

(Translation)

Consolidated Financial Results
for the Six-Month Period Ended September 30, 2022
(Japanese GAAP)

November 1, 2022

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
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Scheduled date for filing of quarterly report: November 4, 2022
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, 2022
(From April 1, 2022 to September 30, 2022)

(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, 2022	170,195	20.2	11,183	—	11,844	—	12,002	—
September 30, 2021	141,621	13.7	(4,072)	—	(1,064)	—	(2,025)	—

(Note) Comprehensive income: Six months ended September 30, 2022: ¥15,561 million (—%)
Six months ended September 30, 2021: ¥80 million (—%)

	Net income per share — basic	Net income per share — diluted
Six months ended	Yen	Yen
September 30, 2022	76.39	—
September 30, 2021	(12.89)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	938,845	389,939	41.4
As of March 31, 2022	951,980	389,024	40.8

(Reference) Shareholders' equity: As of September 30, 2022: ¥389,145 million
As of March 31, 2022: ¥388,331 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, 2022	—	0.00	—	93.00	93.00
Year ending March 31, 2023	—	0.00			
Year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(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	381,400	15.7	29,000	635.2	30,000	224.8	26,600	100.7	169.30

(Note) Revisions to the most recently disclosed financial forecasts: Yes

Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022 (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: 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 “(4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 13 of the accompanying materials.

(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, 2022	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 September 30, 2022	181,487 shares	As of March 31, 2022	183,705 shares
iii	Average number of shares during the period	As of September 30, 2022	157,119,004 shares	As of September 30, 2021	157,117,450 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 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 (Second quarter of FY2023/3, 182,550 shares; Second quarter of FY2022/3, 184,150 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 2, 2022 (Wednesday). 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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Financial Results for the Second Quarter of FY2023/3 (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, 2023.

(1) Qualitative Information on Consolidated Operating Results

In the second quarter of the fiscal year ending 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, its three-year plan commencing from the fiscal year ending March 31, 2023. 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 this September, 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 20.2% year on year, to ¥170,195 million; operating income was ¥11,183 million (compared with operating loss of ¥4,072 million in the same period of the previous fiscal year); EBITDA increased 186.0%, to ¥25,227 million; ordinary income was ¥11,844 million (compared with ordinary loss of ¥1,064 million in the same period of the previous fiscal year); and net income attributable to owners of the parent was ¥12,002 million (compared with a net loss attributable to owns of the parent of ¥2,025 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 first quarter 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 / loss			EBITDA (Note 2)		
	FY2023/3, consolidated cumulative second quarter (six months ended September 30, 2022)	YoY		FY2023/3, consolidated cumulative second quarter (six months ended September 30, 2022)	YoY		FY2023/3, consolidated cumulative second quarter (six months ended September 30, 2022)	YoY	
Transportation	63,436	16,718	35.8%	377	12,598	—	5,388	13,434	—
Real Estate and Hotels	52,618	7,366	16.3%	8,492	1,843	27.7%	15,419	1,785	13.1%
Real estate lease	30,367	1,778	6.2%	7,461	113	1.5%	13,270	42	0.3%
Real estate sale	15,447	2,312	17.6%	1,327	(121)	(8.4%)	1,338	(122)	(8.4%)
Hotel	6,804	3,275	92.8%	(296)	1,851	—	810	1,865	—
Retail and Restaurant	25,284	5,616	28.6%	252	1,376	—	879	1,416	—
Construction	35,549	(1,755)	(4.7%)	168	(1,013)	(85.8%)	690	(978)	(58.6%)
Business Services	34,181	1,720	5.3%	1,933	399	26.1%	3,066	701	29.7%
Total	211,070	29,667	16.4%	11,223	15,204	—	25,443	16,359	180.1%
Adjustment (Note 1)	(40,875)	(1,093)	—	(40)	51	—	(215)	47	—
Amount on the consolidated financial statements	170,195	28,574	20.2%	11,183	15,255	—	25,227	16,406	186.0%

(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)

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 an initiative to enhance customer convenience, in April 2022, we commenced sales of limited-express tickets that can be purchased via the PayPay app provided by PayPay Corporation for the entire year, and in July 2022 we launched a demonstration experiment using Visa touch payment via “stera transit,” which is provided by Sumitomo Mitsui Card Co., Ltd.

In marketing, we held the “We, Kamome” event with local participants to bring the region together to boost the impact of the opening of the Nishi-Kyushu Shinkansen, ran the new TWO STARS 4047 D&S train, and conducted a tourism campaign communicating the appeal of Saga and Nagasaki. Through these and other efforts, we sought to maximize the impact of the opening. Also, in June 2022, we extended the EX Service (internet reservations and ticketless boarding) area to the Kyushu Shinkansen and ran promotions to encourage use. In addition, 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. We implemented a timetable revision in September 2022 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 summer of 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 of infection. In addition, in March 2022 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.

In our passenger ship business, as a protection measure to prevent the spread of the COVID-19 infection, the Japanese government requested the halting of passenger transportation operations, and operations have been suspended on all scheduled routes since March 2020. Also, as an initiative to be implemented during the suspension of service on scheduled routes, we continued domestic sightseeing operation of the “QUEEN BEETLE” new-style hydrofoil ferry and continued operating the ferry between two points in Japan. In July 2022, we also commenced operations on Hakata–Nagasaki route.

In the field of new mobility services (MaaS), we have already commenced operations in Fukuoka, Saga, Oita, and Miyazaki prefectures. In collaboration with transportation operators in each region, we promoted efforts to realize seamless transportation services using the “my route” MaaS application. In Nagasaki Prefecture, service began in August 2022 in conjunction with the opening of the Nishi-Kyushu Shinkansen, in cooperation with regional transportation operators, local governments, tourism organizations, and other entities. In Fukuoka Prefecture, digital tickets were sold on the MaaS app in collaboration with Showa Motors Inc., Nishi-Nippon Railroad Co., Ltd., and 15 commercial facilities in the Tenjin and Hakata areas, with the aim of stimulating demand for excursions to the city center area and improving city circulation.

As a result, the Transportation Group recorded operating revenue of ¥63,436 million, up 35.8% year on year; operating income of ¥377million (compared with an operating loss of ¥12,221 million in the same

period of the previous fiscal year); and EBITDA of ¥5,388 million (compared with negative EBITDA of ¥8,046 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 since the lifting of infection prevention and other priority measures, and occupancy at the offices 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.

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

In the hotel business, we worked actively to capture mobility demand associated with tourism campaigns such as the Kyushu Block Discount. 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 ¥52,618 million, up 16.3% year on year; operating income of ¥8,492 million, up 27.7%; and EBITDA of ¥15,419 million, up 13.1%.

iii) Retail and Restaurant Group

In the retail business, we ran the Nishi-Kyushu Shinkansen Kamome Fair to commemorate the opening of the Nishi-Kyushu Shinkansen 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 renovating 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.” 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 ¥25,284 million, up 28.6% year on year; operating income of ¥252 million (compared with an operating loss of ¥1,124 million in the same period of the previous fiscal year); and EBITDA of ¥879 million (compared with negative EBITDA of ¥537 million in the same period of the previous fiscal year).

iv) Construction Group

In the construction business, we leveraged specialized skills in the railway business to ensure safe, stable railway operations through railway-related civil engineering, railroad track, and construction work as well as through maintenance operations and rolling stock equipment work. In railway construction, we made steady progress on such projects as the Nishi-Kyushu Shinkansen, the Hokuriku Shinkansen, and Haga Utsunomiya LRT, and worked to generate Shinkansen-related construction and other orders. 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 ¥35,549 million, down 4.7% year on year; operating income of ¥168 million, down 85.8%; and EBITDA of ¥690 million, down 58.6%.

v) Business Services Group

For the construction machinery sales, rental, and advertising business, we worked to secure earnings through aggressive sales activities. In addition, 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 ¥34,181 million, up 5.3% year on year; operating income of ¥1,933 million, up 26.1%; and EBITDA of ¥3,066 million, up 29.7%.

(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).

(2) Qualitative Information on Consolidated Financial Position

1. Assets, Liabilities, and Net Assets

Total assets as of September 30, 2022, decreased 1.4% compared with the previous fiscal year-end, to ¥938,845 million. Current assets decreased 21.3%, to ¥162,623 million, due to the redemption of securities and other factors. Non-current assets increased 4.2%, to ¥776,221 million, due principally to the acquisition of property, plant and equipment, etc.

Meanwhile, total liabilities decreased 2.5% compared with the previous fiscal year-end, to ¥548,906 million. Current liabilities decreased 7.3%, to ¥168,830 million, due to payment of payables and accounts payable-trade and other factors. Non-current liabilities were down 0.2%, to ¥380,075 million, as a result of bonds decreasing due to their transfer to the current portion of bonds and other factors.

Furthermore, total net assets increased 0.2% compared with the previous fiscal year-end, to ¥389,939 million, due primarily to an increase in unrealized gain on available-for-sale securities.

2. Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥26,795 million, up ¥5,126 million year on year, due to such factors as increase of income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥49,658 million, down ¥2,348 million year on year, due to such factors as a decrease in purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥6,366 million, due mainly to the redemption of commercial paper. (In the same period of the preceding fiscal year, net cash provided by financing activities totaled ¥5,931 million).

As a result of the above, cash and cash equivalents at end of the period were down ¥29,107 million year on year, to ¥49,602 million.

(3) Qualitative Information on Consolidated Performance Outlook

The Company has revised upward its forecast of net income attributable to owners of the parent for the fiscal year ending March 31, 2023, from that disclosed on August 2, 2022, due to the recording of an extraordinary gain from the sale of investment securities in the second quarter of the fiscal year ending March 31, 2023.

Full-year performance forecasts for FY2023/3

Operating revenue	¥381.4 billion (up 15.7% YoY)
Operating income	¥29.0 billion (up 635.2% YoY)
Ordinary income	¥30.0 billion (up 224.8% YoY)
Net income attributable to owners of the parent	¥26.6 billion (up 100.7% YoY)
EBITDA	¥58.2 billion (up 89.1 % YoY)

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 2022/3 (As of March 31, 2022)	FY 2023/3, Second Quarter (As of September 30, 2022)
ASSETS		
Current assets		
Cash and time deposits	39,709	31,601
Notes and accounts receivable—trade, and contract assets	45,536	35,686
Fares receivable	2,224	1,837
Securities	39,027	18,016
Merchandise and finished goods	19,757	7,705
Work in process	19,630	38,694
Raw materials and supplies	8,058	9,841
Other	32,821	19,290
Allowance for doubtful accounts	(42)	(50)
Total current assets	206,722	162,623
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	312,746	318,008
Machinery, rolling stock and vehicles (net)	44,001	64,045
Land	147,142	155,350
Lease assets (net)	19,668	21,270
Construction in progress	44,040	36,521
Other (net)	7,708	7,736
Net property, plant and equipment	575,308	602,934
Intangible assets	5,735	6,547
Investments and other assets		
Investment securities	45,086	47,184
Deferred tax assets	62,996	60,813
Net defined benefit assets	1,007	910
Other	56,191	59,026
Allowance for doubtful accounts	(1,067)	(1,195)
Total investments and other assets	164,214	166,739
Total non-current assets	745,257	776,221
Total assets	951,980	938,845

(Millions of Yen)

	FY 2022/3 (As of March 31, 2022)	FY 2023/3, Second Quarter (As of September 30, 2022)
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable–trade	28,908	17,342
Short-term loans	6,070	6,158
Commercial papers	35,000	20,000
Current portion of bonds	-	20,000
Current portion of long-term loans	8,780	14,626
Payables	46,564	29,183
Accrued income taxes	1,693	511
Fare deposits received with regard to railway connecting services	1,705	2,749
Railway fares received in advance	4,818	5,852
Accrued bonuses	7,066	7,165
Other	41,466	45,240
Total current liabilities	182,074	168,830
Non-current liabilities		
Corporate bonds	120,000	100,000
Long-term loans	153,336	173,508
Allowance for safety and environmental measures	854	854
Allowance for disaster-damage losses	2,115	1,779
Net defined benefit liabilities	48,890	48,143
Asset retirement obligations	1,448	1,431
Other	54,234	54,356
Total non-current liabilities	380,881	380,075
Total liabilities	562,955	548,906
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,847	225,823
Retained earnings (Deficit)	147,941	145,314
Treasury stock	(591)	(584)
Total shareholders' equity	389,198	386,553
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,781	7,329
Foreign currency translation adjustments	(441)	62
Remeasurements of defined benefit plans	(5,206)	(4,800)
Total accumulated other comprehensive income	(866)	2,592
Non-controlling interests	692	793
Total net assets	389,024	389,939
TOTAL LIABILITIES AND NET ASSETS	951,980	938,845

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

Quarterly Consolidated Income Statements

Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2022/3, Second Quarter (Six months ended September 30, 2021)	FY 2023/3, Second Quarter (Six months ended September 30, 2022)
OPERATING REVENUE	141,621	170,195
OPERATING EXPENSE		
Transportation, other services and cost of sales	100,825	110,495
Selling, general and administrative expense	44,868	48,516
Total operating expense	145,693	159,012
OPERATING INCOME (LOSS)	(4,072)	11,183
NON-OPERATING INCOME		
Interest income	40	47
Dividend income	320	344
Gain on assets held in trust	1,079	824
Other	3,118	934
Total non-operating income	4,558	2,151
NON-OPERATING EXPENSE		
Interest expense	739	785
Loss on foreign exchange	499	—
Other	311	705
Total non-operating expense	1,549	1,490
ORDINARY INCOME (LOSS)	(1,064)	11,844
EXTRAORDINARY GAINS		
Construction grants received	487	641
Gain on sales of investment securities	—	2,821
Other	272	153
Total extraordinary gains	760	3,616
EXTRAORDINARY LOSSES		
Losses from provision for cost reduction of fixed assets	478	634
Loss on transfer of property, plant and equipment	0	543
Provision for loss on disaster	936	—
Disaster-damage losses	13	—
Other	276	475
Total extraordinary losses	1,705	1,653
INCOME (LOSS) BEFORE INCOME TAXES	(2,009)	13,806
INCOME TAXES -Current	467	396
INCOME TAXES -Deferred	(228)	1,284
Total income taxes	238	1,681
NET INCOME (LOSS)	(2,247)	12,125
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(222)	123
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(2,025)	12,002

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative Second Quarter

(Millions of Yen)

	FY 2022/3, Second Quarter (Six months ended September 30, 2021)	FY 2023/3, Second Quarter (Six months ended September 30, 2022)
NET INCOME (LOSS)	(2,247)	12,125
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	1,323	2,545
Foreign currency translation adjustments	430	484
Remeasurements of defined benefit plans	573	405
Total other comprehensive income	2,327	3,436
COMPREHENSIVE INCOME	80	15,561
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the parent	203	15,460
Non-controlling interests	(123)	101

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2022/3, Second Quarter (Six months ended September 30, 2021)	FY 2023/3, Second Quarter (Six months ended September 30, 2022)
OPERATING ACTIVITIES		
Income (Loss) before income taxes	(2,009)	13,806
Depreciation	13,965	15,182
Losses from provision for cost reduction of fixed assets	478	634
Provision for loss on disaster	936	—
Disaster-damage losses	13	—
Net change in allowance for doubtful accounts	(13)	136
Net change in net defined benefit liabilities	(27)	(69)
Interest and dividend income	(360)	(392)
Interest expense	739	785
Foreign exchange losses (gains)	493	(316)
Construction grants received	(487)	(641)
Losses (gains) on sales of investment securities	—	(2,821)
Loss on transfer of property, plant and equipment	0	543
Net change in major receivables	14,473	10,240
Net change in inventories	5,327	(7,704)
Net change in major payables	(18,035)	(9,489)
Gain on assets held in trust	(1,079)	(824)
Other	8,581	7,190
Sub-total	22,996	26,260
Proceeds from interest and dividends	354	372
Payments of interest	(694)	(764)
Proceeds from gain on assets held in trust	1,068	831
Payments of disaster-damage losses	(1,559)	(922)
Income taxes refunded (paid)	(494)	1,018
Net cash provided by operating activities	21,669	26,795
INVESTING ACTIVITIES		
Payments for purchases of fixed assets	(59,518)	(55,627)
Purchases of investment securities	(986)	(2,130)
Proceeds from sales of investment securities	3	2,931
Proceeds from construction grants received	7,311	4,148
Other	1,184	1,018
Net cash used in investing activities	(52,006)	(49,658)
FINANCING ACTIVITIES		
Net change in short-term loans	(52)	(603)
Net change in commercial papers	5,000	(15,000)
Proceeds from long-term loans payable	—	26,500
Payments of long-term loans	(1,305)	(1,302)
Repayments of long-term liabilities	(131)	(132)
Proceeds from issuance of bonds	20,000	—
Proceeds from deposits and guarantees	896	1,025
Redemption of deposits and guarantees	(291)	(666)
Cash dividends paid	(14,629)	(14,629)
Cash dividends paid to non-controlling interests	(7)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,035)	(24)
Other	(1,512)	(1,533)
Net cash used in financing activities	5,931	(6,366)
TRANSLATION DIFFERENCES FOR CASH AND CASH EQUIVALENTS	258	121
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,146)	(29,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	65,019	78,709
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40,872	49,602

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

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

None

(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 first quarter 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)

I FY 2022/3, Second Quarter (Six-Month Period Ended September 30, 2021)

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	44,377	43,324	19,583	17,305	17,030	141,621	—	141,621
Inside Group	2,340	1,927	84	19,999	15,430	39,782	(39,782)	—
Total	46,718	45,252	19,667	37,304	32,461	181,403	(39,782)	141,621
Segment income (loss)	(12,221)	6,649	(1,124)	1,181	1,533	(3,980)	(91)	(4,072)

(Notes) 1. The ¥91 million deduction from segment income (loss) reflects the elimination of intersegment transactions.

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

II 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.

2. Information regarding changes to reportable segments, etc.

The Company has changed its segment classifications from the first quarter 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 second quarter of the previous fiscal year is presented based on the revised segment classifications.

(Significant Subsequent Events)

None