(Translation)

Matters Excluded in Physical Documents That Are Provided to Shareholders Who Requested Provision of Physical Documents Pursuant to Laws, Regulations, and the Company's Articles of Incorporation

38th Fiscal Year (April 1, 2024 to March 31, 2025)
Systems for Ensuring the Appropriateness of Business Activities and the Operation Status of the Systems
Consolidated Statements of Changes in Net Assets
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Notes to Non-Consolidated Financial Statements

Kyushu Railway Company

Description of the aforementioned matters in physical documents that are provided to shareholders who requested provision of physical documents is omitted pursuant to laws, regulations, and the Company's Articles of Incorporation.

6 Systems for Ensuring the Appropriateness of Business Activities and the Operation Status of the Systems

The Board of Directors resolved the following with regard to the system for ensuring that the business execution of Directors of the Company and Group companies complies with laws, regulations and the Articles of Incorporation, and other systems for ensuring the appropriateness of operations.

(1) System for Ensuring the Business Execution of Directors and Employees of the Company and Group Companies Complies with Laws, Regulations, and the Articles of Incorporation

The Company has formulated the JR Kyushu Group's Code of Ethics to serve as a standard that works to reinforce corporate ethics with each officer (including Corporate Officers, which includes Senior Corporate Officers; the same applies hereinafter) and employee of the Company and Group companies and ensure compliance with laws and regulations. The Administration Department has been put in charge of implementing this code group-wide and also carries out employee training and other initiatives. In addition, the Audit and Supervisory Committee conducts audits and other tasks with respect to the Company's Directors, while the Auditing Department, which acts as the internal audit function, audits the status of compliance with laws and regulations among employees of the Company and Group companies, and reports regularly to the Board of Directors and the Audit and Supervisory Committee.

(2) System for Storing and Managing Information Related to the Business Execution of Directors of the Company

In accordance with regulations for the management of written documents, information related to the business execution of the Company's Directors is recorded in written documents and through an electromagnetic medium (hereinafter, "documents, etc.," collectively) is then stored. The documents, etc., can be viewed at any time by the Company's Directors.

(3) Regulations and Other Systems for Managing the Risk of Loss at the Company and Group Companies

Securing railway safety is the most important management issue for the Company. In accordance with safety management regulations created based on the revised Railway Business Act, which was enacted in October 2006, the Company has established a safety management system and works to ensure, maintain, and improve transportation safety. Safety promotion committees have been established at the head office. These committees carry out initiatives toward preventing operational accidents and work-related injuries. Through training and other methods, these committees make thorough efforts to ensure the Company can make prompt responses in the event of large-scale accidents or natural disasters. For risks that would have a significant impact on the Company's business operations, the

Company will establish regulations at each division that oversees operations and put in place crisis management systems in order to ensure that an appropriate response is made in the event an issue arises.
The Company has established the Group Executive Committee, which oversees the management of Group companies. The Group Executive Committee is made up of mainly the Company's Corporate Officers. The Committee ensures that systems are in place that allow for management to be conducted in an appropriate manner. In addition, the Committee supervises and monitors the management of Group companies by holding discussions on key management issues for the JR Kyushu Group based on regulations for business administration at affiliated companies. Furthermore, in addition to establishing relevant departments and designating officers to help support and oversee Group management, the Company's officers or employees serve as part-time directors of Group companies, with the basic principle of placing auditors in Group companies, thereby putting an audit system into place at each Group company, allowing the Company to improve its governance. In addition, each Group company will appoint an officer in charge of safety, hold regular meetings on safety, and strengthen its management system by monitoring companies that have experienced events with significant social impact.

(4) Systems for Ensuring Effective Business Execution by Directors of the Company and Group Companies

The Company's Board of Directors delegates a portion of authority to the Directors for execution of important operations when necessary on the basis of the Articles of Incorporation and resolutions of the Board of Directors. Meanwhile, the Company's Board of Directors also determines the area in charge undertaken by each Corporate Officer, and ensures that systems are in place to allow each Director and Corporate Officer to perform his or her assigned work in an efficient manner. In addition, the Company clarifies the authority and responsibilities of each Director, Corporate Officer and employee through the Guidelines on Administrative Authorities, thereby securing an effective system for business execution.
For Group companies, the Company ensures an effective system for business execution through the establishment of regulations related to the division concerning segregation of duties, the chain of command, authority, decision making, and other organizational matters.

(5) Systems for Ensuring the Appropriateness of Business Activities at the Company and Group Companies

In order to establish corporate ethics and reinforce compliance with laws and regulations, the Company and Group companies have formulated the JR Kyushu Group's Code of Ethics and established the JR Kyushu Group Human Rights and Corporate Ethics Committee, which deliberates issues related to corporate ethics and compliance. Furthermore, the Company operates the JR Kyushu Group Corporate Ethics Hotline (hereinafter, "the Corporate Ethics Hotline"), which serves as a means for employees of the Company or Group companies, as well as employees of business partners, to directly provide information regarding actions that may potentially be in violation of laws and regulations. The Company and Group companies maintain a resolute attitude toward antisocial forces, such as crime syndicates, companies affiliated with crime syndicates, and corporate extortionists, and rejects any kind of relationship with such organizations.

(6) Systems for Reporting to the Company Facts Pertaining to Business Execution of Group Company Directors and Employees

The Company has provided regulations for business administration at affiliated companies. Group executive strategy and other crucial items are communicated through review and reporting systems for the Group Executive Committee, which comprises mainly the Company's Corporate Officers. Moreover, the Company ensures a system for regular reporting on Group companies' operating results and financial conditions.

(7) Items Regarding Employees Who Are to Assist with the Duties of the Company's Audit and Supervisory Committee

The Company's Audit and Supervisory Committee Members have the authority to instruct Audit and Supervisory Committee Office employees on items necessary to activities of the Audit and Supervisory Committee.

In addition, Audit and Supervisory Committee Office employees will not receive guidance from Directors (excluding Directors who are Audit and Supervisory Committee Members) or others with regard to those instructions.

(8) Systems for Reporting to Audit and Supervisory Committee by Directors and Employees of the Company and Group Companies

The Company ensures a system for Company and Group companies' Directors, Corporate Officers, and employees, etc. to promptly report conduct to Audit and Supervisory Committee that may be in violation of laws, etc., or behavior that will have a major impact on the Company or Group companies. Moreover, matters provided for in laws and regulations, the implementation status of internal audits and the contents of messages provided through the Corporate Ethics Hotline are regularly reported to Audit and Supervisory Committee, as stipulated by law.

The Company and Group companies' Directors, Corporate Officers, and employees, etc. will not be treated unfairly, etc. for making reports to the Audit and Supervisory Committee. Regarding the Corporate Ethics Hotline, the privacy of persons making reports will be strictly observed, and that such persons will not be treated adversely by reason of the report or consultation to the Hotline.

(9) Items Regarding Policy on Prepayment of Fees or Reimbursement Procedures and Costs or Discharge of Debt for Performance of Duties by the Company's Audit and Supervisory Committee Members

The Company secures a budget for views related to the execution of audits on a yearly basis.

(10) Other Systems for Securing Effective Auditing by Audit and Supervisory Committee

The Company's Audit and Supervisory Committee conducts regular roundtable discussions with the Representative Directors and outside Directors (excluding Directors who are Audit and Supervisory Committee Members). Moreover, Audit and Supervisory Committee regularly conduct roundtable discussions with the Internal Audit Department, accounting auditors, and Group company auditors, thus strengthening cooperation.

The overview of the operation status of the systems for ensuring the appropriateness of business activities is as follows.

(1) Initiatives for Establishing Corporate Ethics and Reinforcing Compliance with Laws and Regulations

1 At the JR Kyushu Group Human Rights and Corporate Ethics Committee, the status of initiatives regarding corporate ethics in the Group, the operation status of the Corporate Ethics Hotline, etc. were reported.

2 The Company provided training and education on compliance with laws and regulations for officers and employees of the Company and Group companies.
In addition, the Company conducted a survey in the Company in order to ascertain employee awareness of corporate ethics.

3 In order to eliminate any relationship with anti-social forces, the Company worked to include exclusion clauses in contracts, etc. and conduct thorough credit investigations.

(2) Initiatives for Ensuring the Appropriateness and Effectiveness of the Business Execution of Directors and Employees

1 Minutes of meetings of the Board of Directors and documents, etc. related to the business execution of Directors were recorded and stored appropriately in accordance with laws, regulations, etc.

2 In order to secure the effectiveness of the Board of Directors, the Company carried out an investigation using questionnaires for the Directors to analyze and evaluate that effectiveness. The results of the investigation were reported to the Board of Directors, and we analyzed and evaluated the effectiveness of the Board of Directors and discussed the issues recognized in the

effectiveness evaluation at a meeting of the Board of Directors. In addition, various improvements were made based on the investigation results.

3 The Auditing Department conducts internal audits of the Company and Group companies and reports the results of the audits to the Board of Directors and the Audit and Supervisory Committee.

4 The Company made partial changes to the organization to secure a more effective system for business execution.

(3) Initiatives for Managing the Risk of Loss

1 The Safety Promotion Committee established measures for preventing the occurrence and recurrence of railway accidents, transport disruptions, etc. The Safety Promotion Committee also ensured that the measures are disseminated to Group companies, and strongly promoted the measures to unite the entire Group.

2 The Company conducted audits, etc. in regard to a safety control structure through the Audit and Supervisory Committee and Safety Management Department.

3 The Group Executive Committee held appropriate discussions and issued reports on important matters related to Group management. The Group Executive Committee also reported the operating results of Group Companies and other information to the Company's Board of Directors.

4 In response to the occurrence of an issue at JR Kyushu Jet Ferry Inc. that caused serious doubt regarding safety management systems, the Company formulated and implemented measures to strengthen the JR Kyushu Group's governance. Specifically, each Group company appointed an officer responsible for safety and held regular meetings on safety matters. Additionally, the Company strengthened its management systems by newly including significant social impact occurring at Group companies in the monitoring scope.

(4) Initiatives for Securing Effective Auditing by the Audit and Supervisory Committee

1 The Company secured a budget for expenses deemed necessary for the execution of duties by Audit and Supervisory Committee Members.

2 The Audit and Supervisory Committee regularly exchanged opinions with Representative Directors and outside Directors (excluding Directors who are Audit and Supervisory Committee Members).

3 The Audit and Supervisory Committee regularly received reports from the Auditing Department on the status of internal audits and other matters, as well as regularly exchanged opinions with accounting auditors and Group company auditors on the status of audits, issues, etc.

Consolidated Statements of Changes in Net Assets

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	16,000	225,797	188,295	(568)	429,524
Cumulative effects of changes in accounting policies			21		21
Restated balance	16,000	225,797	188,317	(568)	429,546
Changes during current period					
Dividends of surplus			(21,943)		(21,943)
Net income attributable to owners of the parent			43,657		43,657
Purchase of treasury shares				(4,367)	(4,367)
Disposal of treasury stock				624	624
Change in scope of consolidation		265	990		1,256
Net changes in items other than shareholders' equity during current period					
Total changes during current period	–	265	22,704	(3,742)	19,227
Balance at the end of current period	16,000	226,063	211,021	(4,311)	448,773

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,651	(97)	348	11,903	859	442,287
Cumulative effects of changes in accounting policies	(21)			(21)		–
Restated balance	11,630	(97)	348	11,881	859	442,287
Changes during current period						
Dividends of surplus						(21,943)
Net income attributable to owners of the parent						43,657
Purchase of treasury shares						(4,367)
Disposal of treasury stock						624
Change in scope of consolidation						1,256
Net changes in items other than shareholders' equity during current period	(3,554)	(81)	(512)	(4,147)	1,253	(2,894)
Total changes during current period	(3,554)	(81)	(512)	(4,147)	1,253	16,333
Balance at the end of current period	8,075	(178)	(163)	7,733	2,113	458,620

(Note) The above figures are rounded down to the nearest ¥1 million.

Notes to Consolidated Financial Statements

I Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) The scope of consolidation includes 55 companies including significant subsidiaries indicated in "(8) Major parent companies and subsidiaries" of the Business Report.

Kyutetsu Built Co., Ltd., Metalstar Kyushu, Ltd., Arima Electric Facilities Co., Ltd., Nishiden Co., Ltd., CK Rental Ltd., Premium Logix Ltd., BSS Co, Ltd., and With-Unity Co., Ltd. are included in the scope of consolidation from the fiscal year ended March 31, 2025 due to increased importance.

The newly founded JR Kyushu Real Estate Co., Ltd. is included in the scope of consolidation from the fiscal year ended March 31, 2025.

JR Kyushu Hotels Inc., JR Kyushu Huis Ten Bosch Hotel Co., Ltd. and JR Kyushu Station Hotel Kokura Inc. have been excluded from the scope of consolidation from the fiscal year ended March 31, 2025 due to the absorption-type merger with JR Kyushu Hotel Management Co., Ltd. as the surviving company. JR Kyushu Hotel Management Co., Ltd. has changed its name to JR KYUSHU HOTELS&RESORTS Inc.

(2) Names of major non-consolidated subsidiaries

Names of main non-consolidated subsidiaries: 7 companies, including JR Kyushu Palette Work Co., Ltd.

Reasons for excluding from the scope of consolidation

All of the non-consolidated subsidiaries are small in scale, and their total assets, operating revenue, net income (multiplied by the Company's ownership percentage) and retained earnings (multiplied by the Company's ownership percentage) do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.

2. Application of equity method

(1) There are no non-consolidated subsidiaries accounted for under the equity method.

(2) There are five affiliates, including JR Kyushu Secom Inc., accounted for under the equity method.

(3) JR Kyushu Palette Work Co., Ltd. and other non-consolidated subsidiaries not accounted for under the equity method, and Hakata Bus Terminal Co., Ltd. and other affiliates are excluded from the scope of applying the equity method as they will have minimal impact on net income (multiplied by the Company's ownership percentage) and retained earnings (multiplied by the Company's ownership percentage) and are not material as a whole.

(4) Special notes on application of equity method

Among those affiliates to which the equity method is applied whose fiscal year-end and consolidated fiscal year-end differ, the non-consolidated financial statements of the most recent fiscal year of each subsidiary are used.

3. Fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end of Manbou Corp. is the end of February, the fiscal year-end of Premium Logix Ltd. is the end of January, and the fiscal year-end of JR Kyushu Capital Management (Thailand) Co., Ltd., JR Kyushu Business Development (Thailand) Co., Ltd., JR Kyushu Corporate Investment LLC., and CK Rental Ltd. is the end of December. The consolidated financial statements of these subsidiaries were prepared using the non-consolidated financial statements dated as of those dates. However, the adjustments needed for consolidation were made for all the important transactions between consolidated companies that took place between those dates and the consolidated fiscal year-end.

4. Accounting policies

(1) Basis and method of valuation of significant assets

(i) Securities

Held-to-maturity debt securities: Stated at amortized cost (straight-line method).

Other securities (including money held in trust): Those other than “shares etc. without market value” are stated at fair value (Unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined based on the moving-average method.) Shares etc. without market value are stated at cost, determined by the moving-average method.

Investments in limited liability investment partnerships and similar investments (defined as securities in Article 2, paragraph (2) of the Financial Instruments and Exchange Act (Act No. 25 of April 13, 1948)) are measured at net amounts equivalent to the equity interest in the partnerships based on their latest available financial statements whose reporting date is stipulated in the partnership agreement.

(ii) Inventories

The cost method (method to write down book value due to lower profitability) is adopted as the basis of valuation.

Merchandise: Stated mainly using the specific identification method.

Real estate for sale: Stated using the specific identification method.

Real estate for sale in process: Stated using the specific identification method.

Supplies: Stated mainly using the moving-average method.

Other: Stated mainly using the last purchase price method.

(2) Depreciation method for significant depreciable assets

(i) Property, plant and equipment (excluding lease assets)

Stated mainly using the straight-line method. However, the following assets are stated using the following methods.

Replacement assets of fixed assets for railway business: Stated using the replacement method.

(ii) Intangible assets (excluding lease assets)

Software: Stated using the straight-line method. The amortization period of internal-use software is the internal useful life (five years).

Other intangible assets: Stated using the straight-line method.

(iii) Lease assets

Lease assets in finance lease transactions that do not transfer ownership: Depreciated using the straight-line method with the lease term as the useful life and a residual value of zero.

(iv) Long-term prepaid expenses: Stated using the straight-line method.

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

(ii) Accrued bonuses

To prepare for the payment of employee bonuses, the estimated amount to be paid is stated.

(iii) Allowance for safety and environmental measures

To prepare for the expenses for safety and environmental measures, repairs, etc. for railway facilities, etc. to ensure safe railway operations, the estimated costs are stated.

(iv) Provision for loss on disaster

To prepare for disaster recover expenses, etc., the estimated costs are stated.

(4) Accounting method for retirement benefits

(i) Method of attributing projected retirement benefits to periods

When calculating retirement benefit obligations, the benefit formula method is used to attribute the projected retirement benefits to the period until the end of the current fiscal year.

(ii) Method of amortization of actuarial gain or loss and past service cost

Actuarial gain or loss is mainly amortized on a straight-line basis over periods (12 years) within the average remaining years of service of the employees in the year following the year in which the gain/loss was incurred.

Past service cost is mainly amortized on a straight-line basis over periods (19 years) within the average remaining years of service of the employees.

(5) Accounting standards for significant revenue and expenses

The main obligations in the Group's major businesses and the usual points in time at which revenue is recognized are as follows. Furthermore, among the obligations under contracts with customers in each business, for transactions in which the Group's role in providing goods or services to customers is that of an agent, revenue is recognized at the net amount received from customers with the amount paid to suppliers deducted.

(i) Transportation Group

In the transportation business, the main obligation is providing transportation services based on transportation contracts with customers.

Regarding commuter passes, obligations are considered to be fulfilled once the expiration date of a commuter pass has passed, and revenue is recognized over a certain period of time.

Regarding tickets other than commuter passes, obligations are considered to be fulfilled from the point when a transportation service is provided by use of the ticket, and revenue is recognized at one point in time.

In addition, compensation for transportation-service-related transactions is generally received in advance.

(ii) Real Estate and Hotels Group

In the real estate lease business, the Company primarily manages and operates commercial facilities, offices, and apartment buildings, and leases these units based on building lease agreements and other agreements. Regarding building lease agreements and other agreements, revenue is recognized in the scope of the agreement period based on the "Accounting Standard for Lease Transactions."

In the real estate sale business, the Company primarily sells condominiums and has obligations to deliver condominiums based on real estate sales agreements with customers. These obligations are considered to be fulfilled when control of the relevant property is transferred to the customer, and revenue is recognized from the point in time when the condominium was delivered.

In the hotel business, the main obligation is providing accommodation services based on accommodation agreements with customers. These obligations are considered to be fulfilled when accommodation service is provided to the customer, and revenue is recognized at one point in time.

(iii) Retail and Restaurant Group

In the retail and restaurant business, the Company primarily sell products in stores and has obligations to deliver products based on sales contracts with customers. These obligations are considered to be fulfilled at the point when the product is sold and control of said product is transferred to the customer, and revenue is recognized at the point in time when the product is delivered.

(iv) Construction Group

In the construction business, the main obligation is conducting civil engineering and building work and the like based on contract work agreements with customers.

Under contract work agreements, obligations are considered to be fulfilled over a certain period of time, the degree of progress toward fulfillment of the obligations is estimated, and revenue is recognized over a certain period of time based on the degree of progress. The method for estimating degree of progress is calculated as the ratio of costs incurred to the estimated total cost. For contracts under which the degree of progress cannot be reasonably estimated, revenue is recognized in an amount equal to the portion of the costs incurred that is expected to be recovered.

(v) Business Service Group

In the construction machinery sales business, the Company primarily sells construction machinery, and has obligations to deliver construction machinery based on sales contracts with customers. These obligations are considered to be fulfilled when control of said construction machinery is transferred to the customer, which is when the construction machinery is delivered, and revenue is recognized at the point in time when the construction machinery is delivered.

(6) Treatment of construction grants

The Company receives construction grants from municipal governments and others to aid in construction and improvement of railways and other properties, such as construction of elevated railway tracks for grade separation and construction for widening railway crossings.

Such construction grants are recognized by deducting the amount equivalent to the contribution for construction received mainly at the completion of the construction directly from the acquisition cost of the fixed assets.

In the consolidated statements of income, the construction grants received, etc. are recognized in extraordinary gains, and the amount deducted directly from the acquisition cost of the fixed assets is recognized in extraordinary losses as losses from provision for cost reduction of fixed assets.

(7) Amortization of goodwill

Goodwill is amortized using the straight-line method, mostly over nine years.

(8) Adoption of the group tax sharing system

The Company and some consolidated subsidiaries in Japan are applying the group tax sharing system. The accounting processing and disclosures for income taxes and local corporation tax, as well as the tax effect accounting of the Company and some consolidated subsidiaries in Japan are in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021).

II Notes on Changes in Accounting Policies

(Application of the "Accounting Standard for Current Income Taxes")

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, hereinafter, the "Revised Accounting Standard of 2022") from the start of the first quarter of the period under review. Accordingly, amounts calculated in accordance with laws and regulations (including amounts of corporation tax and local corporation tax claimed for refund due to the carryback of tax losses), except for corporation tax, inhabitants tax, and enterprise tax amounts charged against income for the fiscal year ended March 31, 2025 that correspond to valuation differences arising from revaluation of assets or liabilities (valuation and translation adjustments as defined in Paragraph 8 of ASBJ Statement No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet,") are recorded in profit or loss. However, calculating amounts to be charged to shareholders' equity or other comprehensive income are difficult because they relate to more than one category, the amount is charged to profit or loss in accordance with Paragraph 5-3 (2) of the Revised Accounting Standard of 2022.

Revisions to the classifications of corporation tax, etc. (taxes on other comprehensive income) are handled in accordance with the transitional treatment set forth in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022. The cumulative effect of applying new accounting policies prior to the beginning of the first quarter of the period under review is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the corresponding amount is added to or subtracted from the appropriate category in accumulated other comprehensive income.

The adoption of this standard has no material impact on the consolidated financial statements.

III Notes on Changes in Presentation

(Consolidated statements of income)

(i) Foreign exchange gains

"Foreign exchange gains" (¥665 million in the previous fiscal year), which was previously included under non-operating income, is listed as "Miscellaneous income" from the fiscal year under review due to its diminished monetary significance with respect to non-operating income.

(ii) Share of profit of entities accounted for using equity method

"Share of profit of entities accounted for using equity method" (¥546 million in the previous fiscal year), which was previously listed separately under non-operating income, is listed as "Miscellaneous income" from the fiscal year under review due to its diminished monetary significance with respect to non-operating income.

(iii) Gain on exchange of non-current assets

"Gain on exchange of non-current assets" (¥4,389 million in the previous fiscal year), which was previously included under extraordinary gains, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary gains.

(iv) Loss on sale of non-current assets

"Loss on sale of non-current assets" (¥2,102 million in the previous fiscal year), which was previously included under extraordinary losses, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary losses.

IV Notes on Accounting Estimates

1. Recoverability of deferred tax assets

(1) Amount of deferred tax assets stated in the consolidated financial statements for the fiscal year under review: ¥41,039 million

(2) Information on the nature of significant accounting estimates related to the identified items

(i) Calculation method

The Group recognizes deferred tax assets for tax loss carryforwards and deductible temporary differences to the extent that they are expected to reduce future tax liabilities after estimating future taxable income based on earning capability and tax planning.

(ii) Key assumptions

The Group estimates the amount of future taxable income based on earning capability and tax planning, mainly based on its business plans.

(iii) Impact on the next fiscal year's consolidated financial statements

Deferred tax assets are primarily attributable to the impairment loss of the non-current assets of the Company's railway business, the recovery of which heavily depends on future taxable income. Future changes in the business environment or the Group's business activities may affect our estimates of taxable income, and changes in the effective tax rate due to tax system reforms could have a significant impact on the consolidated financial statements for the next fiscal year and thereafter.

2. Impairment loss on non-current assets

(1) Amount of non-current assets recorded in the consolidated financial statements for the fiscal

year under review:

Property, plant and equipment ¥766,606 million

Intangible assets ¥5,427 million

(2) Information on the nature of significant accounting estimates related to the identified items

(i) Calculation method

The Group assesses whether there is any indication of impairment on assets and asset groups. If there is an indication for the possibility of an impairment loss, then impairment loss will be tested based on the undiscounted future cash flows of the asset or asset group concerned. When it is judged that assets or asset groups should have impairment losses recognized, their carrying value is reduced to the recoverable amount and the amount of the reduction is recorded as an impairment loss.

(ii) Key assumptions

For the testing of impairment loss on non-current assets, certain assumptions are made including future cash flows, discount rates, etc.

(iii) Impact on next fiscal year's consolidated financial statements

Future cash flows may be affected by fluctuations in uncertain future economic conditions. Decreases in future cash flows due to changes in key assumptions or decreases in market prices could have a significant impact on the consolidated financial statements for the next fiscal year and thereafter.

3. Provision for loss on disaster

(1) Amount of provision for loss on disaster recorded in the consolidated financial statements for the fiscal year under review: ¥2,629 million

(2) Information on the nature of significant accounting estimates related to the identified items

(i) Calculation method

If the Group suffers damage due to a disaster, a provision for loss on disaster is recorded, in accordance with the extent of damage, for the expenses, etc., expected to be incurred for restoration in the next fiscal year and thereafter.

(ii) Key assumptions

In estimating provision for loss on disaster, the Group estimates for the recovery plans and construction, etc., in accordance with the extent of damage based on actual results for restoration of damage required in past disasters.

(iii) Impact on next year's consolidated financial statements

With regard to disaster recovery work, factors such as additions or changes to the details of construction during the course of construction and changes in the market environment could have an impact on the recovery work, and any material changes in the estimates for the recovery plan and construction could have a significant impact on the consolidated financial statements for the next fiscal year and thereafter.

V Additional Information

1. Board Benefit Trust (BBT)

The Company introduced a share-based remuneration plan called the "Board Benefit Trust (BBT)" (the "Plan") for the Company's Directors (excluding outside Directors and Directors who are Audit and Supervisory Committee Members) and its Senior Corporate Officers (the "Directors, etc.").

(1) Overview of transactions

The Plan is a share-based remuneration plan under which the Company's shares are acquired through a trust using money contributed by the Company as the financial funds, and the Directors, etc. are provided with the Company's shares and an amount of money equivalent to the market value of the Company's shares (the "Company's Shares, etc.") through the trust in accordance with the Rules on Provision of Shares to Officers established by the Company. The Directors, etc. shall receive the Company's Shares, etc. upon their retirement from office, in principle.

(2) Shares of the Company remaining in the Trust

The shares of the Company remaining in the trust are recognized as treasury stock under equity at the book value in the trust (excluding incidental expenses). The book value of said treasury stock at the end of the fiscal year under review was ¥568 million and the number of shares was 176,600 shares.

2. Stock-based Benefit Trust (Employee Shareholders Association Purchase-type)

The Board of Directors resolved at a meeting held on February 6, 2024 to introduce the "Stock-based Benefit Trust (Employee Shareholders Association Purchase-type)" (the "Plan") for the purpose of enhancing the welfare and benefits of employees and providing an incentive for the improvement of the Company's corporate value.

(1) Purpose of introducing the Plan

The purpose of introducing the Plan is to enhance the welfare and benefits of employees and to encourage awareness among employees of the share price and improve work motivation as part of the investment in human capital and contribute to improving the corporate value of the Company through the stable provision of the Company's shares to the Employee Shareholders Association and the distribution of profits obtained through management and disposal of trust assets to employees.

This Plan is a welfare and benefits system for employees that was constructed by referencing the ESOP (Employee Stock Ownership Plan) for employees that is common in the United States as part of employee incentive plans, and the “Report on a New Scheme for Holding Own Shares” announced by Ministry of Economy, Trade and Industry on November 17, 2008.

(2) Details of the Plan

The Plan is an incentive plan that returns the benefits of increases in the Company’s share price to all employees who have joined “JR Kyushu Employee Shareholders Association” (the “Shareholders Association”).

With the introduction of the Plan, the Company, as the Trustor, will enter into a Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) Agreement (the “Trust Agreement”; the trust established pursuant to the Trust Agreement is referred to as the “Trust”) with Mizuho Trust & Banking Co., Ltd. (the “Trustee”). Additionally, the Trustee will enter into a re-trust agreement with Custody Bank of Japan, Ltd. regarding the management of securities and other trust assets by Custody Bank of Japan, Ltd. as the sub-trustee.

Custody Bank of Japan, Ltd. will be entitled to, in advance, collectively acquire to the Trust E Account established at the Custody Bank of Japan, Ltd. (the “Trust E Account”), the number of the Company’s shares equivalent to the number of shares anticipated to be purchased by the Shareholders Association over the next four years, and then sell the Company’s shares periodically when the shares are purchased by the Shareholders Association. If proceeds from the sale of shares are accumulated in the trust assets of the Trust up through the time of the ending of the trust through the sale of the Company’s shares, through the sale of the Company’s shares to the Shareholders Association using Trust E Account, this cash shall be distributed as residual assets to the members of the Shareholders Association (employees) who satisfy the beneficiary eligibility requirements.

In addition, since the Company provides a guarantee when the Trustee takes out a loan in order for the Trust E Account to acquire the Company’s shares, in a case in which the Trustee has an outstanding loan balance equal to the loss on the sale of shares as of the time of the ending of the trust due to a drop in the Company’s share price or the like, the Company will pay off the outstanding loan balance pursuant to the guarantee agreements.

(3) Company shares remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets at the Trust’s book value (excluding incidental expenses). The book value and number of shares of said such treasury stock amounted to ¥3,741 million and 934,600 shares, respectively, at March 31, 2025.

(4) Book value of loans recorded under the gross amount method

The amount was ¥3,829 million as of March 31, 2025.

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) by the Diet on March 31, 2025, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities (limited to those to be eliminated on or after April 1, 2026) for the current fiscal year was changed from 30.46% to 31.36%.

The impact of this change in tax rate is immaterial.

VI Notes to Consolidated Balance Sheet

1. Pledged assets and secured liabilities

(1) Pledged assets

Securities	¥27 million
Merchandise and finished goods	¥110 million
Buildings and structures	¥143 million
Land	¥190 million
Investment securities	¥27 million
Other (investments and other assets)	¥279 million
Total:	¥778 million

The above securities, investment securities and other (investments and other assets) are deposited to the Fukuoka Legal Affairs Bureau as a warranty against defects on housing construction in accordance with the Act for Secure Execution of Defect Housing Warranty Liability.

(2) Secured liabilities

Notes and accounts payable–trade	¥65 million
Current portion of long-term debt	¥15 million
Payables	¥5 million
Long-term debt	¥117 million
Total:	¥204 million

2. Accumulated depreciation of property, plant and equipment ¥815,913 million

3. Reduction entry due to construction grants received in fixed assets (cumulative)

¥435,558 million

VII Notes to Consolidated Statement of Income

(Impairment loss)

The Group determines the asset groups by each business or property based on the classifications in managerial accounting. For railway business assets, the Group identifies entire railway lines as a single asset group because the railway network generates cash flows as a whole. In addition, the Group identifies idle assets that are not expected to be used in the future as separate asset groups. As a result, for discontinued businesses and assets that were determined to be disposed of or for which the recoverable amounts have declined to a lower level than originally expected, the book value under non-current assets is reduced to the recoverable amount and the amount of the reduction in the current fiscal year is recognized as “Impairment loss” (¥4,545 million) under extraordinary losses.

(Millions of yen)

Major applications		Type	Place	Amount
Rental assets	1	Buildings, and fixtures etc.	Fukuoka Prefecture, etc.	2,846
Retail stores, etc.	34	Buildings and fixtures, etc.	Kumamoto Prefecture, etc.	656
Corporate assets	2	Buildings and intangible assets, etc.	Fukuoka Prefecture, etc.	790
Idle assets	5	Buildings and fixtures, etc.	Kumamoto Prefecture, etc.	252
Total				4,545

The recoverable amounts of these asset groups are calculated based on net sale value or value in use. If the recoverable amount is calculated using value in use, the future cash flows are determined using a discount rate of 4.0%. In addition, if the recoverable amount is calculated using net sale value, the property tax-appraised value of non-current assets is determined based on reasonable adjustments, etc.

VIII Notes to Consolidated Statements of Changes in Net Assets

1. Class and total number of shares outstanding as of the end of the fiscal year under review

   Common stock 157,301,600 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2024	Common stock	14,629	93.0	March 31, 2024	June 24, 2024
Board of Directors meeting held on November 6, 2024	Common stock	7,314	46.5	September 30, 2024	December 4, 2024

Note: The total amount of dividends includes dividends for the shares of the Company's stock held by the trust as trust assets of the Board Benefit Trust (BBT) (¥16 million resolved at the Annual General Meeting of Shareholders held on June 21, 2024, and ¥8 million resolved at the Board of Directors meeting on November 6, 2024) and dividends for the shares of the Company's stock held by the trust as trust assets of the Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) (¥50 million resolved at the Board of Directors meeting on November 6, 2024).

(2) Among the dividends whose record date falls within the fiscal year under review, those whose effective date will fall within the next fiscal year

Resolution (scheduled)	Class of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 20, 2025	Common stock	8,101	Retained earnings	51.5	March 31, 2025	June 23, 2025

Note: The total amount of dividends includes ¥9 million in dividends for the shares of the Company's stock held by the trust as trust assets of the Board Benefit Trust (BBT) and ¥48 million in dividends for the shares of the Company's stock held by the trust as trust assets of the Stock-based Benefit Trust (Employee Shareholders Association Purchase-type).

IX Notes on Financial Instruments

1. Status of financial instruments

The Group invests in securities, etc. and raises funds via issuance of bonds and borrowings from banks and other financial institutions.

Customer credit risk associated with notes and accounts receivable – trade, and contract assets is managed under appropriate credit control policies. Investment securities are mainly stocks, and the Group checks the fair values of listed shares on a quarterly basis.

Commercial papers, bonds and borrowings are used for working capital (mainly short term) and capital expenditures (long term).

The Group executes derivative transactions in accordance with internal regulations and within the scope necessary for the underlying transactions, and does not engage in speculative transactions.

2. Fair value of financial instruments

The carrying amounts in the Consolidated Balance Sheets, fair values and unrealized gains and losses as of March 31, 2025 are as follows.

(Millions of yen)

		Carrying amount(*1)	Fair value(*1)	Unrealized gain/(loss)
(1)	Investment securities	38,011	37,973	37
(2)	Bonds	(185,000)	(168,058)	16,942
(3)	Long-term debt(*4)	(210,825)	(202,968)	7,857

(*1) Amounts shown in parentheses are net liabilities.

(*2) Regarding “Cash and deposits,” “Notes and accounts receivable – trade, and contract assets,” “Fares receivable,” “Securities,” “Notes and accounts payable – trade,” “Short-term loans,” “Commercial paper,” “Payable,” “Accrued income taxes,” and “Fare deposits received with regard to railway connecting services,” as these items are settled within a short period of time and the fair values are approximately equal to the carrying amounts, the notes have been omitted.

(*3) Investments in unlisted equity securities, etc. (carrying amount: ¥6,416 million) and investments in partnerships (carrying amount: ¥8,789 million) were not included in “(1) Investment securities” because they do not have market prices.

(*4) Long-term debt includes those related to Stock-based Benefit Trust (Employee Shareholders Association Purchase-type).

(*5) In investment securities, investment trusts to which the treatment in Paragraphs 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) is applied are included.

3. Matters pertaining to the breakdown of fair value of financial instruments by level and others

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: The fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: The fair value calculated using inputs other than those included within Level 1 that are either directly or indirectly observable

Level 3 fair value: The fair value calculated using key unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified as the level with the lowest priority for fair value calculation among the levels to which each of the inputs is associated.

(1) Financial assets and financial liabilities for which fair value is recorded on the Consolidated Balance Sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	33,795	–	–	33,795
Bonds	27	1,100	–	1,128
Other	76	–	–	76
Total Assets	33,899	1,100	–	35,000

(Note) Of investment securities, investment trusts to which the treatment in Paragraphs 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied are not included in the above table. The amount of such investment trusts in the consolidated balance sheet was ¥2,195 million.

(2) Financial assets and financial liabilities for which fair value is not recorded on the Consolidated Balance Sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds, etc.	300	477	–	778
Total Assets	300	477	–	778
Bonds	–	168,058	–	168,058
Long-term debt	–	202,968	–	202,968
Total liabilities	–	371,026	–	371,026

(Note) Explanation of evaluation techniques and inputs used to calculate fair value

(i) Investment securities

Stocks and other similar instruments are classified as Level 1 as their fair value is the unadjusted quoted price in active markets. For debt securities, the fair value is the unadjusted quoted price in active markets, or the price quoted by the transacting financial institutions, and these are primarily classified as Level 1 for government bonds and Level 2 for all other debt securities.

(ii) Bonds (including current portion of bonds payable)

Regarding public offering bonds, while fair value is the unadjusted quoted price, the frequency of market transactions is low and this cannot be considered as a quoted price in active markets, so they are classified as Level 2.

(iii) Long-term debt (including current portion of long-term debt)

Regarding Long-term debt, since the fair value is the present value of the total amount of principal and interest payment discounted by the interest rate expected to be applied for a similar new loan, it is classified as Level 2. Those with floating interest rates reflect market interest rates in a short period of time and their fair value approximates their book value. Therefore, they are based on such book value and classified as Level 2 fair value.

X Notes on Rental Properties

1. Status of rental properties

The Company and some of its subsidiaries own commercial buildings for rent.

2. Fair value of investment and rental properties

(Millions of yen)

Carrying amount	Fair value
380,476	589,640

(Notes)

1 The carrying amount is the acquisition cost less accumulated depreciation.

2 For the fair values at the end of the fiscal year under review, the amounts for significant properties are calculated by the Company based on Real Estate Appraisal Standards, etc., and the amounts for other properties are calculated by the Company based on certain appraisal values and indicators that are considered to appropriately reflect market prices.

3 Assets under construction or development are not included in the above table because it is extremely difficult to determine their fair values.

XI Notes on Revenue Recognition

1. Information breaking down revenue from contracts with customers

(Millions of yen)

	Reportable segment					
	Transportation			Real Estate and Hotels		
	Commuter	Non-Commuter	Other	Real estate lease business	Real estate sale business	Hotels
Revenue from contracts with customers	31,191	120,046	11,868	34,738	32,899	32,239
Revenue from other sources	–	–	1,241	38,511	–	–
Sales to external customers	31,191	120,046	13,109	73,249	32,899	32,239

(Millions of yen)

	Reportable segment			Total
	Retail and Restaurant	Construction	Business Service	
Revenue from contracts with customers	66,550	42,518	36,072	408,124
Revenue from other sources	132	551	5,831	46,269
Sales to external customers	66,683	43,070	41,904	454,393

2. Information fundamental to understanding revenue from contracts with customers

Information fundamental to understanding revenue is as described in "(5) Accounting standards for significant revenue and expenses" under "4. Accounting policies" in "I Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements."

3. Information pertaining to the relationship between fulfillment of obligations based on contracts with customers and cash flows resulting from such contracts, as well as the amounts and timing of revenue from contracts with customers that existed at the end of the fiscal year ended March 31, 2025, which is expected to be recognized in or after the fiscal year ending March 31, 2026

(1) Balance, etc. of contract assets and Contract liabilities

(Millions of yen)

	Balance at beginning of the fiscal year ended March 31, 2025	Balance at end of the fiscal year ended March 31, 2025
Receivables from contracts with customers	43,957	40,643
Contract assets	8,974	11,560
Contract liabilities	19,544	23,840

Contract assets primarily pertain to contract construction work agreements in the construction industry for which progress has been made on the contracted construction work as of the final day of the fiscal year but for which rights to claim compensation are unclaimed. Contract assets are transferred to Receivables from contracts with customers when the right to compensation becomes unconditional.

Contract liabilities primarily pertain to railway fares received in advance, advances received of sales proceeds in the real estate sale business, and advances received of lump-sum payments paid when moving into a fee-based nursing home in the senior citizen business. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized in the fiscal year ended March 31, 2025, the amount included in the balance of Contract liabilities at the beginning of the period is ¥11,921 million.

(2) Transaction price allocated to remaining obligations

The Company and consolidated subsidiaries apply a practical expedient method in noting the transaction prices allocated to remaining obligations, and contracts having an initial estimated contract period of one year or less are not included in the scope for notes. The total amount of transaction prices allocated to remaining obligations and the estimated periods for recognizing revenue are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025
1 year or less	51,522
Over 1 year, but not more than 2 years	21,496
Over 2 years, but not more than 3 years	6,609
Over 3 years	6,412
Total	86,040

XII Notes on Per Share Information

1. Net assets per share ¥2,922.77
2. Net income per share ¥278.96

(Note) When calculating net assets per share, the Company's shares remaining in the Board Benefit Trust (BBT) and Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) recognized as treasury stock under shareholders' equity are included in the treasury stock excluded from the number of shares issued and outstanding at end of period (176,600 shares for Board Benefit Trust (BBT) and 934,600 shares for Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) at the end of the fiscal year under review).

In addition, when calculating net income per share, the shares are included in the treasury stock excluded from the average number of shares during the period (176,600 shares for Board Benefit Trust (BBT) and 625,717 shares for Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) for the fiscal year under review).

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	
Balance at beginning of period	16,000	171,908	52,113	224,022	11,171	104,137	115,309
Changes during current period							
Dividends of surplus						(21,943)	(21,943)
Net income						31,075	31,075
Provision of reserve for tax purpose reduction entry of non-current assets					226	(226)	–
Reversal of reserve for tax purpose reduction entry of non-current assets					(144)	144	–
Purchase of treasury shares							
Disposal of treasury stock							
Net changes in items other than shareholders' equity during current period							
Total changes during current period	–	–	–	–	82	9,049	9,132
Balance at end of period	16,000	171,908	52,113	224,022	11,253	113,187	124,441

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at beginning of period	(568)	354,762	8,443	363,206
Changes during current period				
Dividends of surplus		(21,943)		(21,943)
Net income		31,075		31,075
Provision of reserve for tax purpose reduction entry of non-current assets		–		–
Reversal of reserve for tax purpose reduction entry of non-current assets		–		–
Purchase of treasury shares	(4,367)	(4,367)		(4,367)
Disposal of treasury stock	624	624		624
Net changes in items other than shareholders' equity during current period			(3,900)	(3,900)
Total changes during current period	(3,742)	5,389	(3,900)	1,489
Balance at end of period	(4,311)	360,152	4,543	364,695

(Note) The above figures are rounded down to the nearest ¥1 million.

Notes to Non-Consolidated Financial Statements

I Notes on Significant Accounting Policies

1. Basis and method of valuation of securities

(1) Shares in subsidiaries or affiliates: Stated at cost using the moving average method.

(2) Other securities (including money held in trust): Those other than “shares etc. without market value” are stated at fair value (Unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined based on the moving-average method.) Shares etc. without market value are stated at cost, determined by the moving-average method.

Investments in limited liability investment partnerships and similar investments (defined as securities in Article 2, paragraph (2) of the Financial Instruments and Exchange Act (Act No. 25 of April 13, 1948)) are measured at net amounts equivalent to the equity interest in the partnerships based on their latest available financial statements whose reporting date is stipulated in the partnership agreement.

2. Basis and method of valuation of inventories

The cost method (method to write down book value due to lower profitability) is adopted as the basis of valuation.

(1) Real estate for sale: Stated using the specific identification method.

(2) Real estate for sale in process: Stated using the specific identification method.

(3) Supplies: Stated using the moving-average method.

3. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding lease assets)

Stated mainly using the straight-line method. However, the following assets are stated using the following methods.

Replacement assets of fixed assets for railway business: Stated using the replacement method.

(2) Intangible assets (excluding lease assets)

Software: Stated using the straight-line method. The amortization period of internal-use software is the internal useful life (five years).

Other intangible assets: Stated using the straight-line method.

(3) Lease assets

Lease assets in finance lease transactions that do not transfer ownership: Depreciated using the straight-line method with the lease term as the useful life and a residual value of zero.

(4) Long-term prepaid expenses: Stated using the straight-line method.

4. Accounting standards for allowances

(1) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

(2) Accrued bonuses

To prepare for the payment of employee bonuses, the estimated amount to be paid is stated.

(3) Allowance for retirement benefits

To prepare for payment of employees' retirement benefits, the allowance for retirement benefits is stated according to such liability for retirement benefits as was estimated at the end of the fiscal year under review.

The term attribution method for estimated retirement benefits is based on the benefit formula method. Any actuarial gain or loss is accounted for as cost from the fiscal year following the occurrence in an amount prorated using the straight-line method over a given number of years (12 years) within average remaining employee service years at the time of the occurrence in the fiscal year.

(4) Allowance for safety and environmental measures

To prepare for the expenses for safety and environmental measures, repairs, etc. for railway facilities, etc. to ensure safe railway operations, the estimated costs are stated.

(5) Provision for loss on disaster

To prepare for disaster recover expenses, etc., the estimated costs are stated.

(6) Provision for guarantee obligations

To prepare for loss on debt guarantees for subsidiaries and affiliated companies, an amount deemed to be required individually is stated.

5. Accounting standards for significant revenue and expenses

The main obligations in the Company's major businesses and the usual points in time at which revenue is recognized are as follows. Furthermore, among the obligations under contracts with customers in each business, for transactions in which the Company's role in providing goods or services to customers is that of an agent, revenue is recognized at the net amount received from customers with the amount paid to suppliers deducted.

(1) Railway business

The Company is obligated to provide passenger rail transportation services based primarily on transportation agreements with customers.

Regarding commuter passes, obligations are considered to be fulfilled once the expiration date of a commuter pass has passed, and revenue is recognized over a certain period of time.

Regarding tickets other than commuter passes, obligations are considered to be fulfilled from the point when a transportation service is provided by use of the ticket, and revenue is recognized at one point in time.

In addition, compensation for transportation-service-related transactions is generally received in advance.

(2) Related businesses

In the real estate sale business, the Company primarily sells condominiums and has obligations to deliver condominiums based on real estate sales agreements with customers. These obligations are considered to be fulfilled when control of the relevant property is transferred to the customer, and revenue is recognized from the point in time when the condominium was delivered.

In the real estate lease business, the Company primarily manages and operates commercial facilities, offices, apartment buildings and hotels, and leases these units based on building lease agreements and other agreements. Regarding building lease agreements and other agreements, revenue is recognized in the scope of the agreement period based on the "Accounting Standard for Lease Transactions."

6. Treatment of construction grants

The Company receives construction grants from municipal governments and others to aid in construction and improvement of railways and other properties, such as construction of elevated railway tracks for grade separation and construction for widening railway crossings.

Such construction grants are recognized by deducting the amount equivalent to the contribution for construction received mainly at the completion of the construction directly from the acquisition cost of the fixed assets.

In the non-consolidated statements of income, the construction grants received, etc. are recognized in extraordinary gains, and the amount deducted directly from the acquisition cost of the fixed assets is recognized in extraordinary losses as losses from provision for cost reduction of fixed assets.

7. Accounting method for retirement benefits

The method for accounting for an unrecognized actuarial gain or loss for retirement benefits differs from the method for doing so in consolidated financial statements.

8. Adoption of the group tax sharing system

The Company is applying the group tax sharing system. The accounting processing and disclosures for income taxes and local corporation tax, as well as the tax effect accounting of the Company is in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021).

II Notes on Changes in Presentation

(Non-consolidated statements of income)

(i) Gain on investment securities

"Gain on investment securities" (¥545 million in the previous fiscal year), which was previously included in "Miscellaneous income" under non-operating income, is listed separately from the fiscal year under review due to its increased monetary significance with respect to non-operating income.

(ii) Gain on exchange of non-current assets

"Gain on exchange of non-current assets" (¥4,389 million in the previous fiscal year), which was previously listed separately under extraordinary gains, is listed separately from the fiscal year under review due to its diminished monetary significance with respect to extraordinary gains.

III Notes on Accounting Estimates

1. Recoverability of deferred tax assets

(1) Amount of deferred tax assets stated in the non-consolidated financial statements for the fiscal year under review: ¥32,548 million

(2) Information on the nature of significant accounting estimates related to the identified items

Calculation method for the amount stated in (1) above is as described in "1. Recoverability of deferred tax assets" under "IV Notes on Accounting Estimates" of the notes to consolidated financial statements.

2. Impairment loss on non-current assets

(1) Amount of non-current assets recorded in the non-consolidated financial statements for the fiscal year under review:

Fixed assets for railway business	¥164,757 million
Fixed assets for other businesses	¥438,706 million
Fixed assets relating to both businesses	¥16,005 million
Construction in progress	¥17,175 million

(2) Information on the nature of significant accounting estimates related to the identified items

Calculation method for the amount stated in (1) above is as described in "2. Impairment loss on non-current assets" under "IV Notes on Accounting Estimates" of the notes to consolidated financial statements.

3. Provision for loss on disaster

(1) Amount of provision for loss on disaster recorded in the non-consolidated financial statements for the fiscal year under review: ¥2,629 million

(2) Information on the nature of significant accounting estimates related to the identified items
Calculation method for the amount stated in (1) above is as described in "3. Provision for loss on disaster" under "IV Notes on Accounting Estimates" of the notes to consolidated financial statements.

IV Additional Information

1. Board Benefit Trust (BBT)

"Board Benefit Trust (BBT)" is as described in "1. Board Benefit Trust (BBT)" under "V. Additional Information" of the notes to consolidated financial statements.

2. Stock-based Benefit Trust (Employee Shareholders Association Purchase-type)

"Stock-based Benefit Trust (Employee Shareholders Association Purchase-type)" is as described in "2. Stock-based Benefit Trust (Employee Shareholders Association Purchase-type)" under "V. Additional Information" of the notes to consolidated financial statements.

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 13 of 2025) by the Diet on March 31, 2025, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities (limited to those to be eliminated on or after April 1, 2026) for the current fiscal year was changed from 30.46% to 31.36%.

The impact of this change the tax rate is immaterial.

V Notes to Non-Consolidated Balance Sheets

1. Pledged assets and secured liabilities

Pledged assets

Securities	¥27 million
Investment securities	¥27 million
Other investments	¥279 million
Total:	¥334 million

The above securities, investment securities and other investments are deposited to the Fukuoka Legal Affairs Bureau as a warranty against defects on housing construction, etc. in accordance with the Act for Secure Execution of Defect Housing Warranty Liability.

2. Accumulated depreciation of property, plant and equipment ¥700,527 million

3. Cumulative value of construction grants subtracted directly from cost of acquisition of non-current assets

Fixed assets for railway business	¥409,071 million
Fixed assets for other businesses	¥17,181 million
Fixed assets relating to both businesses	¥7,241 million

4. Total value of accounts under non-current assets

Property, plant and equipment

Land	¥188,866 million
Buildings	¥266,234 million
Fixtures	¥83,580 million
Vehicles	¥56,238 million
Machinery and rolling stock	¥14,825 million
Tool and furniture	¥5,107 million
Lease assets	¥2,513 million

Intangible assets

Lease assets	¥96 million
Other	¥2,006 million

5. Contingent liabilities

(1) Guarantee liabilities

(Guarantee on financial institution loans to subsidiaries and affiliated companies)

JR Kyushu Business Development (Thailand) Co., Ltd.	¥21,326 million
JR Kyushu Senior Life Support Co., Ltd.	¥3,385 million
JR Kyushu Capital Management (Thailand) Co., Ltd.	¥220 million

(2) Management guidance memorandums

JR Kyushu Farm Co., Ltd.	¥10 million

6. Monetary claims and liabilities to subsidiaries and affiliated companies

Short-term monetary claims	¥5,536 million
Long-term monetary claims	¥12,307 million
Short-term monetary liabilities	¥46,455 million
Long-term monetary liabilities	¥6,851 million

The provision for guarantee obligations recorded at the beginning of the fiscal year under review was recorded to cover potential losses related to debt guarantees for loans of subsidiaries and affiliated companies. Since these loans were changed to loans from the Company in the fiscal year under review, a portion of provision for guarantee obligations was transferred to allowance for doubtful accounts. In the statement of income, the amount of reversal of provision for guarantee obligations is offset by the amount of provision for allowance for doubtful accounts, and the net amount of ¥377 million is recorded in “Other” under “Extraordinary losses.”

7. Balances of liability for retirement benefits

Liability for retirement benefits	¥38,456 million
Unrecognized actuarial gain or loss	(¥641 million)
Balance of allowance for retirement benefits	¥37,814 million

VI Notes to Non-Consolidated Statements of Income

1. Operating revenue ¥240,849 million

2. Operating expense

Transportation, other services and cost of sales	¥152,938 million
Selling, general and administrative expense	¥15,207 million

Taxes	¥13,449 million
Depreciation and amortization	¥23,189 million

3. Value of operating transactions with subsidiaries and affiliated companies

Operating revenue	¥31,925 million
Operating expense	¥71,068 million
Value of non-operating transactions	¥19,671 million

VII Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury stock as of the end of the fiscal year under review

Common stock 1,111,485 shares

Note: The above treasury stock includes the shares of the Company's stock (176,600 shares) held by the trust as trust assets of the Board Benefit Trust (BBT) and the shares of the Company's stock (934,600 shares) held by the trust as trust assets of the Stock-based Benefit Trust (Employee Shareholders Association Purchase-type).

VIII Notes on Tax Effect Accounting

Deferred tax assets occurred mainly due to impairment losses, employees' severance and retirement benefits and tax loss carryforwards. An amount deducted from deferred tax assets (valuation allowance) stood at ¥88,055 million.

IX Notes on Transactions with Related Parties

Subsidiaries and affiliated companies

(Millions of yen)

Category	Company name	Ratio of voting rights ownership	Relationship with the related parties	Transaction description	Transaction value	Account	Ending balance
Subsidiaries	JR Kyushu Jet Ferry Inc.	Direct ownership 100.0%	Lending of funds, etc.	Lending of funds (Note 1)	9,700	Other investment, etc.	9,700
Subsidiaries	JR Kyushu Business Development (Thailand) Co., Ltd.	Direct ownership 49.0% Indirect ownership 24.0%	Capital contribution for a project in Thailand	Debt guarantee (Note 2)	21,326	–	–
Subsidiaries	KYUTETSU CORPORA-TION	Direct ownership 100.0%	Awarding of construction work contracts	Construction work fee (Note 3)	14,510	Payables	12,443
Subsidiaries	JR Kyushu Business Partners Company	Direct ownership 100.0%	Consignment of finance related services, etc.	Borrowing of funds (Note 4)	–	Short-term loans	5,000

Transaction terms and policy on determining them

(Note 1) Transaction terms are determined in consideration of short-term market interest rates. Moreover, the Company records an allowance for doubtful accounts of ¥7,521 million by examining the collectability of individual loans, and in the statement of income, the amount of reversal of provision for guarantee obligations is offset by the amount of provision for allowance for doubtful accounts, and the net amount of ¥377 million is recorded in "Other" under “Extraordinary losses.”

(Note 2) Debt guarantee was provided on bank loans, and debt guarantee fees were determined through consultations in consideration of ordinary guarantee fees.

(Note 3) Transaction terms are determined through price negotiations each term in consideration of market prices and total costs.

(Note 4) Transaction terms are determined in consideration of short-term market interest rates. Moreover, since these transactions are conducted as part of short-term and repetitive transactions under the cash management service operated by the Company, the amount of transaction is omitted.

X Notes on Revenue Recognition

Information that serves as the basis for understanding revenue from contracts with customers

Information that serves as the basis for understanding the revenue is as stated in “5. Basis for recognizing significant revenue and expenses” under “I Notes on Significant Accounting Policies.”

XI Notes on Per-share Information

1. Net assets per share ¥2,334.95
2. Net income per share ¥198.57

Note: When calculating net assets per share, the Company’s shares remaining in the Board Benefit Trust (BBT) and Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) recognized as treasury stock under shareholders’ equity are included in the treasury stock excluded from the number of shares issued and outstanding at end of period (176,600 shares for Board Benefit Trust (BBT) and 934,600 shares for Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) at the end of the fiscal year under review).

In addition, when calculating net income per share, the shares are included in the treasury stock excluded from the average number of shares during the period (176,600 shares for Board Benefit Trust (BBT) and 625,717 shares for Stock-based Benefit Trust (Employee Shareholders Association Purchase-type) for the fiscal year under review).