

(Translation)

Consolidated Financial Results
for the Three-Month Period Ended June 30, 2023
(Japanese GAAP)

August 8, 2023

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

Scheduled date for filing of quarterly report: August 10, 2023
Planned date of dividend payment commencement: —
Preparation of supplementary explanations for financial results: Yes
Holding of a briefing on quarterly financial results: None

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

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2023
(From April 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	97,920	8.2	13,488	71.1	13,717	60.3	17,782	157.1
June 30, 2022	90,476	25.5	7,883	—	8,557	—	6,915	646.0

(Note) Comprehensive income: Three months ended June 30, 2023: ¥22,122 million (169.2%)
Three months ended June 30, 2022: ¥8,216 million (248.0%)

	Net income per share — basic	Net income per share — diluted
Three months ended June 30, 2023	Yen 113.18	Yen —
June 30, 2022	44.01	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	970,162	414,342	42.6
As of March 31, 2023	996,699	406,850	40.7

(Reference) Shareholders' equity: As of June 30, 2023: ¥413,546 million
As of March 31, 2023: ¥406,052 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	0.00	—	93.00	93.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		0.00	—	93.00	93.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages show year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	417,000	8.8	45,700	33.1	45,900	28.6	40,700	30.6	259.04

(Note) Revisions to the most recently disclosed financial forecasts: None

Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023 (changes in specified subsidiaries affecting the scope of consolidation): No
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of revisions
 - i Changes in accounting policies with revision of accounting standards: No
 - ii Changes in accounting policies other than the above: No
 - iii Changes in accounting estimates: No
 - iv Restatement of revisions: No

(4) Number of shares outstanding (common stock)

i Number of shares issued and outstanding at end of period (including treasury stock)	As of June 30, 2023	157,301,600 shares	As of March 31, 2023	157,301,600 shares
ii Number of shares of treasury stock at end of period	As of June 30, 2023	181,487 shares	As of March 31, 2023	181,487 shares
iii Average number of shares during the period	As of June 30, 2023	157,120,113 shares	As of June 30, 2022	157,117,895 shares

Note: The number of shares of treasury stock at the end of the period includes the number of shares of the Company's stock held by the Board Benefit Trust (BBT) (First quarter of FY2024/3, 181,400 shares; FY2023/3, 181,400 shares). In addition, the number of shares of the Company's stock held by the Board Benefit Trust (BBT) is included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (First quarter of FY2024/3, 181,400 shares; First quarter of FY2023/3, 183,700 shares).

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

* Explanation of Appropriate Uses of Performance Forecasts and Other Important Items:

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

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

Contents of Accompanying Materials

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	2
(1) Qualitative Information on Consolidated Operating Results	2
(2) Qualitative Information on Consolidated Performance Outlook.....	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements	6
Quarterly Consolidated Income Statements Consolidated Cumulative First Quarter.....	6
Quarterly Consolidated Comprehensive Income Statements Consolidated Cumulative First Quarter.....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on Going Concern Assumption)	8
(Notes on Significant Changes in the Value of Shareholders' Equity).....	8
(Segment Information)	8
(Significant Subsequent Events)	8

○(Financial results presentation materials)

Financial Results for the First Quarter of FY2024/3 (Cumulative total for the three-month period from April to June)

1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements in this document are based on assessments as of the end of the first quarter of the fiscal Year Ending March 31, 2024.

(1) Qualitative Information on Consolidated Operating Results

In the first quarter of the fiscal year ending March 31, 2024, the Japanese economy showed signs of a modest rebound, centered on personal consumption. Owing to such moves as the reclassification of COVID-19 to a Class 5 infectious disease under the Infectious Disease Control Law, restrictions on behavior and socioeconomic activity normalized further.

However, raw materials prices rose as the situation in the Ukraine was prolonged and the yen continued to depreciate. Owing to such factors, the future economic outlook looks somewhat uncertain.

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

As a result, operating revenue was up 8.2% year on year, to ¥97,920 million; operating income was up 71.1%, to ¥13,488 million; EBITDA increased 43.4%, to ¥21,150 million; ordinary income was up 60.3%, to ¥13,717 million; and net income attributable to owners of the parent was up 157.1%, to ¥17,782 million.

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

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

(Millions of Yen)

	Operating revenue			Operating income/loss			EBITDA (Note 2)		
	FY2024/3, consolidated cumulative first quarter (three months ended June 30, 2023)	YoY		FY2024/3, consolidated cumulative first quarter (three months ended June 30, 2023)	YoY		FY2024/3, consolidated cumulative first quarter (three months ended June 30, 2023)	YoY	
Transportation	38,557	7,130	22.7%	5,896	3,509	147.0%	8,743	3,939	82.0%
Real Estate and Hotels	31,739	(883)	(2.7%)	6,686	1,499	28.9%	10,386	1,762	20.4%
Real estate lease	16,293	1,392	9.3%	4,072	298	7.9%	7,165	484	7.2%
Real estate sale	10,130	(4,353)	(30.1%)	1,773	220	14.2%	1,778	220	14.2%
Hotel	5,315	2,077	64.2%	839	980	—	1,442	1,057	275.2%
Retail and Restaurant	14,421	2,118	17.2%	633	646	—	926	628	210.6%
Construction	15,319	(999)	(6.1%)	(595)	(184)	—	(355)	(207)	—
Business Services	17,716	930	5.5%	981	(11)	(1.2%)	1,653	138	9.1%
Total	117,755	8,296	7.6%	13,602	5,459	67.1%	21,355	6,261	41.5%
Adjustment (Note 1)	(19,835)	(853)	—	(114)	145	—	(204)	141	—
Amount on the consolidated financial statements	97,920	7,443	8.2%	13,488	5,604	71.1%	21,150	6,402	43.4%

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

2. Consolidated EBITDA = operating income + depreciation (after elimination of intersegment transactions, excluding the cost of depreciation related to lease assets held for the purpose of subleasing), segment EBITDA = segment operating income + segment depreciation (after elimination of intersegment transactions, excluding the cost of depreciation related to lease assets held for the purpose of subleasing)

(2) Qualitative Information on Consolidated Performance Outlook

The Company has not revised its full-year forecast for the fiscal year ending March 31, 2024, from that disclosed on May 11, 2023.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY 2023/3 (As of March 31, 2023)	FY 2024/3, First Quarter (As of June 30, 2023)
ASSETS		
Current assets		
Cash and time deposits	37,283	50,502
Notes and accounts receivable—trade, and contract assets	49,960	32,450
Fares receivable	2,761	3,057
Securities	15,022	518
Merchandise and finished goods	17,723	9,816
Work in process	38,136	41,386
Raw materials and supplies	9,274	10,979
Other	27,047	21,635
Allowance for doubtful accounts	(63)	(60)
Total current assets	197,145	170,285
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	324,158	331,222
Machinery, rolling stock and vehicles (net)	66,416	65,924
Land	165,060	168,875
Lease assets (net)	20,787	20,063
Construction in progress	48,111	43,041
Other (net)	7,671	7,458
Net property, plant and equipment	632,205	636,584
Intangible assets	6,203	5,992
Investments and other assets		
Investment securities	50,381	49,619
Deferred tax assets	55,512	50,222
Net defined benefit assets	967	1,015
Other	55,476	57,663
Allowance for doubtful accounts	(1,192)	(1,220)
Total investments and other assets	161,145	157,299
Total non-current assets	799,554	799,876
Total assets	996,699	970,162

(Millions of Yen)

	FY 2023/3 (As of March 31, 2023)	FY 2024/3, First Quarter (As of June 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	27,292	17,230
Short-term loans	1,996	2,038
Commercial papers	20,000	20,000
Current portion of bonds	20,000	225
Current portion of long-term loans	18,392	18,498
Payables	50,234	34,242
Accrued income taxes	1,224	287
Fare deposits received with regard to railway connecting services	2,275	2,022
Railway fares received in advance	5,410	6,380
Accrued bonuses	8,107	5,537
Other	40,484	44,684
Total current liabilities	195,418	151,147
Non-current liabilities		
Corporate bonds	125,000	125,000
Long-term loans	166,225	176,760
Allowance for safety and environmental measures	230	230
Allowance for disaster-damage losses	809	734
Net defined benefit liabilities	46,729	46,616
Asset retirement obligations	1,828	1,804
Other	53,607	53,528
Total non-current liabilities	394,431	404,673
Total liabilities	589,849	555,820
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,814	225,812
Retained earnings	164,479	167,632
Treasury stock	(584)	(584)
Total shareholders' equity	405,709	408,861
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,562	8,812
Foreign currency translation adjustments	(201)	(335)
Remeasurements of defined benefit plans	(4,017)	(3,792)
Total accumulated other comprehensive income	343	4,685
Non-controlling interests	797	795
Total net assets	406,850	414,342
TOTAL LIABILITIES AND NET ASSETS	996,699	970,162

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements

Quarterly Consolidated Income Statements Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2023/3, First Quarter (Three months ended June 30, 2022)	FY 2024/3, First Quarter (Three months ended June 30, 2023)
OPERATING REVENUE	90,476	97,920
OPERATING EXPENSE		
Transportation, other services and cost of sales	59,168	58,019
Selling, general and administrative expense	23,425	26,412
Total operating expense	82,593	84,431
OPERATING INCOME	7,883	13,488
NON-OPERATING INCOME		
Interest income	23	25
Dividend income	342	440
Gain on assets held in trust	438	379
Gain on foreign exchange	390	360
Other	342	163
Total non-operating income	1,538	1,369
NON-OPERATING EXPENSE		
Interest expense	377	482
Loss on valuation of derivatives	227	237
Other	260	420
Total non-operating expense	864	1,140
ORDINARY INCOME	8,557	13,717
EXTRAORDINARY GAINS		
Construction grants received	371	59
Gain on sales of shares of subsidiaries and associates	—	7,425
Other	22	1,189
Total extraordinary gains	393	8,674
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	367	56
Other	254	180
Total extraordinary losses	622	237
INCOME BEFORE INCOME TAXES	8,328	22,154
INCOME TAXES -Current	154	191
INCOME TAXES -Deferred	1,148	4,182
TOTAL INCOME TAXES	1,302	4,373
NET INCOME	7,025	17,780
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	110	(1)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	6,915	17,782

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2023/3, First Quarter (Three months ended June 30, 2022)	FY 2024/3, First Quarter (Three months ended June 30, 2023)
NET INCOME	7,025	17,780
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	876	4,250
Foreign currency translation adjustments	114	(133)
Remeasurements of defined benefit plans	198	224
Total other comprehensive income	1,190	4,341
COMPREHENSIVE INCOME	8,216	22,122
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	8,118	22,124
Non-controlling interests	98	(1)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(Segment Information)

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

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

(Millions of Yen)

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

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

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

II FY 2024/3, First Quarter (Three-Month Period Ended June 30, 2023)

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

(Millions of Yen)

	Reportable Segment					Total	Adjustment (Note 1)	Quarterly Consolidated Statements of Income (Note 2)
	Transportation	Real Estate and Hotels	Retail and Restaurant	Construction	Business Services			
Operating Revenue								
Outside Customers	37,369	30,641	14,338	6,283	9,286	97,920	—	97,920
Inside Group	1,187	1,097	82	9,036	8,430	19,835	(19,835)	—
Total	38,557	31,739	14,421	15,319	17,716	117,755	(19,835)	97,920
Segment income (loss)	5,896	6,686	633	(595)	981	13,602	(114)	13,488

(Notes) 1. The ¥114 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

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

(Significant Subsequent Events)

Due to the influence of torrential rains that have occurred throughout Kyushu since the end of June 2023, the Kyudai Main Line and several other lines have suffered damage, including damage from ballast runoff and collapses of cut slopes. Although we expect to incur recovery expenses, etc., it is difficult to reasonably estimate the amount of impact because we are still investigating the details at this time.