

(Translation)

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

November 7, 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: November 9, 2023
Planned date of dividend payment commencement: —
Preparation of supplementary explanations for financial results: Yes
Holding of a briefing on quarterly financial results: Yes

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

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2023
(From April 1, 2023 to September 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	%
Six months ended September 30, 2023	190,732	12.1	26,816	139.8	28,050	136.8	27,989	133.2
September 30, 2022	170,195	20.2	11,183	—	11,844	—	12,002	—

(Note) Comprehensive income: Six months ended September 30, 2023: ¥34,772 million (123.5%)
Six months ended September 30, 2022: ¥15,561 million (—%)

	Net income per share — basic	Net income per share — diluted
Six months ended	Yen	Yen
September 30, 2023	178.14	—
September 30, 2022	76.39	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	1,011,468	426,992	42.1
As of March 31, 2023	996,699	406,850	40.7

(Reference) Shareholders' equity: As of September 30, 2023: ¥426,194 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	—	0.00			
Year ending March 31, 2024 (Forecast)			—	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: No

Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2023	176,687 shares	As of March 31, 2023	181,487 shares
iii	Average number of shares during the period	As of September 30, 2023	157,121,063 shares	As of September 30, 2022	157,119,004 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) (Second quarter of FY2024/3, 176,600 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 (Second quarter of FY2024/3, 180,450 shares; Second quarter of FY2023/3, 182,550 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.

A quarterly financial results briefing for securities analysts is scheduled to be held on November 8, 2023 (Wednesday). The presentation materials used for this briefing will be posted on the Company's website promptly after the conclusion of this briefing.

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 Second Quarter	6
Quarterly Consolidated Comprehensive Income Statements Consolidated Cumulative Second Quarter	7
(3) Consolidated Statements of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements.....	10
(Notes on Going Concern Assumption)	10
(Notes on Significant Changes in the Value of Shareholders' Equity).....	10
(Additional Information)	10
(Segment Information)	11
(Significant Subsequent Events)	11

○(Financial results presentation materials)

Financial Results for the Second Quarter of FY2024/3 (Cumulative total for the six-month period from April to September)

1. Qualitative Information on Quarterly Consolidated Financial Performance

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

(1) Qualitative Information on Consolidated Operating Results

In the second quarter of the fiscal year ending March 31, 2024, the Japanese economy showed signs of a modest rebound, centered on personal consumption and capital investment, as the employment and income environment improved.

However, raw materials prices rose, the yen continued to depreciate, and the financial and capital markets exhibited volatility. 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. 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 12.1% year on year, to ¥190,732 million; operating income was up 139.8%, to ¥26,816 million; EBITDA increased 68.1%, to ¥42,405 million; ordinary income was up 136.8%, to ¥28,050 million; and net income attributable to owners of the parent was up 133.2%, to ¥27,989 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 Second quarter (six months ended September 30, 2023)	YoY		FY2024/3, consolidated cumulative Second quarter (six months ended September 30, 2023)	YoY		FY2024/3, consolidated cumulative Second quarter (six months ended September 30, 2023)	YoY	
Transportation	79,345	15,908	25.1%	12,125	11,748	—	17,929	12,541	232.8%
Real Estate and Hotels	55,246	2,627	5.0%	11,897	3,404	40.1%	19,334	3,915	25.4%
Real estate lease	33,543	3,176	10.5%	8,607	1,146	15.4%	14,819	1,549	11.7%
Real estate sale	10,634	(4,812)	(31.2%)	1,507	179	13.5%	1,517	179	13.4%
Hotel	11,067	4,263	62.7%	1,782	2,079	—	2,997	2,186	269.6%
Retail and Restaurant	29,942	4,657	18.4%	1,678	1,426	565.4%	2,283	1,404	159.7%
Construction	33,915	(1,633)	(4.6%)	(370)	(538)	—	113	(577)	(83.6%)
Business Services	34,485	303	0.9%	1,619	(313)	(16.2%)	3,061	(4)	(0.2%)
Total	232,934	21,864	10.4%	26,951	15,727	140.1%	42,722	17,278	67.9%
Adjustment (Note 1)	(42,202)	(1,327)	—	(134)	(93)	—	(316)	(100)	—
Amount on the consolidated financial statements	190,732	20,536	12.1%	26,816	15,633	139.8%	42,405	17,178	68.1%

(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 August 8, 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, Second Quarter (As of September 30, 2023)
ASSETS		
Current assets		
Cash and time deposits	37,283	40,435
Notes and accounts receivable—trade, and contract assets	49,960	40,978
Fares receivable	2,761	3,740
Securities	15,022	21,517
Merchandise and finished goods	17,723	12,226
Work in process	38,136	43,799
Raw materials and supplies	9,274	10,710
Other	27,047	23,050
Allowance for doubtful accounts	(63)	(62)
Total current assets	197,145	196,396
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	324,158	335,803
Machinery, rolling stock and vehicles (net)	66,416	65,570
Land	165,060	174,626
Lease assets (net)	20,787	19,809
Construction in progress	48,111	46,255
Other (net)	7,671	7,530
Net property, plant and equipment	632,205	649,595
Intangible assets	6,203	6,300
Investments and other assets		
Investment securities	50,381	53,691
Deferred tax assets	55,512	47,447
Net defined benefit assets	967	979
Other	55,476	58,304
Allowance for doubtful accounts	(1,192)	(1,246)
Total investments and other assets	161,145	159,175
Total non-current assets	799,554	815,071
Total assets	996,699	1,011,468

(Millions of Yen)

	FY 2023/3 (As of March 31, 2023)	FY 2024/3, Second Quarter (As of September 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	27,292	19,213
Short-term loans	1,996	2,163
Commercial papers	20,000	30,000
Current portion of bonds	20,000	225
Current portion of long-term loans	18,392	18,675
Payables	50,234	37,952
Accrued income taxes	1,224	669
Fare deposits received with regard to railway connecting services	2,275	2,270
Railway fares received in advance	5,410	6,843
Accrued bonuses	8,107	7,819
Other	40,484	42,175
Total current liabilities	195,418	168,008
Non-current liabilities		
Corporate bonds	125,000	135,000
Long-term loans	166,225	177,019
Allowance for safety and environmental measures	230	230
Allowance for disaster-damage losses	809	1,870
Net defined benefit liabilities	46,729	46,400
Asset retirement obligations	1,828	1,812
Other	53,607	54,133
Total non-current liabilities	394,431	416,467
Total liabilities	589,849	584,475
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,814	225,797
Retained earnings	164,479	177,839
Treasury stock	(584)	(568)
Total shareholders' equity	405,709	419,069
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,562	10,856
Foreign currency translation adjustments	(201)	(137)
Remeasurements of defined benefit plans	(4,017)	(3,592)
Total accumulated other comprehensive income	343	7,125
Non-controlling interests	797	798
Total net assets	406,850	426,992
TOTAL LIABILITIES AND NET ASSETS	996,699	1,011,468

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

Quarterly Consolidated Income Statements

Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2023/3, Second Quarter (Six months ended September 30, 2022)	FY 2024/3, Second Quarter (Six months ended September 30, 2023)
OPERATING REVENUE	170,195	190,732
OPERATING EXPENSE		
Transportation, other services and cost of sales	110,495	110,144
Selling, general and administrative expense	48,516	53,771
Total operating expense	159,012	163,915
OPERATING INCOME	11,183	26,816
NON-OPERATING INCOME		
Interest income	47	52
Dividend income	344	443
Gain on assets held in trust	824	633
Gains on investment securities	243	597
Other	691	1,060
Total non-operating income	2,151	2,788
NON-OPERATING EXPENSE		
Interest expense	785	1,013
Loss on valuation of derivatives	199	324
Other	505	216
Total non-operating expense	1,490	1,554
ORDINARY INCOME	11,844	28,050
EXTRAORDINARY GAINS		
Construction grants received	641	478
Gain on sales of shares of subsidiaries and associates	—	7,425
Gain on sales of investment securities	2,821	—
Other	153	1,291
Total extraordinary gains	3,616	9,195
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	634	472
Provision for loss on disaster	—	1,313
Disaster-damage losses	—	195
Other	1,018	667
Total extraordinary losses	1,653	2,648
INCOME BEFORE INCOME TAXES	13,806	34,598
INCOME TAXES -Current	396	418
INCOME TAXES -Deferred	1,284	6,184
TOTAL INCOME TAXES	1,681	6,603
NET INCOME	12,125	27,994
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	123	4
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	12,002	27,989

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2023/3, Second Quarter (Six months ended September 30, 2022)	FY 2024/3, Second Quarter (Six months ended September 30, 2023)
NET INCOME	12,125	27,994
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	2,545	6,289
Foreign currency translation adjustments	484	64
Remeasurements of defined benefit plans	405	424
Total other comprehensive income	3,436	6,778
COMPREHENSIVE INCOME	15,561	34,772
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	15,460	34,771
Non-controlling interests	101	0

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2023/3, Second Quarter (Six months ended September 30, 2022)	FY 2024/3, Second Quarter (Six months ended September 30, 2023)
OPERATING ACTIVITIES		
Income before income taxes	13,806	34,598
Depreciation	15,182	16,623
Losses from provision for cost reduction of fixed assets	634	472
Provision for loss on disaster	—	1,313
Disaster-damage losses	—	195
Net change in allowance for doubtful accounts	136	50
Net change in net defined benefit liabilities	(69)	319
Interest and dividend income	(392)	(496)
Interest expense	785	1,013
Losses (gains) on valuation of derivatives	199	324
Construction grants received	(641)	(478)
Gain on sales of shares of subsidiaries and associates	—	(7,425)
Losses (gains) on sales of investment securities	(2,821)	10
Net change in major receivables	10,240	8,292
Net change in inventories	(7,704)	1,690
Net change in major payables	(9,489)	(6,838)
Gain on assets held in trust	(824)	(633)
Losses (gains) on investments in securities	(11)	(597)
Other	7,229	4,923
Sub-total	26,260	53,357
Proceeds from interest and dividends	372	466
Payments of interest	(764)	(861)
Proceeds from gain on assets held in trust	831	626
Payments of disaster-damage losses	(922)	(533)
Income taxes refunded (paid)	1,018	(2,936)
Net cash provided by operating activities	26,795	50,118
INVESTING ACTIVITIES		
Payments for purchases of fixed assets	(55,627)	(52,755)
Purchases of investment securities	(2,130)	(2,215)
Proceeds from sales of investment securities	2,931	62
Payments for purchases of shares of subsidiaries and associates	—	(676)
Proceeds from sales of shares of subsidiaries and associates	—	11,768
Payments for purchases of shares of subsidiaries resulting in change in scope of consolidation	—	(941)
Proceeds from construction grants received	4,148	4,312
Other	1,018	3,566
Net cash used in investing activities	(49,658)	(36,879)

(Millions of Yen)

	FY 2023/3, Second Quarter (Six months ended September 30, 2022)	FY 2024/3, Second Quarter (Six months ended September 30, 2023)
FINANCING ACTIVITIES		
Net change in short-term loans	(603)	(2)
Net change in commercial papers	(15,000)	10,000
Proceeds from long-term loans payable	26,500	17,500
Payments of long-term loans	(1,302)	(7,366)
Repayments of long-term liabilities	(132)	(132)
Proceeds from issuance of bonds	—	10,225
Payments for redemption of bonds	—	(20,000)
Proceeds from deposits and guarantees	1,025	2,005
Redemption of deposits and guarantees	(666)	(341)
Cash dividends paid	(14,629)	(14,629)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(24)	(16)
Other	(1,533)	(1,422)
Net cash used in financing activities	(6,366)	(4,180)
TRANSLATION DIFFERENCES FOR CASH AND CASH EQUIVALENTS	121	87
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,107)	9,146
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	78,709	52,283
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	49,602	61,429

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(Additional Information)

(Damage caused by torrential rains in 2023)

Due to the influence of torrential rains that have occurred throughout Kyushu since June 2023, the Kyudai Main Line and several other lines have suffered damage, including damage from ballast runoff and collapses of cut slopes. Resulting restoration expenses, etc., during the second quarter under review have been recorded as "disaster-damage losses." The amount of restoration expenses, etc., forecast for the third quarter onward have been rationally estimated in the "provision for loss on disaster" and posted in extraordinary losses on the quarterly consolidated income statements for the second quarter under review.

(Segment Information)

FY 2023/3, Second Quarter (Six-Month Period Ended September 30, 2022)

1. Information Related to Operating Revenue and Income 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	61,094	50,500	25,134	14,532	18,934	170,195	—	170,195
Inside Group	2,342	2,118	150	21,016	15,247	40,875	(40,875)	—
Total	63,436	52,618	25,284	35,549	34,181	211,070	(40,875)	170,195
Segment income	377	8,492	252	168	1,933	11,223	(40)	11,183

(Notes) 1. The ¥40 million deduction from segment income reflects the elimination of intersegment transactions.

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

FY 2024/3, Second Quarter (Six-Month Period Ended September 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	76,954	52,998	29,773	12,985	18,020	190,732	—	190,732
Inside Group	2,390	2,248	169	20,929	16,465	42,202	(42,202)	—
Total	79,345	55,246	29,942	33,915	34,485	232,934	(42,202)	190,732
Segment income (loss)	12,125	11,897	1,678	(370)	1,619	26,951	(134)	26,816

(Notes) 1. The ¥134 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)

None