

(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**

37th Fiscal Year (April 1, 2023 to March 31, 2024)

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

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-Consolidated Statements of Changes in Net Assets

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 works to improve its governance by assigning its officers and employees to work as part-time directors and part-time auditors at Group companies.

(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.

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 and individual interviews 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) 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, 2023 to March 31, 2024)

(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	225,814	164,479	(584)	405,709
Changes during current period					
Dividends of surplus			(14,629)		(14,629)
Net income attributable to owners of the parent			38,445		38,445
Disposal of treasury stock				15	15
Purchase of shares of consolidated subsidiaries		(16)			(16)
Net changes in items other than shareholders' equity during current period					
Total changes during current period	–	(16)	23,816	15	23,815
Balance at the end of current period	16,000	225,797	188,295	(568)	429,524

	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	4,562	(201)	(4,017)	343	797	406,850
Changes during current period						
Dividends of surplus						(14,629)
Net income attributable to owners of the parent						38,445
Disposal of treasury stock						15
Purchase of shares of consolidated subsidiaries						(16)
Net changes in items other than shareholders' equity during current period	7,089	104	4,366	11,559	62	11,622
Total changes during current period	7,089	104	4,366	11,559	62	35,437
Balance at the end of current period	11,651	(97)	348	11,903	859	442,287

(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 49 companies including significant subsidiaries indicated in “(8) Major parent companies and subsidiaries” of the Business Report.

The newly founded JR Kyushu Insurance Consulting Co., Ltd. (founded on April 3, 2023), JR Kyushu Construction Group Holdings Inc. (founded on July 3, 2023) and Ogori Higata Development Special Purpose Company (founded on January 10, 2024) are included in the scope of consolidation from the fiscal year ended March 31, 2024.

In addition, FUJIBAMBI Co., Ltd., whose shares were acquired on June 13, 2023, is included in the scope of consolidation from the fiscal year under review.

The former consolidated subsidiary JR Kyushu TRAINDOR Co., Ltd. has been excluded from the scope of consolidation from the fiscal year ended March 31, 2024 due to the completion of its liquidation.

- (2) Names of major non-consolidated subsidiaries

Names of main non-consolidated subsidiaries: 14 companies, including Kyutetsu Built 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.

The newly founded Battery Station Kyushu LLC (founded on April 12, 2023) is included in the scope of application of the equity method from the fiscal year ended March 31, 2024.

Hakata Station Building Co., Ltd., which was previously not accounted for under the equity method, is included in the scope of application of the equity method from the fiscal year under review as the Company acquired some of its shares on July 3, 2023.

Meanwhile, DRUG ELEVEN CO., LTD., which was previously accounted for under the equity method, has been excluded from the scope of application of the equity method from the fiscal year under review, as all the shares held were transferred.

(3) Kyutetsu Built 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, and the fiscal year-end of JR Kyushu Capital Management (Thailand) Co., Ltd., JR Kyushu Business Development (Thailand) Co., Ltd., and JR Kyushu Corporate Investment LLC. 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) Derivatives

Stated at fair value.

(iii) 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 collectibility 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 Presentation

(Consolidated balance sheets)

“Lease obligations” (¥10,452 million in the previous fiscal year), which was previously listed separately under non-current liabilities, is included in “Other” under non-current liabilities from the fiscal year under review due to its diminished monetary significance with respect to total assets.

(Consolidated statements of income)

(i) Gain on exchange of non-current assets

“Gain on exchange of non-current assets” (¥91 million in the previous fiscal year), which was previously included in “Other” under extraordinary gains, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary gains.

(ii) Gains on sale of investment securities

“Gains on sale of investment securities” (¥2,822 million in the previous fiscal year), which was previously listed separately under extraordinary gains, is listed as “Other” from the fiscal year under review due to its diminished monetary significance with respect to extraordinary gains.

(iii) Loss on sale of non-current assets

“Loss on sale of non-current assets” (¥30 million in the previous fiscal year), which was previously included in “Other” under extraordinary losses, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary losses.

III 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: ¥43,520 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	¥704,851 million
Intangible assets	¥6,143 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: ¥3,302 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.

IV 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. Conclusion of basic agreement on restoration of Hisatsu Line

Due to heavy rain in July 2020, train services have been suspended on the Hisatsu Line in Kyushu between Yatsushiro and Yoshimatsu stations. Kumamoto Prefecture and the Company agreed on the direction of restoring the railway by adopting the method of separating the infrastructure and operation between Yatsushiro and Hitoyoshi stations on the line at the 7th meeting of the "JR Hisatsu Line Review Conference" held on April 3, 2024.

As a result, in the fiscal year ended March 31, 2024, based on reasonable estimates of the costs for restoring the railway, etc. to its original condition, provision for loss on disaster of ¥2,530 million and loss on disaster of ¥1,055 million were recorded under extraordinary losses in the consolidated statements of income. With regard to the construction for restoring the railway, etc. to its original condition, factors such as additions or changes to the details of construction during the course of construction, and changes in the market environment and other factors could have an impact on the recovery work, and any material changes in the estimates for the recovery plan or construction could have a significant impact on the consolidated financial statements for the next fiscal year and thereafter.

3. Damage from the 2023 heavy rain in a seasonal rain front

The heavy rain in a seasonal rain front that occurred in various areas of Kyushu from late June 2023 caused damages, including wash-out of track beds and collapse of slopes, to Kyudai Main Line and other lines. Of the restoration expenses, etc. caused by the rain, restoration expenses, etc. in the fiscal year ended March 31, 2024 have been recorded as loss on disaster, while the amounts of restoration expenses, etc. expected in the following fiscal year and thereafter were reasonably estimated and recorded as provision for loss on disaster under extraordinary losses of the consolidated statements of income.

V Notes to Consolidated Balance Sheet

1. Pledged assets and secured liabilities

(1) Pledged assets

Securities	¥22 million
Merchandise and finished goods	¥110 million

Investment securities	¥56 million
<u>Other (investments and other assets)</u>	<u>¥252 million</u>
Total:	¥442 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	¥61 million
<u>Payables</u>	<u>¥5 million</u>
Total:	¥67 million

2. Accumulated depreciation of property, plant and equipment ¥789,830 million

3. Reduction entry due to construction grants received in fixed assets (cumulative)
¥428,645 million

VI Notes to Consolidated Statement of Income

1. 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” (¥1,073 million) under extraordinary losses.

(Millions of yen)

Major applications		Type	Place	Amount
Rental assets	6	Buildings, and fixtures etc.	Fukuoka Prefecture, etc.	535
Retail stores, etc.	26	Buildings and fixtures, etc.	Kumamoto Prefecture, etc.	443
Idle assets	2	Intangible assets, etc.	Kumamoto Prefecture, etc.	93
Total				1,073

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.

2. Loss on disaster and provision for loss on disaster

The amount of recovery expenses associated with the heavy rain in July 2020 and the heavy rain in a seasonal rain front in 2023 has been recorded as loss on disaster, and the estimated amount of expenses has been recorded as provision for loss on disaster under extraordinary losses.

VII 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 23, 2023	Common stock	14,629	93.0	March 31, 2023	June 26, 2023

Note: The total amount of dividends includes ¥16 million in dividends for the shares of the Company's stock held by the trust as trust assets of the Board Benefit Trust (BBT).

- (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 21, 2024	Common stock	14,629	Retained earnings	93.0	March 31, 2024	June 24, 2024

Note: The total amount of dividends includes ¥16 million in dividends for the shares of the Company's stock held by the trust as trust assets of the Board Benefit Trust (BBT).

VIII 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, 2024 are as follows.

(Millions of yen)

	Carrying amount ^(*1)	Fair value ^(*1)	Unrealized gain/(loss)
(1) Investment securities	40,874	40,869	5
(2) Bonds	(155,225)	(146,334)	8,890
(3) Long-term debt	(200,672)	(197,191)	3,480

(*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: ¥8,048 million) and investments in partnerships (carrying amount: ¥6,595 million) were not included in “(1) Investment securities” because they do not have market prices.

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	36,648	–	–	36,648
Bonds	56	1,137	–	1,194
Other	78	–	–	78
Total Assets	36,783	1,137	–	37,921

(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 ¥2,136 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.	319	491	–	810
Total Assets	319	491	–	810
Bonds	–	146,109	225	146,334
Long-term debt	–	197,191	–	197,191
Total liabilities	–	343,300	225	343,525

(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 bonds current portion of bonds)

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. As for private placement bonds, since the fair value of bonds with a short contract period is almost equal to the book value, the book value is regarded as the fair value, and they are classified as Level 3.

(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.

IX 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
350,265	505,198

(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.

X 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	30,267	114,818	12,671	31,116	37,137	25,258
Revenue from other sources	–	–	1,177	34,763	–	–
Sales to external customers	30,267	114,818	13,849	65,880	37,137	25,258

(Millions of yen)

	Reportable segment			Total
	Retail and Restaurant	Construction	Business Service	
Revenue from contracts with customers	61,287	32,598	34,575	379,730
Revenue from other sources	131	464	4,135	40,671
Sales to external customers	61,418	33,062	38,710	420,402

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, 2024, which is expected to be recognized in or after the fiscal year ending March 31, 2025

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

(Millions of yen)

	Balance at beginning of the fiscal year ended March 31, 2024	Balance at end of the fiscal year ended March 31, 2024
Receivables from contracts with customers	39,270	43,957
Contract assets	6,288	8,974
Contract liabilities	19,409	19,544

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, 2024, the amount included in the balance of Contract liabilities at the beginning of the period is ¥13,323 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, 2024
1 year or less	48,586
Over 1 year, but not more than 2 years	16,673
Over 2 years, but not more than 3 years	3,674
Over 3 years	6,391
Total	75,326

XI Notes on Per Share Information

1. Net assets per share ¥2,809.41
2. Net income per share ¥244.68

(Note) When calculating net assets per share, the Company's shares remaining in the Board Benefit Trust (BBT) 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 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 (178,525 shares for the fiscal year under review).

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(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	11,190	85,828	97,018
Changes during current period							
Dividends of surplus						(14,629)	(14,629)
Net income						32,920	32,920
Provision of reserve for tax purpose reduction entry of non-current assets					421	(421)	–
Reversal of reserve for tax purpose reduction entry of non-current assets					(440)	440	–
Disposal of treasury stock							
Net changes in items other than shareholders' equity during current period							
Total changes during current period	–	–	–	–	(18)	18,309	18,291
Balance at end of period	16,000	171,908	52,113	224,022	11,171	104,137	115,309

	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	(584)	336,456	3,492	339,948
Changes during current period				
Dividends of surplus		(14,629)		(14,629)
Net income		32,920		32,920
Provision of reserve for tax purpose reduction entry of non-current assets		-		-
Reversal of reserve for tax purpose reduction entry of non-current assets		-		-
Disposal of treasury stock	15	15		15
Net changes in items other than shareholders' equity during current period			4,951	4,951
Total changes during current period	15	18,306	4,951	23,258
Balance at end of period	(568)	354,762	8,443	363,206

(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 collectibility 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 exchange of non-current assets

“Gain on exchange of non-current assets” (¥91 million in the previous fiscal year), which was previously included in “Other” under extraordinary gains, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary gains.

(ii) Gains on sale of investment securities

“Gains on sale of investment securities” (¥2,821 million in the previous fiscal year), which was previously listed separately under extraordinary gains, is listed as “Other” from the fiscal year under review due to its diminished monetary significance with respect to extraordinary gains.

(iii) Loss on sale of non-current assets

“Loss on sale of non-current assets” (¥1 million in the previous fiscal year), which was previously included in “Other” under extraordinary losses, is listed separately from the fiscal year under review due to its increased monetary significance with respect to extraordinary losses.

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: ¥35,786 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 “III 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	¥149,852 million
Fixed assets for other businesses	¥394,200 million
Fixed assets relating to both businesses	¥17,054 million
Construction in progress	¥27,875 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 “III 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: ¥3,302 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 “III 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 “IV. Additional Information” of the notes to consolidated financial statements.

2. Conclusion of basic agreement concerning restoration of Hisatsu Line

“Conclusion of basic agreement concerning restoration of Hisatsu Line” is as described in “2. Conclusion of basic agreement concerning restoration of Hisatsu Line” under “IV. Additional Information” of the notes to consolidated financial statements.

3. Damage from the 2023 heavy rain in a seasonal rain front

“Damage from the 2023 heavy rain in a seasonal rain front” is as described in “3. Damage from the 2023 heavy rain in a seasonal rain front” under “IV. Additional Information” of the notes to consolidated financial statements.

V Notes to Non-Consolidated Balance Sheets

1. Pledged assets and secured liabilities

Pledged assets

Securities	¥22 million
Investment securities	¥56 million
<u>Other investments</u>	<u>¥252 million</u>
Total:	¥332 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	¥685,703 million
3.	Cumulative value of construction grants subtracted directly from cost of acquisition of non-current assets	
	Fixed assets for railway business	¥402,264 million
	Fixed assets for other businesses	¥17,145 million
	Fixed assets relating to both businesses	¥7,242 million
4.	Total value of accounts under non-current assets	
	Property, plant and equipment	
	Land	¥156,020 million
	Buildings	¥251,261 million
	Fixtures	¥77,564 million
	Vehicles	¥53,629 million
	Machinery and rolling stock	¥13,456 million
	Tool and furniture	¥3,955 million
	Lease assets	¥2,595 million
	Intangible assets	
	Lease assets	¥132 million
	Other	¥2,493 million
5.	Contingent liabilities	
	(1) Guarantee liabilities	
	(Guarantee on financial institution loans to subsidiaries and affiliated companies)	
	JR Kyushu Business Development (Thailand) Co., Ltd.	¥20,496 million
	JR Kyushu Senior Life Support Co., Ltd.	¥3,315 million
	JR Kyusyu Food Service Inc.	¥225 million
	JR Kyushu Capital Management (Thailand) Co., Ltd.	¥208 million
	JR Kyushu Farm Co., Ltd.	¥50 million
	(2) Management guidance memorandums	
	JR Kyushu Farm Co., Ltd.	¥47 million
6.	Monetary claims and liabilities to subsidiaries and affiliated companies	
	Short-term monetary claims	¥22,771 million
	Long-term monetary claims	¥2,387 million

Short-term monetary liabilities	¥39,452 million
Long-term monetary liabilities	¥6,617 million
7. Balances of liability for retirement benefits	
Liability for retirement benefits	¥35,636 million
Balance of actuarial gain or loss not yet amortized	¥134 million
Balance of allowance for retirement benefits	¥35,770 million

VI Notes to Non-Consolidated Statements of Income

1. Operating revenue	¥234,340 million
2. Operating expense	
Transportation, other services and cost of sales	¥156,990 million
Selling, general and administrative expense	¥14,492 million
Taxes	¥12,467 million
Depreciation and amortization	¥20,493 million
3. Value of operating transactions with subsidiaries and affiliated companies	
Operating revenue	¥28,454 million
Operating expense	¥71,424 million
Value of non-operating transactions	¥21,893 million

4. Loss on disaster and provision for loss on disaster

The amount of recovery expenses associated with the heavy rain in July 2020 and the heavy rain in a seasonal rain front in 2023 has been recorded as loss on disaster, and the estimated amount of expenses has been recorded as provision for loss on disaster under extraordinary losses.

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 176,687 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).

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 ¥89,220 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	Kyutetsu Corporation Co., Ltd.	Direct ownership 100.0%	Awarding of construction work contracts	Construction work fee (Note 1)	15,569	Payables	12,809
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)	20,496	–	–
Subsidiaries	JR Kyushu Business Partners Company	Direct ownership 100.0%	Consignment of finance related services, etc.	Lending of funds (Note 3)	–	Other current assets	15,400

Transaction terms and policy on determining them

(Note 1) Transaction terms are determined through price negotiations each term in consideration of market prices and total costs.

(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 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 ¥2,311.58
2. Net income per share ¥209.52

Note: When calculating net assets per share, the Company’s shares remaining in the Board Benefit

Trust (BBT) 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 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 (178,525 shares for the fiscal year under review).