new Nagasaki Station building in autumn 2023.

In the real estate sale business, we sold one office building. We also handed over condominium units, including “MJR the Garden Kashii,” and recorded sales from them. While instituting infection prevention measures at model rooms, we engaged in sales efforts at “MJR Kumamoto The Tower,” “MJR Kumamoto Station South,” “MJR Kagoshima Eki Park Front,” and other condominium buildings.

In the hotel business, we worked actively to capture mobility demand associated with tourism campaigns such as the Kyushu Block Discount. We also continued with efforts to reduce costs and improve profitability. In addition, we continued preparations to open “THE BLOSSOM KYOTO” in August 2022.

As a result, the Real Estate and Hotels Group posted operating revenue of ¥32,623 million, up 25.9% year on year; operating income of ¥5,186 million, up 32.2%; and EBITDA of ¥8,623 million, up 16.3%.

iii) Retail and Restaurant Group

In the retail business, we sought to build back revenues from station stores, especially souvenir shops, amid a modest recovery in mobility demand and personal consumption. We also made progress on renovating convenience stores. To reinforce our roadside store offerings, our subsidiary, JR Kyushu Retail, Inc. entered a franchise agreement with Chateraise Co., Ltd. Also, April 2022 marked the opening of the first store under this agreement, a confectionery shop called Chateraise Sawara-ku Hara

In the restaurant business, we opened restaurants in suburban commercial facilities, such as “Mitsui Shopping Park LaLaport FUKUOKA” and “THE OUTLETS KITAKYUSHU.” We also worked to enhance management efficiency, such as by closing unprofitable restaurants.

As a result, the Retail and Restaurant Group posted operating revenue of ¥12,303 million, up 30.1% year on year; operating loss of ¥13 million (compared with operating loss of ¥825 million in the same period of the previous fiscal year); and EBITDA of ¥298 million (compared with negative EBITDA of ¥543 million in the same period of the previous fiscal year).

iv) Construction Group

In the construction business, we leveraged specialized skills in the railway business to ensure 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, we made steady progress on such projects as the Nishi-Kyushu Shinkansen, the Hokuriku Shinkansen, and Haga Utsunomiya LRT. In addition, JR Kyushu Electric System Company, a subsidiary of the Company, installed optical fiber cables in Shinkansen structures between Hakata Station and Kagoshima-Chuo station and started an optical-fiber core wire leasing service from March 2022. Furthermore, we worked to obtain orders from government and municipal offices and from private enterprises for work related to condominiums and other projects. We also endeavored to reduce costs.

As a result, the Construction Group recorded operating revenue of ¥16,319 million, down 5.5% year on year; operating loss of ¥410 million (compared with operating income of ¥180 million in the same period of the previous fiscal year); and negative EBITDA of ¥147 million (compared with EBITDA of ¥417 million in the same period of the previous fiscal year).

v) Business Services Group

For the construction machinery sales, rental, and advertising business, we worked to secure earnings through aggressive sales activities. In addition, in line with our alliance strategy in the field of information systems, JR Kyushu System Solutions Inc., a Company subsidiary, entered a business alliance with Keyware Kyusyu Inc. to jointly create a cloud data center service.

As a result, the Business Services Group posted operating revenue of ¥16,785 million, up 4.8% year on year; operating income of ¥992 million, up 48.8%; and EBITDA of ¥1,515 million, up 43.0%.

(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, 2022, were down 5.3% compared with the previous fiscal year-end, to ¥901,932 million. Current assets decreased 28.9%, to ¥146,953 million, due to the collection of accounts receivable-trade and other factors. Non-current assets increased 1.3%, to ¥754,978 million, due principally to the acquisition of property, plant and equipment, etc.

Meanwhile, total liabilities decreased 7.8% compared with the previous fiscal year-end, to ¥519,319 million. Current liabilities decreased 8.7%, to ¥166,146 million, due to payment of accounts payable-trade and payables and other factors. Non-current liabilities were down 7.3%, to ¥353,173 million, as a result of a decrease in bonds, owing to a transfer to the current portion of bonds, and other factors.

Furthermore, total equity decreased 1.6% compared with the previous fiscal year-end, to ¥382,612 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 FY2023/3, there are no revisions to the forecasts announced on May 10, 2022.

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 2022/3 (As of March 31, 2022)	FY 2023/3, First Quarter (As of June 30, 2022)
ASSETS		
Current assets		
Cash and time deposits	39,709	33,455
Notes and accounts receivable—trade, and contract assets	45,536	31,252
Fares receivable	2,224	1,739
Securities	39,027	19,016
Merchandise and finished goods	19,757	7,226
Work in process	19,630	26,051
Raw materials and supplies	8,058	9,285
Other	32,821	18,964
Allowance for doubtful accounts	(42)	(39)
Total current assets	206,722	146,953
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	312,746	309,998
Machinery, rolling stock and vehicles (net)	44,001	45,204
Land	147,142	149,825
Lease assets (net)	19,668	21,085
Construction in progress	44,040	50,037
Other (net)	7,708	7,636
Net property, plant and equipment	575,308	583,788
Intangible assets	5,735	5,488
Investments and other assets		
Investment securities	45,086	46,580
Deferred tax assets	62,996	61,217
Net defined benefit assets	1,007	962
Other	56,191	58,037
Allowance for doubtful accounts	(1,067)	(1,095)
Total investments and other assets	164,214	165,702
Total non-current assets	745,257	754,978
Total assets	951,980	901,932

(Millions of Yen)

	FY 2022/3 (As of March 31, 2022)	FY 2023/3, First Quarter (As of June 30, 2022)
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable–trade	28,908	15,205
Short-term loans	6,070	5,858
Commercial papers	35,000	15,000
Current portion of bonds	-	20,000
Current portion of long-term debt	8,780	14,806
Payables	46,564	34,490
Accrued income taxes	1,693	184
Fare deposits received with regard to railway connecting services	1,705	1,700
Railway fares received in advance	4,818	5,616
Accrued bonuses	7,066	5,023
Other	41,466	48,260
Total current liabilities	182,074	166,146
Non-current liabilities		
Corporate bonds	120,000	100,000
Long-term debt	153,336	146,671
Allowance for safety and environmental measures	854	854
Allowance for disaster-damage losses	2,115	2,000
Net defined benefit liabilities	48,890	48,471
Asset retirement obligations	1,448	1,435
Other	54,234	53,740
Total non-current liabilities	380,881	353,173
Total liabilities	562,955	519,319
EQUITY		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,847	225,847
Retained earnings (Deficit)	147,941	140,227
Treasury stock	(591)	(591)
Total shareholders' equity	389,198	381,484
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,781	5,660
Foreign currency translation adjustments	(441)	(315)
Remeasurements of defined benefit plans	(5,206)	(5,007)
Total accumulated other comprehensive income	(866)	336
Non-controlling interests	692	791
Total equity	389,024	382,612
TOTAL LIABILITIES AND EQUITY	951,980	901,932

(2) Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Income Statements

Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2022/3, First Quarter (Three months ended June 30, 2021)	FY 2023/3, First Quarter (Three months ended June 30, 2022)
OPERATING REVENUE	72,097	90,476
OPERATING EXPENSE		
Transportation, other services and cost of sales	51,184	59,168
Selling, general and administrative expense	22,247	23,425
Total operating expense	73,431	82,593
OPERATING INCOME (LOSS)	(1,333)	7,883
NON-OPERATING INCOME		
Interest income	20	23
Dividend income	317	342
Gain on assets held in trust	531	438
Gain on foreign exchange	—	390
Other	1,635	342
Total non-operating income	2,504	1,538
NON-OPERATING EXPENSE		
Interest expense	354	377
Loss on valuation of derivatives	—	227
Loss on foreign exchange	203	—
Other	226	260
Total non-operating expense	785	864
ORDINARY INCOME	385	8,557
EXTRAORDINARY GAINS		
Construction grants received	478	371
Other	138	22
Total extraordinary gains	616	393
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	472	367
Other	88	254
Total extraordinary losses	560	622
INCOME BEFORE INCOME TAXES	441	8,328
INCOME TAXES -Current	204	154
INCOME TAXES -Deferred	(520)	1,148
Total income taxes	(315)	1,302
NET INCOME	757	7,025
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(169)	110
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	927	6,915

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2022/3, First Quarter (Three months ended June 30, 2021)	FY 2023/3, First Quarter (Three months ended June 30, 2022)
NET INCOME	757	7,025
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	1,257	876
Foreign currency translation adjustments	6	114
Remeasurements of defined benefit plans	339	198
Total other comprehensive income	1,603	1,190
COMPREHENSIVE INCOME	2,360	8,216
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	2,511	8,118
Non-controlling interests	(150)	98

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter, the "Implementation Guidance") from the beginning of the first quarter of the consolidated fiscal year ending March 31, 2023. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance, the new accounting policies set forth by the Implementation Guidance will be applied prospectively.

Accordingly, certain investment trusts that were previously stated at acquisition cost as securities whose fair value was deemed extremely difficult to determine are now stated at fair value in the consolidated balance sheets. This change has no material impact on the quarterly financial statements.

(Segment Information)

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

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

(Millions of Yen)

	Reportable Segment					Total	Adjustment (Note 1)	Quarterly Consolidated Statements of Income (Note 2)
	Transportation	Real Estate and Hotels	Retail and Restaurant	Construction	Business Services			
Operating Revenue								
Outside Customers	21,907	24,977	9,414	7,818	7,980	72,097	—	72,097
Inside Group	1,140	943	39	9,450	8,040	19,615	(19,615)	—
Total	23,047	25,920	9,454	17,269	16,021	91,713	(19,615)	72,097
Segment income (loss)	(5,316)	3,923	(825)	180	667	(1,370)	36	(1,333)

(Notes) 1. The ¥36 million adjustment from segment income (loss) reflects the elimination of intersegment transactions.

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

II FY 2023/3, First Quarter (Three-Month Period Ended June 30, 2022)

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

(Millions of Yen)

	Reportable Segment					Total	Adjustment (Note 1)	Quarterly Consolidated Statements of Income (Note 2)
	Transportation	Real Estate and Hotels	Retail and Restaurant	Construction	Business Services			
Operating Revenue								
Outside Customers	30,221	31,599	12,228	7,079	9,347	90,476	—	90,476
Inside Group	1,205	1,023	75	9,240	7,438	18,982	(18,982)	—
Total	31,427	32,623	12,303	16,319	16,785	109,459	(18,982)	90,476
Segment income (loss)	2,387	5,186	(13)	(410)	992	8,142	(259)	7,883

(Notes) 1. The ¥259 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

2. 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.

The Company has changed its segment classifications from the first quarter under review, with the aim of strengthening the business portfolio on a Groupwide basis. As a result of this change, the former “Transportation,” “Construction,” “Real Estate and Hotels,” “Retail and Restaurant,” and “Other” segments have been revised to the “Transportation,” “Real Estate and Hotels,” “Retail and Restaurant,” “Construction,” and “Business Services” segments.

Segment information for the first quarter of the previous fiscal year is presented based on the revised segment classifications.

(Significant Subsequent Events)

None