(Translation)

Consolidated Financial Results for the Three-Month Period Ended June 30, 2024 (Japanese GAAP)

August 6, 2024

Company name: Kyushu Railway Company
Stock exchange listings: Tokyo and Fukuoka
Securities code: 9142
URL: https://www.jrkyushu.co.jp/
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Planned date of dividend payment commencement: ―
Preparation of supplementary explanations for financial results: Yes
Holding of a briefing on quarterly financial results: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	104,141	6.4	14,703	9.0	15,141	10.4	11,420	(35.8)
June 30, 2023	97,920	8.2	13,488	71.1	13,717	60.3	17,782	157.1

(Note) Comprehensive income: Three months ended June 30, 2024: ¥9,909 million [(55.2%)]
Three months ended June 30, 2023: ¥22,122 million (169.2%)

	Net income per share — basic	Net income per share — diluted
Three months ended	Yen	Yen
June 30, 2024	72.68	―
June 30, 2023	113.18	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	1,057,982	438,921	41.4
As of March 31, 2024	1,089,170	442,287	40.5

(Reference) Shareholders' equity: As of June 30, 2024: ¥438,037 million
As of March 31, 2024: ¥441,427 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, 2024	—	0.00	—	93.00	93.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (Forecast)		46.50	—	46.50	93.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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	441,100	4.9	57,300	21.7	56,700	15.9	42,200	9.8	268.58

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

Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30,2024: Yes
Newly added: Eight companies, including Kyutetsu Built Co, Ltd ; excluded: None
Note: For details, see “Changes in Scope of Consolidation or Application of the Equity Method” on page 9 of the Attachments

(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

(4) Number of shares outstanding (common stock)

i	Number of shares issued and outstanding at end of period (including treasury stock)	As of June 30, 2024	157,301,600 shares	As of March 31, 2024	157,301,600 shares
ii	Number of shares of treasury stock at end of period	As of June 30, 2024	176,743 shares	As of March 31, 2024	176,687 shares
iii	Average number of shares during the period	As of June 30, 2024	157,124,890 shares	As of June 30, 2023	157,120,113 shares

Note: The number of shares of treasury stock at the end of the period includes the number of shares of the Company’s stock held by the Board Benefit Trust (BBT) (First quarter of FY2025/3, 176,600 shares; FY2024/3, 176,600 shares). In addition, the number of shares of the Company’s stock held by the Board Benefit Trust (BBT) is included in the treasury stock that is subtracted in the calculation of the average number of shares during the period (First quarter of FY2025/3, 176,600 shares; First quarter of FY2024/3, 181,400 shares).

* Review of the attached quarterly consolidated financial statements by certified public accountants or accounting auditors: Yes (voluntary)

* 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 financial results briefing for institutional investors and securities analysts is scheduled to be held on August 6, 2024 (Tuesday).
The presentation materials used for this briefing will be posted on TDnet and the Company’s website.

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Financial Results for the First Quarter of FY2025/3 (Cumulative total for the three-month period from April to June)

1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements in this document are based on assessments as of the end of the first quarter of the fiscal year ending March 31, 2025.

(1) Qualitative Information on Consolidated Operating Results

In the first quarter of the fiscal year ending March 31, 2025, the Japanese economy showed signs of a modest rebound, as the employment and income environment improved, although real wage growth was sluggish and the recovery in personal consumption marked time.

However, such factors as rising prices and volatility in the financial capital markets prompted the need for vigilance toward the economic outlook.

Against this backdrop, the JR Kyushu Group advanced under the three key strategies of JR Kyushu Group Medium-Term Business Plan 2022–2024, with a view to the plan's completion. 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 6.4% year on year, to ¥104,141 million; operating income was up 9.0%, to ¥14,703 million; EBITDA increased 11.8%, to ¥23,650 million; ordinary income was up 10.4%, to ¥15,141 million; and net income attributable to owners of the parent was down 35.8%, to ¥11,420 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)		
	FY2025/3, consolidated cumulative first quarter (three months ended June 30, 2024)	YoY		FY2025/3, consolidated cumulative first quarter (three months ended June 30, 2024)	YoY		FY2025/3, consolidated cumulative first quarter (three months ended June 30, 2024)	YoY	
Transportation	40,476	1,919	5.0%	6,476	579	9.8%	9,654	911	10.4%
Real Estate and Hotels	33,047	1,307	4.1%	7,340	654	9.8%	11,832	1,445	13.9%
Real estate lease	18,343	2,049	12.6%	4,502	429	10.5%	8,140	975	13.6%
Real estate sale	7,127	(3,002)	(29.6%)	1,119	(654)	(36.9%)	1,123	(655)	(36.8%)
Hotel	7,576	2,261	42.5%	1,719	879	104.7%	2,568	1,125	78.1%
Retail and Restaurant	15,463	1,042	7.2%	782	149	23.7%	1,125	199	21.5%
Construction	15,986	666	4.3%	(912)	(317)	—	(610)	(255)	—
Business Services	18,428	711	4.0%	1,032	51	5.2%	1,763	109	6.6%
Total	123,401	5,646	4.8%	14,720	1,118	8.2%	23,765	2,409	11.3%
Adjustment (Note 1)	(19,260)	575	—	(17)	96	—	(114)	89	—
Amount on the consolidated financial statements	104,141	6,221	6.4%	14,703	1,215	9.0%	23,650	2,499	11.8%

(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)

(2) Qualitative Information on Consolidated Financial Position

Total assets as of June 30, 2024, amounted to ¥1,057,982 million. This was mainly the result of a decrease in notes and accounts receivable–trade and contract assets.

Meanwhile, total liabilities came to ¥619,060 million, mainly because of a decline in commercial paper.

Furthermore, total equity was ¥438,921 million, due primarily to a decrease in retained earnings resulting from the payment of dividends, etc.

(3) Qualitative Information on Consolidated Performance Outlook

The Company has not revised its full-year forecast for the fiscal year ending March 31, 2025, from that disclosed on May 9, 2024.

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 2024/3 (As of March 31, 2024)	FY 2025/3, First Quarter (As of June 30, 2024)
ASSETS		
Current assets		
Cash and time deposits	33,939	38,939
Notes and accounts receivable–trade, and contract assets	59,221	38,773
Fares receivable	4,150	3,444
Securities	28,324	22,521
Merchandise and finished goods	19,980	14,249
Work in process	39,164	42,460
Raw materials and supplies	9,335	11,135
Other	27,498	19,687
Allowance for doubtful accounts	(91)	(73)
Total current assets	221,523	191,137
Non-current assets		
Property, plant and equipment		
Buildings and fixtures (net)	387,728	386,266
Machinery, rolling stock and vehicles (net)	71,924	71,778
Land	183,025	184,576
Lease assets (net)	20,028	20,322
Construction in progress	30,797	34,219
Other (net)	11,346	12,325
Net property, plant and equipment	704,851	709,489
Intangible assets	6,143	6,407
Investments and other assets		
Investment securities	55,518	53,882
Deferred tax assets	43,520	40,102
Net defined benefit assets	1,259	1,242
Other	58,436	57,907
Allowance for doubtful accounts	(2,083)	(2,187)
Total investments and other assets	156,651	150,946
Total non-current assets	867,646	866,844
Total assets	1,089,170	1,057,982

(Millions of Yen)

	FY 2024/3 (As of March 31, 2024)	FY 2025/3, First Quarter (As of June 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	28,940	18,368
Short-term loans	4,403	4,291
Commercial papers	40,000	20,000
Current portion of bonds	10,225	10,030
Current portion of long-term loans	28,198	28,252
Payables	53,615	39,708
Accrued income taxes	1,919	495
Fare deposits received with regard to railway connecting services	2,785	2,536
Railway fares received in advance	6,103	6,644
Accrued bonuses	9,428	7,004
Other	38,645	46,982
Total current liabilities	224,266	184,313
Non-current liabilities		
Corporate bonds	145,000	145,000
Long-term loans	172,473	183,062
Allowance for safety and environmental measures	646	646
Allowance for disaster-damage losses	3,302	3,255
Net defined benefit liabilities	40,945	41,576
Asset retirement obligations	2,622	2,812
Other	57,626	58,393
Total non-current liabilities	422,616	434,746
Total liabilities	646,882	619,060
NET ASSETS		
Shareholders' equity		
Common stock	16,000	16,000
Capital surplus	225,797	225,440
Retained earnings	188,295	186,722
Treasury stock	(568)	(568)
Total shareholders' equity	429,524	427,593
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	11,651	10,057
Foreign currency translation adjustments	(97)	(102)
Remeasurements of defined benefit plans	348	488
Total accumulated other comprehensive income	11,903	10,443
Non-controlling interests	859	884
Total net assets	442,287	438,921
TOTAL LIABILITIES AND NET ASSETS	1,089,170	1,057,982

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

Quarterly Consolidated Income Statements

Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2024/3, First Quarter (Three months ended June 30, 2023)	FY 2025/3, First Quarter (Three months ended June 30, 2024)
OPERATING REVENUE	97,920	104,141
OPERATING EXPENSE		
Transportation, other services and cost of sales	58,019	59,496
Selling, general and administrative expense	26,412	29,941
Total operating expense	84,431	89,438
OPERATING INCOME	13,488	14,703
NON-OPERATING INCOME		
Interest income	25	28
Dividend income	440	514
Gain on assets held in trust	379	398
Other	523	297
Total non-operating income	1,369	1,238
NON-OPERATING EXPENSE		
Interest expense	482	683
Loss on valuation of derivatives	237	—
Other	420	116
Total non-operating expense	1,140	799
ORDINARY INCOME	13,717	15,141
EXTRAORDINARY GAINS		
Construction grants received	59	416
Gain on sales of shares of subsidiaries and associates	7,425	—
Gain on sales of investment securities	—	138
Other	1,189	54
Total extraordinary gains	8,674	609
EXTRAORDINARY LOSSES		
Loss on reduction of noncurrent assets	56	398
Other	180	62
Total extraordinary losses	237	460
INCOME BEFORE INCOME TAXES	22,154	15,290
INCOME TAXES -Current	191	288
INCOME TAXES -Deferred	4,182	3,589
TOTAL INCOME TAXES	4,373	3,877
NET INCOME	17,780	11,412
NET INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1)	(7)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	17,782	11,420

Quarterly Consolidated Comprehensive Income Statements
Consolidated Cumulative First Quarter

(Millions of Yen)

	FY 2024/3, First Quarter (Three months ended June 30, 2023)	FY 2025/3, First Quarter (Three months ended June 30, 2024)
NET INCOME	17,780	11,412
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	4,250	(1,638)
Foreign currency translation adjustments	(133)	(4)
Remeasurements of defined benefit plans	224	139
Share of other comprehensive income of affiliates accounted for by the equity method	—	0
Total other comprehensive income	4,341	(1,503)
COMPREHENSIVE INCOME	22,122	9,909
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	22,124	9,920
Non-controlling interests	(1)	(10)

(3) Notes to Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements have been prepared in accordance with Article 4, Paragraph 1 of the Standards for the Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and the Fukuoka Stock Exchange, Inc. and generally accepted accounting standards in Japan regarding quarterly financial statements. (However, the omission of the description prescribed in Article 4, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements is applied.)

(Notes on Going Concern Assumption)

None

(Changes in Scope of Consolidation or Application of the Equity Method)

(Significant changes in the scope of consolidation)

Owing to the increased significance of Kyutetsu Built Co, Ltd., Metalstar Kyushu, Ltd., Arima Electric Facilities Co.,Ltd, Nishinihon electrical equipment Manufacturer Co. Ltd., CK Rental Ltd., Premium Logix Ltd., BSS Co, Ltd. and With-Unity Co.,Ltd., these companies have been included in the scope of consolidation from the first quarter under review.

(Notes on Changes in Accounting Policies)

(Application of the "Accounting Standard for Current Income Taxes")

We have applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, hereinafter, the "2022 Revised Standard") from the start of the first quarter under review. Accordingly, amounts calculated in accordance with laws and regulations (including amounts of corporation tax and local corporation tax claimed for refund due to the carryback of tax losses), except for corporation tax, inhabitants tax, and enterprise tax amounts charged against income for the first quarter under review that correspond to valuation differences arising from revaluation of assets or liabilities (valuation and translation adjustments as defined in Paragraph 8 of ASBJ Statement No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet," hereinafter "Valuation Adjustments, etc.") are recorded in profit or loss. However, calculating amounts to be charged to shareholders' equity or other comprehensive income are difficult because they relate to more than one category, the amount is charged to profit or loss in accordance with Article 5-3 (2) of the 2022 Revised Standard.

Revisions to the classifications of corporation tax, etc. (taxes on other comprehensive income) are handled in accordance with the transitional treatment set forth in the proviso of Article 20-3 of the 2022 Revised Standard. The cumulative effect of applying new accounting policies prior to the beginning of the first quarter under review is added to or subtracted from retained earnings at the beginning of the first quarter under review, and the corresponding amount is added to or subtracted from the appropriate category in accumulated other comprehensive income.

The adoption of this standard has no material impact on the quarterly consolidated financial statements.

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

None

(Notes Related to the Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the first quarter of the current fiscal year. Depreciation and amortization expenses (including amortization expenses related to intangible fixed assets excluding goodwill) for the first quarter of the fiscal year under review are as follows.

	FY2024/3 First Quarter (Three months ended June 30, 2023)	FY2025/3 First Quarter (Three months ended June 30, 2024)
Depreciation costs	¥8,198 million	¥9,292 million

(Note) Amortization of goodwill is omitted because the amounts are immaterial.

(Notes on Segment Information, etc.)

(Segment information)

First Quarter of the Previous Fiscal Year (from April 1 to June 30, 2023)

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

(Millions of Yen)

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

(Notes) 1. The ¥114 million deduction from segment income (loss) reflects the elimination of intersegment transactions.
2. Segment income (loss) has been adjusted for the operating income figure on the quarterly consolidated income statements.

First Quarter of the Current Fiscal Year (from April 1 to June 30, 2024)

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	39,241	31,905	15,363	7,734	9,896	104,141	—	104,141
Inside Group	1,234	1,141	100	8,251	8,531	19,260	(19,260)	—
Total	40,476	33,047	15,463	15,986	18,428	123,401	(19,260)	104,141
Segment income (loss)	6,476	7,340	782	(912)	1,032	14,720	(17)	14,703

(Notes) 1. The ¥17 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.