

(Translation)

**Consolidated Financial Results
for the Year Ended March 31, 2023
(Japanese GAAP)**

May 11, 2023

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
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Scheduled date of Ordinary General Meeting of Shareholders: June 23, 2023
Scheduled date of dividend payment commencement: June 26, 2023
Scheduled date of release of annual securities report: June 23, 2023
Preparation of supplementary explanations for financial results: Yes
Holding of a briefing on financial results: Yes

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

**1. Consolidated Financial Results for the Year Ended March 31, 2023
(From April 1, 2022 to March 31, 2023)**

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	383,242	16.3	34,323	770.2	35,700	286.5	31,166	135.2
Year ended March 31, 2022	329,527	12.1	3,944	—	9,237	—	13,250	—

(Note) Comprehensive income:

As of March 31, 2023: ¥ 32,480 million (188.9%)

As of March 31, 2022: ¥ 11,244 million [(—)%]

	Net income per share — basic	Net income per share — diluted	Return on equity	Ordinary income to total assets	Operating income to operating revenues
	Yen	Yen	%	%	%
Year ended March 31, 2023	198.36	—	7.8	3.7	9.0
Year ended March 31, 2022	84.34	—	3.4	1.0	1.2

(Reference) Equity in net income (losses) of affiliated companies:

As of March 31, 2023: ¥ (29) million

As of March 31, 2022: ¥ (118) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	996,699	406,850	40.7	2,584.35
As of March 31, 2022	951,980	389,024	40.8	2,471.60

(Reference) Shareholders' equity:

As of March 31, 2023: ¥406,052 million

As of March 31, 2022: ¥388,331 million

(3) Consolidated cash flows

	Net cash provided by operating activities	Net cash provided by (used in) investing activities	Net cash used in financing activities	Cash and cash equivalents, end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	62,084	(97,581)	8,963	52,283
Year ended March 31, 2022	56,460	(95,729)	52,539	78,709

2. Dividends

	Annual dividends					Total dividends (Fiscal)	Payout ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	0.00	—	93.00	93.00	14,629	110.3	3.8
Year ended March 31, 2023	—	0.00	—	93.00	93.00	14,629	46.9	3.6
Year ended March 31, 2024 (Forecast)	—	0.00	—	93.00	93.00		35.9	

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 revenues		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share — basic
	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

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023 (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and restatement of revisions

- i Changes in accounting policies with revision of accounting standards: Yes
- ii Changes in accounting policies other than the above: No
- iii Changes in accounting estimates: No
- iv Restatement of revisions: No

(Notes)

For details about i, please refer to “(5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 19 of the accompanying materials.

(3) Number of shares issued (common stock)

i Number of shares issued at end of period (including treasury stock)	As of March 31, 2023	157,301,600 shares	As of March 31, 2022	157,301,600 shares
ii Number of shares of treasury stock at end of period	As of March 31, 2023	181,487 shares	As of March 31, 2022	183,705 shares
iii Average number of shares during the period	As of March 31, 2023	157,119,559 shares	As of March 31, 2022	157,117,675 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) (FY2023/3, 181,400 shares; FY2022/3, 183,700 shares). In addition, the number of shares of the Company's stock held by the Board Benefit Trust (BBT) is included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (FY2023/3, 181,975 shares; FY2022/3, 183,925 shares).

(Reference)

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

(April 1, 2022–March 31, 2023)

(1) Non-consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	211,610	17.6	22,813	—	27,151	—	25,408	183.9
Year ended March 31, 2022	179,989	24.4	(1,325)	—	2,253	—	8,950	—

	Net income per share — basic	Net income per share — diluted
	Yen	Yen
Year ended March 31, 2023	161.71	—
Year ended March 31, 2022	56.97	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	844,051	339,948	40.3	2,163.62
As of March 31, 2022	805,512	329,993	41.0	2,100.29

(Reference) Shareholders' equity:

As of March 31, 2023: ¥339,948 million

As of March 31, 2022: ¥329,993 million

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(Percentages show year-on-year changes.)

	Operating revenues		Operating income		Ordinary income		Net income		Net income per share — basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	228,600	8.0	31,500	38.1	36,900	35.9	36,800	44.8	234.22

* This summary of financial results is not subject to audits by certified public accountants or accounting 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 materials have been attached to this summary of financial results.

A financial results briefing for securities analysts is scheduled to be held on May 12, 2023 (Friday). The presentation materials used for this briefing will be posted on the Company's website promptly after the conclusion of this briefing.

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(Explanatory Materials) Financial results for the fiscal year ended March 31, 2023

1. Qualitative Information on Consolidated Financial Performance

Forward-looking statements in this document are based on assessments as of the end of the fiscal year ended March 31, 2023.

(1) Qualitative Information on Consolidated Operating Results

[1] Overview of the fiscal year ended March 31, 2023

In the fiscal year ended March 31, 2023, the Japanese economy showed signs of a modest rebound, centered on personal consumption. Amid the ongoing impact of COVID-19, restrictions on behavior and socioeconomic activity began to normalize. 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 remains uncertain.

Against this backdrop, the JR Kyushu Group advanced under the three key strategies of JR Kyushu Group Medium-Term Business Plan 2022–2024. 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. Also, the Nishi-Kyushu Shinkansen opened in September 2022, with operations starting between Takeo Onsen and Nagasaki stations. To maximize the impact of the opening, the entire Group worked together on various promotions to encourage use and initiatives such as the development of the new Nagasaki Station building, which is scheduled to open in autumn 2023.

As a result, operating revenue was up 16.3% year on year, to ¥383,242 million; operating income was up 770.2%, to ¥34,323 million; EBITDA increased 107.6%, to ¥63,891 million; ordinary income was up 286.5%, to ¥35,700 million; and net income attributable to owners of the parent was up 135.2%, to 31,166 million.

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

The Group's business performance by segment is as follows. Reportable segments have been revised from the year under review. In the year-on-year comparisons below, results from previous years have been retroactively adjusted to match the new segment classifications.

(Millions of Yen)

	Operating revenue			Operating income			EBITDA (Note 2)		
	FY2023/3 (April 1, 2022–March 31, 2023)	YoY		FY2023/3 (April 1, 2022–March 31, 2023)	YoY		FY2023/3 (April 1, 2022– March 31, 2023)	YoY	
Transportation	138,318	34,026	32.6%	2,522	25,275	-	13,138	27,327	-
Real Estate and Hotels	123,110	9,402	8.3%	22,107	4,088	22.7%	36,285	4,321	13.5%
Real estate lease	62,610	4,080	7.0%	14,892	139	0.9%	26,720	215	0.8%
Real estate sale	43,589	(2,599)	(5.6%)	6,253	27	0.4%	6,273	25	0.4%
Hotel	16,911	7,921	88.1%	961	3,921	-	3,291	4,080	-
Retail and Restaurant	54,781	11,136	25.5%	1,410	2,652	-	2,724	2,675	-
Construction	88,370	(4,542)	(4.9%)	5,442	(1,612)	(22.9%)	6,505	(1,551)	(19.3%)
Business Services	73,488	3,957	5.7%	3,486	150	4.5%	6,246	529	9.3%
Total	478,069	53,980	12.7%	34,970	30,553	691.8%	64,900	33,303	105.4%
Adjustment (Note 1)	(94,826)	(265)	-	(646)	(174)	-	(1,009)	(182)	-
Amount on the consolidated financial statements	383,242	53,714	16.3%	34,323	30,379	770.2%	63,891	33,120	107.6%

(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 (before elimination of intersegment transactions, excluding the cost of depreciation related to lease assets held for the purpose of subleasing)

i) Transportation Group

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

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

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

behalf of the Company.” In addition, as initiatives to enhance customer convenience, we enabled limited-express tickets to be purchased via the PayPay app provided by PayPay Corporation for the entire year and launched a demonstration experiment using touch payment via credit card at ticket gates.

In marketing, to maximize the impact of opening the Nishi-Kyushu Shinkansen we held the “We, Kamome” event with local participants to bring the region together, ran the new TWO STARS 4047 D&S train, and promoted a tourism campaign aimed at communicating the appeal of Saga and Nagasaki. In addition, we launched the “Welcome back to Kyushu” campaign to encourage a recovery of inbound demand to Kyushu and the “Kyushu Ressatabi” campaign in collaboration with sauna facilities in each of Kyushu’s prefectures. Also, based on customer usage and the introduction of the EX Service, we reevaluated limited-express surcharges on conventional lines, stopped selling some discount tickets, and revised prices.

In transportation, while implementing infection prevention measures at stations and on trains, we worked to maintain the transportation network, which is an important aspect of regional social infrastructure. In March 2023, we began running tests on the Kagoshima Main Line (between Akama and Kurume) using an “automatic train operation support system,” which assists the driver in controlling the train, in order to further improve safety and enable the driver to focus on responding to abnormal conditions. We implemented timetable revisions in September 2022 and March 2023 in line with customer usage conditions. Due to the impact of heavy rain that occurred in northern Kyushu in July 2017, we are implementing substitute forms of transportation between Soeda Station and Yoake Station on the Hitahikosan Line. We are preparing to restore service by introducing a bus rapid transit (BRT) system along the Hitahikosan Line (nicknamed the “BRT Hikoboshi Line”). We are working to commence service in August 2023. We are also introducing alternative means of transportation on certain sections of the Hisatsu Line that were seriously damaged by heavy rains in July 2020.

In our bus business, we reduced service in line with usage conditions, while working to create an environment in which customers can use bus services with peace of mind through measures to prevent infection. In addition, we introduced a dynamic pricing fare system on a high-speed bus route. Under this system, fares are changed flexibly within a wider price range in line with the most-recent reservation circumstances. As an initiative to enhance customer convenience, we have begun selling commuter passes that can be purchased via WELLNET CORPORATION’s “Bus Mori!” smartphone app.

In our passenger ship business, owing to the easing of protection measures to prevent the spread of the COVID-19 infection, the operation of the “QUEEN BEETLE” new-style hydrofoil ferry commenced in November 2022 on the Fukuoka–Busan route.

In the field of new mobility services (MaaS), in collaboration with regional transportation operators, local governments, tourism organizations, and other entities, we promoted efforts to realize seamless transportation services using the “my route” MaaS application. We have expanded our services in various regions within Kyushu, and have started providing services in Nagasaki and Kumamoto prefectures. In addition, we have collaborated with transportation services and commercial facilities in Fukuoka and Kumamoto prefectures to stimulate outbound demand and enhance mobility within city centers, and have started selling digital tickets on the MaaS app. In Nagasaki Prefecture, as a demonstration experiment using QR

codes, we began sales of digital tickets with QR codes, etc., which can be purchased and used by using a smartphone to select any station from which to board or alight.

As a result, the Transportation Group recorded operating revenue of ¥138,318 million, up 32.6% year on year; operating income of ¥2,522 million (compared with an operating loss of ¥22,752 million in the same period of the previous fiscal year); and EBITDA of ¥13,138 million (compared with negative EBITDA of ¥14,188 million in the same period of the previous fiscal year).

ii) Real Estate and Hotels Group

In the real estate leasing business, we have seen a moderate recovery in tenant sales at each station building, and occupancy at the office buildings and rental condominiums we own has remained strong. In March 2022, we also opened “Nagasaki Kaido Kamome Ichiba,” which is under the elevated railway tracks at Nagasaki Station. With moves such as these, we are making steady development progress toward the planned opening of the new Nagasaki Station building in autumn 2023. Furthermore, we actively invested in growth through the development of such buildings as “JR Kumamoto Kasuga Kita Building” and “JR Kagoshima Chuo Building” and the acquisition of office buildings and logistics facilities in Fukuoka Prefecture. In addition, in November 2022 JR Hakata City Co., Ltd., a subsidiary, began handling outsourced property management for “VIORO,” a commercial facility in Fukuoka’s Tenjin district. This marks the Group’s first outsourced property management of another company’s commercial facilities.

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

In the hotel business, we worked actively to capture tourism demand in line with a government nationwide travel support program and the easing of protection measures. We also continued with efforts to reduce costs and improve profitability. In addition, we opened “THE BLOSSOM KYOTO” in August 2022 and promoted development of “URESHINO YADOYA” and “the Nagasaki Marriott Hotel.”

As a result, the Real Estate and Hotels Group posted operating revenue of ¥123,110 million, up 8.3% year on year; operating income of ¥22,107 million, up 22.7%; and EBITDA of ¥36,285 million, up 13.5%.

iii) Retail and Restaurant Group

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

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

As a result, the Retail and Restaurant Group posted operating revenue of ¥54,781 million, up 25.5% year on year; operating income of ¥1,410 million (compared with an operating loss of ¥1,241 million in the previous fiscal year); and EBITDA of ¥2,724 million (compared with EBITDA of ¥48 million in the previous fiscal year).

iv) Construction Group

In the construction business, we strove to ensure safe, stable railway operations in the railway business through railway-related civil engineering, railroad track, and construction work as well as through maintenance operations and rolling stock equipment work. We worked to streamline maintenance operations, including the joint development of a robot that automates part of the rolling stock maintenance work. In railway construction, we made steady progress on such projects as new Shinkansen- and Haga Utsunomiya LRT-related construction, and worked to generate new orders. However, construction volume fell year on year in line with the completion of construction on the Nishi-Kyushu Shinkansen. In addition, JR Kyushu Electric System Company, a subsidiary of the Company, installed optical fiber cables in Shinkansen structures between Hakata Station and Kagoshima-Chuo station and started an optical-fiber core wire leasing service from March 2022. Furthermore, we worked to obtain orders from government and municipal offices and from private enterprises for work related to condominiums and other projects. We also endeavored to reduce costs.

As a result, the Construction Group recorded operating revenue of ¥88,370 million, down 4.9% year on year; operating income of ¥5,442 million, down 22.9%; and EBITDA of ¥6,505 million, down 19.3%.

v) Business Services

For the construction machinery sales and rental business, amid stable demand we worked to increase earnings through aggressive sales activities. In addition, we worked to win new orders and reduce costs, particularly in the advertising and other businesses. Also, as part of our alliance strategy in the field of information systems, our subsidiary, JR Kyushu System Solutions Inc., signed a business alliance agreement with Keyware Kyusyu Inc. in April 2022 for the co-creation of cloud data center services, and with OCH Co., Ltd. in June 2022 to promote efforts to provide new services such as supporting the realization of future work styles.

As a result, the Business Services Group posted operating revenue of ¥73,488 million, up 5.7% year on year; operating income of ¥3,486 million, up 4.5%; and EBITDA of ¥6,246 million, up 9.3%.

(Note) Segment EBITDA is the numerical value of operating income for each segment plus the cost of depreciation (before elimination of intersegment transactions, excluding the cost of depreciation related to lease assets held for the purpose of subleasing).

[2] Forecasts for the Next Fiscal Year Ending March 31, 2024

The outlook for the economy remains uncertain during the fiscal year ending March 31, 2024, as energy, raw materials, and other costs continue to rise, and inflation affects personal consumption. However, there are hopes for a gradual recovery in the economy, particularly in the service sector, as socioeconomic behavior continues to normalize amid such moves as the reclassification in May 2023 of COVID-19 to a Class 5 infectious disease under the Infectious Disease Control Law.

Against this backdrop, the JR Kyushu Group will work steadily to promote city-building around its railway lines, primarily in the western Kyushu area, founded on the concept of “safety and service” under the JR Kyushu Group Medium-Term Business Plan 2022–2024. We will also actively invest in future-oriented projects such as the Future Railway Project. Through these efforts, we will ensure that we meet the goal of returning the Company to a growth track during the period of the plan.

Our consolidated performance forecast for the fiscal year ending March 31, 2024 calls for a rise in railway transportation revenues as demand for mobility recovers. We also anticipate increased revenue from station buildings and hotels, due to the opening of such facilities as the New Nagasaki Station Building, which includes the Nagasaki Marriott Hotel, and URESHINO YADOYA. Accordingly, we anticipate rises in operating revenue, as well as in each income category.

Full-year performance forecasts for the fiscal year ending March 31, 2024

Operating revenue	¥417,000 million (up 8.8% YoY)
Operating income	¥45,700 million (up 33.1% YoY)
Ordinary income	¥45,900 million (up 28.6% YoY)
Net income attributable to owners of the parent	¥40,700 million (up 30.6% YoY)
EBITDA	¥78,300 million (up 22.6% YoY)

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

(Millions of Yen)

	Operating revenues			Operating income			EBITDA		
	FY 2024/3 (April 1, 2023 – March 31, 2024)	YoY		FY 2024/3 (April 1, 2023 – March 31, 2024)	YoY		FY 2024/3 (April 1, 2023 – March 31, 2024)	YoY	
Transportation	160,700	22,381	16.2%	13,200	10,677	423.2%	25,400	12,261	93.3%
Real Estate and Hotels	128,400	5,289	4.3%	21,400	(707)	(3.2%)	37,400	1,114	3.1%
Real estate lease	68,700	6,089	9.7%	15,300	407	2.7%	28,600	1,879	7.0%
Real estate sale	38,700	(4,889)	(11.2%)	5,100	(1,153)	(18.4%)	5,100	(1,173)	(18.7%)
Hotel	21,000	4,088	24.2%	1,000	38	4.0%	3,700	408	12.4%
Retail and Restaurant	55,800	1,018	1.9%	2,000	589	41.7%	3,300	575	21.1%
Construction	92,500	4,129	4.7%	6,000	557	10.2%	7,100	594	9.1%
Business Services	74,800	1,311	1.8%	3,900	413	11.9%	6,300	53	0.9%
Total	512,200	34,130	7.1%	46,500	11,529	33.0%	79,500	14,599	22.5%
Adjustment	(95,200)	(373)	—	(800)	(153)	—	(1,200)	(190)	—
Amount on the consolidated financial statements	417,000	33,757	8.8%	45,700	11,376	33.1%	78,300	14,408	22.6%

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) Qualitative Information on Consolidated Financial Position

[1] Assets, Liabilities, and Net Assets

Total assets as of the end of the current consolidated fiscal year increased 4.7% compared to the previous fiscal year-end, to ¥996,699 million. Current assets were down 4.6%, to ¥197,145 million, due to the redemption of securities and other factors. Non-current assets increased 7.3%, to ¥799,554 million, due to the acquisition of property, plant and equipment and other factors.

Meanwhile, total liabilities increased 4.8% compared to the previous fiscal year-end, to ¥589,849 million. Due to an increase in the current portion of bonds, etc., current liabilities were up 7.3%, to ¥195,418 million. Non-current liabilities were up 3.6%, to ¥394,431 million, as a result of an increase in long-term loans and other factors.

Furthermore, total net assets increased 4.6% compared to the previous fiscal year-end, to ¥406,850 million. This was due to a rise in retained earnings and other factors.

[2] Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥62,084 million, up ¥5,624 million year on year, due to improvement in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥97,581 million, up ¥1,851 million year on year, due to an increase in purchases of fixed assets and other factors.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥8,963 million, down ¥43,576 million year on year, as a result of a decline in fund-raising.

As a result of the above, cash and cash equivalents, end of year decreased ¥26,426 million year on year, to ¥52,283 million.

(3) Dividend Policies, Dividends in the Fiscal Year Ended March 31, 2023, and Forecast for Dividends in the Fiscal Year Ending March 31, 2024

The Company views shareholder returns as one of its important management tasks, and therefore places importance on providing stable returns over the long term. Over the period to the fiscal year ending March 31, 2025, the Company will aim for a consolidated dividend payout ratio of 35%, with a minimum dividend per share of ¥93. In addition, the Company will implement share repurchases flexibly, depending on the situation.

In accordance with the above policy, the Company is planning a year-end dividend of ¥93 per share for the fiscal year ended March 31, 2023.

The Company also forecasts an annual dividend of ¥93 per share (a year-end dividend of ¥93 per share) for the fiscal year ending March 31, 2024.

The Company's Articles of Incorporation stipulate that an interim dividend may be paid every year with September 30 as the record date, based on a resolution of the Board of Directors. The decision-making authority for dividends from surplus earnings is the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

The Company allocates retained earnings to maintain and upgrade railway and other facilities and make growth investments to contribute to the sustainable development of Kyushu through city-building initiatives that leverage the distinctive characteristics of local communities, centered on safe and secure mobility services.

2. Basic Policies Regarding the Selection of Accounting Standards

The Company employs Japanese generally accepted accounting principles (JGAAP). The Company will examine the possibility of adopting International Financial Reporting Standards (IFRS) in the future based on trends in accounting standards in Japan.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2022/3 (As of March 31, 2022)	FY2023/3 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and time deposits	39,709	37,283
Notes and accounts receivable–trade, and contract assets	45,536	49,960
Fares receivable	2,224	2,761
Securities	39,027	15,022
Merchandise and finished goods	19,757	17,723
Work in process	19,630	38,136
Raw materials and supplies	8,058	9,274
Other	32,821	27,047
Allowance for doubtful accounts	(42)	(63)
Total current assets	206,722	197,145
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	312,746	324,158
Machinery, rolling stock and vehicles (net)	44,001	66,416
Land	147,142	165,060
Leased assets, net	19,668	20,787
Construction in progress	44,040	48,111
Other (net)	7,708	7,671
Total property, plant and equipment	575,308	632,205
Intangible assets	5,735	6,203
Investments and other assets		
Investment securities	45,086	50,381
Deferred tax assets	62,996	55,512
Net defined benefit assets	1,007	967
Other	56,191	55,476
Allowance for doubtful accounts	(1,067)	(1,192)
Total investments and other assets	164,214	161,145
Total non-current assets	745,257	799,554
Total assets	951,980	996,699

(Millions of Yen)

	FY2022/3 (As of March 31, 2022)	FY2023/3 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	28,908	27,292
Short-term loans	6,070	1,996
Commercial papers	35,000	20,000
Current portion of bonds	—	20,000
Current portion of long-term debt	8,780	18,392
Payables	46,564	50,234
Accrued income taxes	1,693	1,224
Fare deposits received with regard to railway connecting services	1,705	2,275
Railway fares received in advance	4,818	5,410
Accrued bonuses	7,066	8,107
Other	41,466	40,484
Total current liabilities	182,074	195,418
Non-current liabilities		
Bonds	120,000	125,000
Long-term debt	153,336	166,225
Lease obligations	11,584	10,452
Allowance for safety and environmental measures	854	230
Provision for loss on disaster	2,115	809
Liability for retirement benefits	48,890	46,729
Asset retirement obligations	1,448	1,828
Other	42,649	43,154
Total noncurrent liabilities	380,881	394,431
Total liabilities	562,955	589,849
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,847	225,814
Retained earnings (Deficit)	147,941	164,479
Treasury stock	(591)	(584)
Total common stock	389,198	405,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,781	4,562
Foreign currency translation adjustments	(441)	(201)
Defined retirement benefit plans	(5,206)	(4,017)
Total accumulated other comprehensive income	(866)	343
Non-controlling interests	692	797
Total net assets	389,024	406,850
TOTAL LIABILITIES AND NET ASSETS	951,980	996,699

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

(Millions of Yen)

	FY2022/3 (April 1, 2021 – March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
OPERATING REVENUES	329,527	383,242
OPERATING EXPENSES		
Transportation, other services and cost of sales	232,566	245,253
Selling, general and administrative expenses	93,016	103,665
Total operating expenses	325,583	348,918
OPERATING INCOME	3,944	34,323
NON-OPERATING INCOME		
Interest income	96	96
Dividend income	578	633
Gain on assets held in trust	2,033	1,632
Gain on investment securities	533	603
Gain on foreign exchange	324	515
Other	4,033	744
Total non-operating income	7,600	4,226
NON-OPERATING EXPENSES		
Interest expense	1,515	1,685
Loss on valuation of derivatives	192	385
Other	598	778
Total non-operating expenses	2,307	2,849
ORDINARY INCOME	9,237	35,700
EXTRAORDINARY GAINS		
Construction grants received	6,216	13,579
Gain on sales of investment securities	—	2,822
Disaster recovery expense subsidy	1,106	—
Other	2,258	1,677
Total extraordinary gains	9,581	18,079
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	6,006	8,314
Impairment loss	3,196	3,322
Provision for loss on disaster	408	—
Disaster-damage losses	329	—
Other	2,246	1,845
Total extraordinary losses	12,186	13,481
INCOME BEFORE INCOME TAXES	6,633	40,298
INCOME TAXES		
Current	2,045	1,655
Deferred	(8,299)	7,367
Total income taxes	(6,253)	9,022
NET INCOME	12,886	31,275
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(364)	108
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	13,250	31,166

Consolidated Comprehensive Income Statements

(Millions of Yen)

	FY2022/3 (April 1, 2021 – March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
NET INCOME	12,886	31,275
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(2,301)	(222)
Foreign currency translation adjustments	(254)	239
Defined retirement benefit plans	913	1,189
Total other comprehensive income	(1,641)	1,205
COMPREHENSIVE INCOME	11,244	32,480
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	11,640	32,376
Non-controlling interests	(395)	104

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2022

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current year	16,000	224,021	150,017	(594)	389,445
Cumulative effects of changes in accounting policies			(698)		(698)
Restated balance	16,000	224,021	149,319	(594)	388,747
Changes of items during the year					
Dividends of surplus			(14,629)		(14,629)
Net income attributable to owners of the parent			13,250		13,250
Purchase of treasury stocks				(0)	(0)
Cancellation of treasury stocks				2	2
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		1,826			1,826
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	1,826	(1,378)	2	450
Balance at end of current year	16,000	225,847	147,941	(591)	389,198

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	7,079	(186)	(6,148)	743	5,218	395,408
Cumulative effects of changes in accounting policies						(698)
Restated balance	7,079	(186)	(6,148)	743	5,218	394,709
Changes of items during the year						
Dividends of surplus						(14,629)
Net income attributable to owners of the parent						13,250
Purchase of treasury stocks						(0)
Cancellation of treasury stocks						2
Changes in the ownership interest by purchases of shares of consolidates subsidiaries						1,826
Net changes of items other than shareholders' equity	(2,297)	(254)	942	(1,610)	(4,526)	(6,136)
Total changes of items during the year	(2,297)	(254)	942	(1,610)	(4,526)	(5,685)
Balance at end of current year	4,781	(441)	(5,206)	(866)	692	389,024

For the fiscal year ended March 31, 2023

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current year	16,000	225,847	147,941	(591)	389,198
Changes of items during the year					
Dividends of surplus			(14,629)		(14,629)
Net income attributable to owners of the parent			31,166		31,166
Purchase of treasury stocks				(0)	(0)
Cancellation of treasury stocks				7	7
Changes in the ownership interest by purchases of shares of consolidates subsidiaries		(33)			(33)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(33)	16,537	7	16,511
Balance at end of current year	16,000	225,814	164,479	(584)	405,709

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	4,781	(441)	(5,206)	(866)	692	389,024
Changes of items during the year						
Dividends of surplus						(14,629)
Net income attributable to owners of the parent						31,166
Purchase of treasury stocks						(0)
Cancellation of treasury stocks						7
Changes in the ownership interest by purchases of shares of consolidates subsidiaries						(33)
Net changes of items other than shareholders' equity	(218)	239	1,189	1,209	104	1,314
Total changes of items during the year	(218)	239	1,189	1,209	104	17,825
Balance at end of current year	4,562	(201)	(4,017)	343	797	406,850

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2022/3 (April 1, 2021– March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	6,633	40,298
Depreciation costs	29,027	31,836
Losses from provision for cost reduction of fixed assets	6,006	8,314
Impairment loss	3,196	3,322
Increase in provision for loss on disaster	408	—
Loss on disaster	329	—
Increase (Decrease) in allowance for doubtful accounts	221	146
Increase (Decrease) in liability for retirement benefits	(466)	(392)
Increase (Decrease) in allowance for safety and environmental measures	(557)	(623)
Interest and dividends income	(675)	(730)
Interest expense	1,515	1,685
Foreign exchange losses (gains)	(324)	(515)
Losses (Gains) on valuation of derivatives	192	385
Construction grants received	(6,216)	(13,579)
Losses (Gains) on sales of investment securities	—	(2,822)
Disaster recovery expense subsidy	(1,106)	—
(Increase) Decrease in trade receivables	4,157	(4,957)
(Increase) Decrease in inventories	20,179	(8,235)
Increase (Decrease) in trade payables	(4,308)	(455)
Gain on assets held in trust	(2,033)	(1,632)
Gain on investment securities	(533)	(603)
Other	4,610	9,503
Subtotal	60,254	60,942
Interest and dividends income received	638	681
Interest expense paid	(1,419)	(1,570)
Gain on assets held in trust received	2,021	1,646
Loss on disaster paid	(3,151)	(1,165)
Income taxes refunded (paid)	(1,884)	391
Amount received as disaster recovery expense subsidy	0	1,158
Net cash provided by operating activities	56,460	62,084

(Millions of Yen)

	FY2022/3 (April 1, 2021 – March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, and Intangible assets	(101,475)	(104,795)
Purchases of investment securities	(4,108)	(5,212)
Proceeds from sales of investment securities	3	2,933
Proceeds from construction grants	8,498	5,498
Other	1,353	3,994
Net cash provided by (used in) investing activities	(95,729)	(97,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(798)	(4,613)
Net increase (decrease) in commercial papers	35,000	(15,000)
Proceeds from long-term loans payable	2,751	30,401
Repayment of long-term loans payable	(4,673)	(8,698)
Payments for long-term accounts payable	(262)	(264)
Proceeds from issuance of bonds	40,000	25,000
Proceeds from lease and guarantee deposits received	1,712	3,188
Repayments of lease and guarantee deposits received	(1,366)	(3,587)
Cash dividends paid	(14,629)	(14,629)
Cash dividends paid to non-controlling shareholders	(7)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,296)	(33)
Other	(2,889)	(2,798)
Net cash used in financing activities	52,539	8,963
Effect of exchange rate change on cash and cash equivalents	419	106
Net increase (decrease) in cash and cash equivalents	13,690	(26,426)
Cash and cash equivalents, beginning of year	65,019	78,709
Cash and cash equivalents, end of year	78,709	52,283

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

No relevant events

(Changes in Accounting Policies)

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

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

(Segment Information)

1. Outline of Reportable Segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to regularly evaluate how to allocate resources and assess their business performance.

The Company primarily engages in the railway business and has five reportable segments: Transportation, Real Estate and Hotels, Retail and Restaurant, Construction, and Business Services”.

The Transportation segment conducts the railway, bus, and passenger ship businesses. The Real Estate and Hotels segment leases station buildings and other real estate, sells condominiums and other properties, and conducts hotel operations, etc. The Retail and Restaurant segment engages in retail, restaurant, and agriculture businesses. The Construction segment performs construction, vehicle equipment- and machinery-related operations, electrical work, and construction consulting. The Business Services segment engages in construction machinery sales and rental, wholesaling, station service operations, cleaning, advertising, system-related, and other businesses.

2. Methods for Calculating Sales, Income (Loss), Assets, and Other Items by Reportable Segment

The accounting methods used for reportable segments are generally the same as those contained in “Significant matters that serve as the basis for preparing consolidated financial statements.”

Inter-segment internal revenue and transfers are based on market prices, etc.

Figures for reportable segment profit are on an operating income basis.

3. Information on Sales, Income, Assets, and Other Items by Reportable Segment

For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of yen)

	Reportable Segments					Total	Adjustment (Note 1)	Amount on the consolidated financial statements (Note 2)
	Transportation	Real Estate and Hotels	Retail and Restaurant	Construction	Business Services			
Operating Revenues								
Outside Customers	99,576	109,767	43,433	40,101	36,648	329,527	—	329,527
Inside Group	4,715	3,940	210	52,811	32,882	94,561	(94,561)	—
Total	104,292	113,708	43,644	92,913	69,530	424,089	(94,561)	329,527
Segment income (loss)	(22,752)	18,019	(1,241)	7,055	3,335	4,416	(472)	3,944
Segment assets	256,426	470,523	32,964	73,354	108,587	941,856	10,124	951,980
Other items								
Depreciation costs	8,563	13,944	1,290	1,001	4,582	29,381	(354)	29,027
Increase in property, plant and equipment and intangible assets	32,809	60,426	3,213	2,792	7,149	106,390	(84)	106,306

(Notes) 1. The following adjustments have been made.

- (1) The ¥472 million downward adjustment to segment income (loss) reflects the elimination of intersegment transactions.
 - (2) The ¥10,124 million upward adjustment to addition to segment assets includes a downward adjustment of ¥126,244 million in reflection of the elimination of intersegment liabilities and ¥136,368 million in corporate assets not allocated to segments.
 - (3) The ¥354 million downward adjustment to depreciation costs reflects the elimination of intersegment transactions.
 - (4) The ¥84 million downward adjustment to increase in fixed assets reflects the elimination of intersegment transactions.
2. Segment income (loss) has been adjusted for the operating income figure on the consolidated income statements.

For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of yen)

	Reportable Segments					Total	Adjustment (Note 1)	Amount on the consolidated financial statements (Note 2)
	Transportation	Real Estate and Hotels	Retail and Restaurant	Construction	Business Services			
Operating Revenues								
Outside Customers	133,559	118,769	54,480	36,056	40,376	383,242	—	383,242
Inside Group	4,759	4,340	300	52,313	33,111	94,826	(94,826)	—
Total	138,318	123,110	54,781	88,370	73,488	478,069	(94,826)	383,242
Segment income	2,522	22,107	1,410	5,442	3,486	34,970	(646)	34,323
Segment assets	261,151	539,347	34,684	73,265	110,243	1,018,693	(21,993)	996,699
Other items								
Depreciation costs	10,615	14,178	1,313	1,062	5,028	32,198	(362)	31,836
Increase in property, plant and equipment and intangible assets	27,847	63,232	2,275	2,728	8,103	104,186	(673)	103,513

(Notes) 1. The following adjustments have been made.

- (1) The ¥646 million downward adjustment to segment income reflects the elimination of intersegment

transactions.

- (2) The ¥21,993 million downward adjustment to segment assets includes a downward adjustment of ¥136,336 million in reflection of the elimination of intersegment liabilities and ¥114,342 million in corporate assets not allocated to segments.
 - (3) The ¥362 million downward adjustment to depreciation costs reflects the elimination of intersegment transactions.
 - (4) The ¥673 million downward adjustment to increase in fixed assets reflects the elimination of intersegment transactions.
2. Segment income has been adjusted for the operating income figure on the consolidated income statements.

4. Information regarding changes to reportable segments, etc.

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

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

(Per Share Information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	¥2,471.60	¥2,584.35
Net income per share	¥ 84.34	¥ 198.36

(Notes) 1. Earnings per share–diluted is not shown because no dilutive shares existed.

2. In calculating net assets per share, the Company’s shares in the Board Benefit Trust (BBT), which are recorded as treasury stock in the equity section, are included in the treasury stock that is subtracted from the total number of shares issued at the end of the period (FY2022/3: 183,700 shares; FY2023/3: 181,400 shares).

In addition, in calculating net income per share, these shares are included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (FY2022/3: 183,925 shares; FY2023/3: 181,975 shares).

3. The following is the basis for calculating net assets per share.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total net assets (millions of yen)	389,024	406,850
Amount deducted from total net assets (millions of yen)	692	797
[Included non-controlling interests (millions of yen)]	[692]	[797]
Net assets at end of year relating to common stock (millions of yen)	388,331	406,052
Amount of common stock at end of year used for calculating net assets per share (shares)	157,117,895	157,120,113

4. The following is the basis for calculating net income per share.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income attributable to owners of the parent (millions of yen)	13,250	31,166
Amount not belonging to ordinary shareholders (millions of yen)	—	—
Net income attributable to common stock owners of the parent (millions of yen)	13,250	31,166
Weighted-average numbers of ordinary shares (shares)	157,117,675	157,119,559

(Significant Subsequent Events)

(Transfer of shares of an equity-method affiliate)

At a Board of Directors meeting held on April 28, 2023, JR Kyushu resolved to transfer (hereinafter, the “transfer”) to the Tsuruha Group all its shareholdings (hereinafter, the “shares”) in equity-method affiliate DRUG ELEVEN CO., LTD. (hereinafter, “Drug Eleven”). On the same day, JR Kyushu and TSURUHA Holdings, Inc. (hereinafter, “Tsuruha Holdings”) concluded a share transfer agreement. Under this agreement, 1,558,327 shares in Drug Eleven will transfer directly to Tsuruha Holdings, and 1,000,000 shares will be transferred to Drug Eleven through the acquisition of treasury stock.

Owing to the transfer, Drug Eleven will no longer be an equity-method affiliate of JR Kyushu.

(1) Name of transferee companies
DRUG ELEVEN CO., LTD.
TSURUHA Holdings, Inc.

(2) Name of equity-method affiliate to be transferred, description of its business, and business relationship with the Company
Name: DRUG ELEVEN CO., LTD.
Business description: Retail sales of pharmaceuticals, cosmetics, daily-use items, etc.; dispensing pharmacy operations
Business relationship with the Company: Drug Eleven has lease contracts, etc., with JR Kyushu

(3) Reason for the transfer
In May 2020, in order to further grow the business and increase the business value of Drug Eleven, which had been a wholly owned subsidiary, JR Kyushu transferred 51% of the outstanding shares in Drug Eleven to the Tsuruha Group, which operates drugstores and dispensing pharmacies nationwide (as of March 15, 2023). As an equity-method affiliate of JR Kyushu, Drug Eleven has been working to expand the scale of its business and improve profitability, while utilizing the business know-how and other management resources of the Tsuruha Group.

However, the drugstore industry continues to face a challenging business environment, as competitors open new stores that cross industry and business categories, move into new areas to expand their scope of operation, and increase scale through M&A. Also, the drugstore industry faces growing competition from other industries that are becoming more homogeneous, causing the commercial area of individual stores to shrink.

Given these circumstances, after much consideration JR Kyushu has decided that the best way for Drug Eleven to further grow its business and increase its corporate value is to operate as a wholly owned subsidiary of Tsuruha Holdings. Accordingly, we have decided to conduct a transfer of shares to the Tsuruha Group.

(4) Transfer timing
Transfer of shares to Drug Eleven: May 30, 2023 (scheduled)
Transfer of shares to Tsuruha Holdings: May 31, 2023 (scheduled)

(5) Number of shares transferred, status of shares held before and after transfer, transfer price, gain/loss on transfer

- 1) Number of shares transferred, and status of shares held before and after transfer
 - (i) Status of shares held before transfer: 2,558,327 shares (percentage of voting rights: 49.0%)
 - (ii) Number of shares transferred: Shares transferred to Drug Eleven 1,000,000
Shares transferred to Tsuruha Holdings 1,558,327
 - (iii) Status of shares held after transfer: 0 shares (percentage of voting rights: 0%)
- 2) Transfer price: ¥11.7 billion
- 3) Gain/loss on transfer: The Company expects to record a gain on transfer of approximately ¥7.0 billion in the fiscal year ending March 31, 2024.

Note: The transfer price was not disclosed in the April 28, 2023 release entitled “Notice Regarding Change of Equity-Method Affiliate (Share Transfer).” After consultation among the related parties, this price has been disclosed.

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of Yen)

	FY2022/3 (As of March 31, 2022)	FY2023/3 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and time deposits	25,388	26,334
Fares receivable	2,142	2,630
Accounts receivable-trade	30,732	34,078
Securities	39,027	15,022
Real estate for sale	13,096	8,435
Real estate for sale in process	17,118	36,012
Supplies	7,396	8,660
Other	25,238	20,831
Allowance for doubtful accounts	(0)	(1)
Total current assets	160,140	152,005
Non-current assets		
Fixed assets for railway business		
Property, plant and equipment	708,307	729,431
Accumulated depreciation	(601,660)	(593,247)
Property, plant and equipment (net)	106,646	136,184
Intangible assets	2,561	2,511
Net fixed assets for railway operations	109,207	138,695
Fixed assets for other business		
Property, plant and equipment	360,799	393,919
Accumulated depreciation	(60,387)	(67,610)
Property, plant and equipment (net)	300,412	326,309
Intangible assets	356	279
Net fixed assets for other business	300,768	326,589
Fixed assets relating to both businesses		
Property, plant and equipment	33,841	31,992
Accumulated depreciation	(15,078)	(14,360)
Property, plant and equipment (net)	18,763	17,631
Intangible assets	102	72
Net fixed assets relating to both businesses	18,865	17,703
Construction in progress		
Railway business	23,809	10,008
Other business	15,680	32,851
Relating to both businesses	10	47
Total construction in progress	39,500	42,907
Investments and other assets		
Investment securities	30,116	33,291
Stocks of subsidiaries and affiliated companies	38,582	38,739
Long-term prepaid expenses	8,218	8,936
Deferred tax assets	52,815	45,699
Other	47,610	40,049
Allowance for doubtful accounts	(314)	(567)
Total investments and other assets	177,030	166,149
Total noncurrent assets	645,372	692,045
Total assets	805,512	844,051

(Millions of Yen)

	FY2022/3 (As of March 31, 2022)	FY2023/3 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Commercial papers	35,000	20,000
Current portion of bonds	—	20,000
Current portion of long-term debt	8,041	14,242
Payables	65,696	64,748
Fare deposits received with regard to railway connecting services	1,705	2,275
Deposits received	1,937	3,940
Railway fares received in advance	4,818	5,320
Advances received	12,376	11,061
Accrued bonuses	3,796	4,268
Other	12,669	10,932
Total current liabilities	146,043	156,789
Non-current liabilities		
bonds	120,000	125,000
Long-term debt	146,892	159,149
Employees' severance and retirement benefits	36,289	35,526
Allowance for safety and environmental measures	854	230
Provision for loss on disaster	2,115	809
Provision for guarantee obligations	13,576	16,875
Asset retirement obligations	518	919
Other	9,228	8,803
Total noncurrent liabilities	329,475	347,313
Total liabilities	475,519	504,102
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus		
Capital surplus	171,908	171,908
Other	52,113	52,113
Total capital surplus	224,022	224,022
Retained earnings (Deficit)		
Other		
Reserve for deferred gain of fixed assets	7,686	11,190
Retained earnings carried forward	78,552	85,828
Total retained earnings (Deficit)	86,238	97,018
Treasury stock	(591)	(584)
Total common stock	325,669	336,456
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	4,323	3,492
Net valuation and translation adjustment	4,323	3,492
Total net assets	329,993	339,948
TOTAL LIABILITIES AND NET ASSETS	805,512	844,051

(2) Non-Consolidated Statements of Income

(Millions of Yen)

	FY2022/3 (April 1, 2021 – March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
RAILWAY BUSINESS		
Operating revenues		
Income from railway passenger traffic	89,374	121,451
Trackage revenue	440	427
Miscellaneous income of transportation	13,142	14,632
Total operating revenues	102,957	136,511
Operating expenses		
Transportation expenses	99,813	105,175
General and administrative expenses	10,282	11,477
Taxes	7,166	7,058
Depreciation costs	7,741	9,654
Total operating expenses	125,004	133,364
Operating Income (loss)	△22,046	3,146
OTHER BUSINESSES		
Operating revenues		
Revenue from real estate sale	43,597	41,856
Revenue from real estate lease	29,610	29,729
Other	3,823	3,512
Total operating revenues	77,031	75,098
Operating expenses		
Cost of sales	43,208	41,748
Selling, general and administrative expenses	747	859
Taxes	4,167	4,478
Depreciation costs	8,187	8,345
Total operating expenses	56,310	55,432
Operating income	20,721	19,666
TOTAL OPERATING INCOME (LOSS)	△1,325	22,813
NON-OPERATING INCOME		
Interest income	156	147
Dividend income	2,724	4,254
Gain on assets held in trust	2,033	1,632
Other	2,660	1,551
Total non-operating income	7,575	7,586
NON-OPERATING EXPENSES		
Interest expense	960	1,104
Provision for loss on guarantees, etc.	2,408	1,079
Loss on valuation of derivatives	192	385
Other	434	678
Total non-operating expenses	3,995	3,248
ORDINARY INCOME	2,253	27,151

(Millions of Yen)

	FY2022/3 (April 1, 2021 – March 31, 2022)	FY2023/3 (April 1, 2022 – March 31, 2023)
EXTRAORDINARY GAINS		
Construction grants received	6,156	13,543
Gain on sales of investment securities	-	2,821
Disaster recovery expense subsidy	1,106	-
Other	1,951	1,223
Total extraordinary gains	9,214	17,589
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	5,949	8,278
Impairment loss	2,462	2,013
Provision for loss on disaster	408	-
Loss on disaster	360	-
Provision for loss on guarantees	153	2,219
Other	1,952	1,274
Total extraordinary losses	11,286	13,786
INCOME BEFORE INCOME TAXES	181	30,953
INCOME TAXES		
Current	(2,049)	(2,261)
Deferred	(6,719)	7,806
Total income taxes	(8,769)	5,544
NET INCOME	8,950	25,408

(3) Non-Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of Yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					Provision of reserve for deferred gain of fixed assets	Retained earnings carried forward	
Balance at beginning of current year	16,000	171,908	52,113	224,022	7,686	84,330	92,017
Cumulative effects of changes in accounting policies						(100)	(100)
Restated balance	16,000	171,908	52,113	224,022	7,686	84,230	91,917
Changes of items during the year							
Dividends of surplus						(14,629)	(14,629)
Net income						8,950	8,950
Purchase of treasury stocks							
Disposal of treasury stocks							
Net changes of items other than shareholders' equity							
Total changes of items during the year	-	-	-	-	-	(5,678)	(5,678)
Balance at end of current year	16,000	171,908	52,113	224,022	7,686	78,552	86,238

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	
Balance at beginning of current year	(594)	331,445	6,594	338,040
Cumulative effects of changes in accounting policies		(100)		(100)
Restated balance	(594)	331,345	6,594	337,939
Changes of items during the year				
Dividends of surplus		(14,629)		(14,629)
Net income		8,950		8,950
Purchase of treasury stocks	(0)	(0)		(0)
Disposal of treasury stocks	2	2		2
Net changes of items other than shareholders' equity			(2,270)	(2,270)
Total changes of items during the year	2	(5,675)	(2,270)	(7,946)
Balance at end of current year	(591)	325,669	4,323	329,993

For the fiscal year ended March 31, 2023

(Millions of Yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					Provision of reserve for deferred gain of fixed assets	Retained earnings carried forward	
Balance at beginning of current year	16,000	171,908	52,113	224,022	7,686	78,552	86,238
Changes of items during the year							
Dividends of surplus						(14,629)	(14,629)
Net income						25,408	25,408
Provision of reserve for deferred gain of fixed assets					3,503	(3,503)	-
Purchase of treasury stocks							
Disposal of treasury stocks							
Net changes of items other than shareholders' equity							
Total changes of items during the year	-	-	-	-	3,503	7,276	10,779
Balance at end of current year	16,000	171,908	52,113	224,022	11,190	85,828	97,018

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	
Balance at beginning of current year	(591)	325,669	4,323	329,993
Changes of items during the year				
Dividends of surplus		(14,629)		(14,629)
Net income		25,408		25,408
Provision of reserve for deferred gain of fixed assets		-		-
Purchase of treasury stocks	(0)	(0)		(0)
Disposal of treasury stocks	7	7		7
Net changes of items other than shareholders' equity			(831)	(831)
Total changes of items during the year	7	10,786	(831)	9,955
Balance at end of current year	(584)	336,456	3,492	339,948