

Highlights of Major Private Railroad Companies' Financial Results for Fiscal Year Ended March 2026

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2026 (FY2025) and earnings forecasts for FY2026 of Japan's major private railroad companies (collectively, the "Companies"):

TOBU RAILWAY CO., LTD. (security code: 9001), Sotetsu Holdings, Inc. (9003), TOKYU CORPORATION (9005), Keikyu Corporation (9006), Odakyu Electric Railway Co., Ltd. (9007), Keio Corporation (9008), Keisei Electric Railway Co., Ltd. (9009) and SEIBU HOLDINGS INC. (9024) in the eastern Japan area; and Nishi-Nippon Railroad Co., Ltd. (9031), Kintetsu Group Holdings Co., Ltd. (9041), Hankyu Hanshin Holdings, Inc. (9042), NANKAI Co., Ltd. (9044), Keihan Holdings Co., Ltd. (9045) and Nagoya Railroad Co., Ltd. (9048) in the western Japan area.

1. Industry Trend

The total number of railway passengers carried by the 14 private railway Companies in the fiscal year ending March 2026 (FY2025) increased by 4.0% year on year. The figures break down into a 3.6% increase in commuter pass passengers and a 4.4% increase in non-commuter pass passengers. The factors behind the increase include not only the rise in inbound tourism and the effects of Expo 2025 Osaka, Kansai, Japan being held in the Kansai region, but also the impact of mergers with the parent companies of the group railway operators (*The cases are merger and acquisition of Shin-Keisei Electric Railway by Keisei Electric Railway and the same for Semboku Rapid Railway by Nankai Electric Railway (NANKAI's subsidiary.) The number of railway passengers carried is counted on a per-railway company basis, so when companies merge, the figures for previously separate companies are combined into a single total.) Railway transportation revenue showed a broadly similar trend. For the total of the Companies, revenue increased by 4.2%, with revenues from commuter pass passengers rising 2.7% and those from non-commuter pass passengers increasing 5.0%. By area, the growth in revenues from non-commuter pass passengers in the western Japan area has been particularly strong, partly supported by an increase in inbound tourism and impact of the Expo.

Compared with the pre-COVID peak (FY2018), the number of passengers carried remains 4.1% below that level, while transportation revenue increased by 6.0%, partly supported by factors such as the introduction of a barrier-free fare system and passenger fare revisions. On a transportation revenue basis, it has exceeded the pre-COVID peak, following FY2024. The breakdown shows that revenues from commuter pass passengers were below 3.8% compared with FY2018, while those from non-commuter pass passengers increased by 12.2%, indicating steady revenue growth. The decline in revenues from commuter pass passengers is thought to be partly attributable to the impact of the growing adoption of diverse working styles, such as remote work.

Major private railway companies applied for the introduction of the barrier-free fare system or for increases in the upper limits of passenger fares around 2022 to 2023. As a result, the deterioration in income accompanying the sharp decline in passengers due to COVID-19 was mitigated. However, partly because fixed costs have recently increased due to rising labor and other costs, improvements in the profitability of the transportation business have been delayed. For this reason, some companies have applied to raise upper limits fares over the past one to two years. The rated entities include Keihan Holdings (passenger fare revision from October 2025), SEIBU HOLDINGS (passenger fare revision from March 2026), and Nishi-Nippon Railroad (passenger fare revision from April 2026). Although all of them had applied the barrier-free fare system, each company abolished it and then implemented passenger fare revision. In addition, a number of companies are considering passenger fare revision. In April 2024, a part of the procedure of calculation method of cost of revenue, which determines the calculation method of total cost, was revised. This lowered the hurdles to revise passenger fare. It is highly likely that Companies will continue to take measures to pass on greater burdens to users in order to maintain and enhance services, while also advancing internal efficiency improvements. JCR is closely watching each company's efforts.

2. Financial Results

In FY2025, operating revenue and operating income of the Companies combined decreased by 1.1 % and by 21.7% over the year respectively. For the 8 companies in the eastern Japan area combined, operating revenue decreased by 5.8% and operating income decreased by 37.0%; for the 6 companies in the western Japan area combined, operating revenue increased by 3.5% and operating income increased by 9.2%. The decline in operating income for the Companies combined and the 8 companies in the eastern Japan area was largely attributable to the reactionary impact of Seibu Holdings' asset liquidation of Tokyo Garden Terrace Kioicho in FY2024. Excluding Seibu Holdings, the remaining 13 companies recorded a 3.7% increase in operating revenue and a 3.4% increase in operating income in the same fiscal year. In the western Japan area, a positive revenue contribution from the Expo effect has been observed. By segment, in FY2025 on a combined basis for the Companies, the transportation business recorded a 1.8% decline in operating income, while the total of non-transportation businesses (calculated by subtracting the transportation segment from the total of all segments) recorded a decline of 30.1%. In the transportation business, railway revenues increased, but operating income declined due to higher costs such as labor expenses. The fluctuation in the total of the non-transportation business segment was largely attributable to SEIBU HOLDINGS. Excluding SEIBU HOLDINGS, the combined 13 companies recorded a 0.3% decline in operating income in FY2025.

Looking at cash flow, cash flow from operating activities of the Companies totaled 803.8 billion yen, while cash flow from investment activities amounted to 1.2821 trillion yen, resulting in negative free cash flow of 478.2 billion yen (defined as operating cash flow minus investment cash flow). This is the first time free cash flow has turned negative since FY 2020. Cash flow from investment activities reached the highest level in the most recent period, even including the pre-COVID period, and cash flow from financing activities recorded net financing inflows of 233.6 billion yen. Due to factors such as increase in equity capital through profit accumulation, the equity ratio of the Companies combined at the end of FY2025 improved to 32.3% as opposed to 31.7% a year before.

3. Highlights for Rating

Based on company announcements, expected operating income of the Companies combined for FY2026 is to be increased by 1.6% year on year. For the combined 8 companies in the eastern Japan area, operating incomes are projected to increase by 4.9%, while for the combined 6 companies in the western Japan area, which will be affected by factors such as a post-Expo backlash in the Kansai region, income is expected to decrease by 2.3%. Due in part to increased depreciation burdens associated with aggressive capital investment, as well as the continued rise in costs being factored into the plan, the operating income margin is expected to decline from 9.1% a year before to 8.7%. JCR will look at the following points for the time being.

(i) The measures to expand revenue in the transportation business

Keys to expand revenues in the transportation business are: i) increasing the number of users, ii) Raising unit prices by introducing or increasing the frequency of trains, such as premium trains, iii) cost reductions through improved operational efficiency, and (iv) passenger fare revision. For items (i) and (ii), the key points of interest are measures to retain users, including the further development of tourism resources along the railway lines, as well as service improvement initiatives and their effects. For (iii), there are many expenditure items that are affected by rising personnel costs, such as expenses related to maintenance and operation; therefore, efforts aimed at the efficient use of human resources, such as adjusting the timing of facility maintenance and promoting digital transformation (DX), are considered important. For item iv), JCR will continue to closely monitor each company's future actions and their impact on earnings and expenses.

(ii) Progress of large-scale redevelopment projects

Regarding large-scale redevelopment projects planned by private railway companies, delays in construction starts and revisions to plans are increasingly being seen due to rising construction costs. JCR will continue to monitor the following: i) policies for utilizing existing facilities until construction begins in light of project delays, as well as approaches to cash flow during this period; ii) the scale and expected returns of the revised plan after a review; and iii) the impact on financial soundness.

(iii) Trends and impact of real estate rotation business

In recent years, many companies have announced in their management plans that they will enter into or expand their real estate rotation business. In such cases, an increase in inventories is observed as a result of transferring the relevant tangible fixed assets to inventory. In addition, partly due to an increase in upfront investments driven by the strengthening of the condominium sales business, the combined inventory balance of the Companies has risen to 1.926 trillion, 2.4 times as high as FY2018. An increase in inventory puts pressure on operating cash flow and affects the company in a way that heightens its financial strain. The ratio of inventories to equity capital rose from 14.8% at the end of FY2018 to 26.2% at the end of FY2025. By area, the combined total for the 8 companies in the eastern Japan area stands at 18.3%, whereas that for 6 companies in the western Japan area is 36.6%, making differences arising from regional characteristics and individual companies' business strategies. Given that this business is highly susceptible to external environmental factors, JCR will focus on trends in inventory balances and the status of risk management in order to assess the impact on financial soundness.

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(Chart) Profit/loss and financial trends of the major private railway companies

(Unit:JPY100mn)

		Sales	Operating Income	Ordinary Income	Net Income	Equity Capital	Total Assets	Operating Margin	Operating income growth rate	Equity Ratio
TOBU RAILWAY	FY2022	6,147	566	548	291	4,747	17,381	9.2%	129.1%	27.3%
	FY2023	6,359	738	720	481	5,356	17,040	11.6%	30.4%	31.4%
	FY2024	6,314	746	727	513	5,545	17,532	11.8%	1.1%	31.6%
	FY2025	6,554	718	688	556	6,156	18,635	11.0%	-3.8%	33.0%
	FY2026F	6,730	720	635	560			10.7%	0.3%	
Sotetsu Holdings	FY2022	2,496	143	127	69	1,456	6,469	5.7%	266.7%	22.5%
	FY2023	2,700	289	269	160	1,646	7,153	10.7%	102.1%	23.0%
	FY2024	2,921	378	348	224	1,819	7,572	12.9%	30.8%	24.0%
	FY2025	3,075	388	356	248	2,032	8,134	12.6%	2.6%	25.0%
	FY2026F	3,213	370	327	221			11.5%	-4.6%	
TOKYU	FY2022	9,312	446	473	259	7,406	26,140	4.8%	41.6%	28.3%
	FY2023	10,378	949	992	637	7,892	26,520	9.1%	112.8%	29.8%
	FY2024	10,549	1,034	1,077	796	8,279	26,989	9.8%	9.0%	30.7%
	FY2025	10,861	1,031	1,161	870	9,111	29,202	9.5%	-0.3%	31.2%
	FY2026F	11,400	1,100	1,114	900			9.6%	6.7%	
Keikyu	FY2022	2,530	108	122	158	2,710	9,354	4.3%	208.6%	29.0%
	FY2023	2,806	280	284	837	3,551	10,869	10.0%	159.3%	32.7%
	FY2024	2,938	356	349	243	3,715	10,397	12.1%	27.1%	35.7%
	FY2025	3,041	335	288	274	3,882	11,287	11.0%	-5.9%	34.4%
	FY2026F	4,015	450	440	300			11.2%	34.3%	
Odakyu Electric Railway	FY2022	3,951	266	251	407	3,873	12,799	6.7%	336.1%	30.3%
	FY2023	4,098	507	506	815	4,592	13,015	12.4%	90.6%	35.3%
	FY2024	4,227	514	504	519	4,782	12,999	12.2%	1.4%	36.8%
	FY2025	4,187	526	540	373	5,075	13,935	12.6%	2.3%	36.4%
	FY2026F	4,613	540	479	383			11.7%	2.7%	
Keio	FY2022	3,471	214	217	131	3,515	9,552	6.2%	2957.1%	36.8%
	FY2023	4,086	438	434	292	3,931	10,793	10.7%	104.7%	36.4%
	FY2024	4,529	541	532	428	4,146	11,225	11.9%	23.5%	36.9%
	FY2025	4,969	523	511	429	4,438	11,998	10.5%	-3.3%	37.0%
	FY2026F	5,040	510	478	430			10.1%	-2.5%	
Keisei Electric Railway	FY2022	2,523	102	267	269	3,949	9,655	4.0%	-296.2%	40.9%
	FY2023	2,965	252	515	876	4,516	10,642	8.5%	147.1%	42.4%
	FY2024	3,193	360	617	699	5,089	10,941	11.3%	42.9%	46.5%
	FY2025	3,324	339	586	480	5,578	11,818	10.2%	-5.8%	47.2%
	FY2026F	3,598	310	505	393			8.6%	-8.6%	

		Sales	Operating Income	Ordinary Income	Net Income	Equity Capital	Total Assets	Operating Margin	Operating income growth rate	Equity Ratio
SEIBU HOLDINGS	FY2022	4,284	221	201	567	3,724	15,878	5.2%	-267.4%	23.5%
	FY2023	4,775	477	430	269	4,267	16,350	10.0%	115.8%	26.1%
	FY2024	9,011	2,927	2,876	2,581	5,615	18,341	32.5%	513.6%	30.6%
	FY2025	5,132	455	458	388	5,687	17,306	8.9%	-84.5%	32.9%
	FY2026F	5,590	530	470	270			9.5%	16.5%	
Nishi-Nippon Railroad	FY2022	4,946	261	279	183	1,947	6,857	5.3%	151.0%	28.4%
	FY2023	4,116	258	245	247	2,290	7,270	6.3%	-1.1%	31.5%
	FY2024	4,434	266	287	208	2,490	7,821	6.0%	3.1%	31.8%
	FY2025	4,741	302	372	321	2,838	8,208	6.4%	13.5%	34.6%
	FY2026F	5,100	245	245	225			4.8%	-18.9%	
Kintetsu Group Holdings	FY2022	15,610	671	746	887	4,418	24,247	4.3%	1665.8%	18.2%
	FY2023	16,295	874	846	480	5,192	24,543	5.4%	30.3%	21.2%
	FY2024	17,417	843	815	467	5,441	25,072	4.8%	-3.5%	21.7%
	FY2025	17,503	894	845	537	6,117	25,935	5.1%	6.0%	23.6%
	FY2026F	18,400	900	820	470			4.9%	0.7%	
Hankyu Hanshin Holdings	FY2022	9,683	893	884	469	9,068	28,654	9.2%	127.8%	31.6%
	FY2023	9,976	1,056	1,094	678	9,782	30,529	10.6%	18.3%	32.0%
	FY2024	11,068	1,108	1,112	673	10,358	32,834	10.0%	4.9%	31.5%
	FY2025	12,035	1,271	1,245	785	11,039	35,435	10.6%	14.7%	31.2%
	FY2026F	12,650	1,217	1,140	790			9.6%	-4.2%	
NANKAI	FY2022	2,212	210	189	146	2,611	9,351	9.5%	73.6%	27.9%
	FY2023	2,415	308	293	239	2,925	9,506	12.8%	46.7%	30.8%
	FY2024	2,607	346	355	224	3,112	9,768	13.3%	12.3%	31.9%
	FY2025	2,647	399	377	251	3,335	10,651	15.1%	15.3%	31.3%
	FY2026F	2,875	400	359	238			13.9%	0.3%	
Keihan Holdings	FY2022	2,600	204	204	176	2,682	7,748	7.8%	52.2%	34.6%
	FY2023	3,021	339	331	248	2,984	8,202	11.2%	66.2%	36.4%
	FY2024	3,135	420	409	282	3,072	8,598	13.4%	23.9%	35.7%
	FY2025	3,324	491	469	335	3,411	9,095	14.8%	16.9%	37.5%
	FY2026F	3,218	424	381	290			13.2%	-13.6%	
Nagoya Railroad	FY2022	5,515	227	263	188	4,044	12,313	4.1%	682.8%	32.8%
	FY2023	6,011	347	375	244	4,379	13,032	5.8%	52.9%	33.6%
	FY2024	6,907	420	476	377	4,617	14,489	6.1%	21.0%	31.9%
	FY2025	6,915	361	383	229	4,850	15,848	5.2%	-14.0%	30.6%
	FY2026F	7,340	450	470	390			6.1%	24.7%	
Eastern Japan	FY2022	34,714	2,066	2,206	2,151	31,380	107,228	6.0%	297.3%	29.3%
	FY2023	38,167	3,930	4,150	4,367	35,751	112,382	10.3%	90.2%	31.8%
	FY2024	43,682	6,856	7,030	6,003	38,990	115,996	15.7%	74.5%	33.6%
	FY2025	41,143	4,315	4,588	3,618	41,959	122,315	10.5%	-37.1%	34.3%
	FY2026F	44,199	4,530	4,448	3,457			10.2%	5.0%	
Western Japan	FY2022	40,566	2,466	2,565	2,049	24,770	89,170	6.1%	201.5%	27.8%
	FY2023	41,834	3,182	3,184	2,136	27,552	93,082	7.6%	29.0%	29.6%
	FY2024	45,568	3,403	3,454	2,231	29,090	98,582	7.5%	6.9%	29.5%
	FY2025	47,165	3,718	3,691	2,458	31,590	105,172	7.9%	9.3%	30.0%
	FY2026F	49,583	3,636	3,415	2,403			7.3%	-2.2%	
The Companies Total	FY2022	75,280	4,532	4,771	4,200	56,150	196,398	6.0%	238.7%	28.6%
	FY2023	80,001	7,112	7,334	6,503	63,303	205,464	8.9%	56.9%	30.8%
	FY2024	89,250	10,259	10,484	8,234	68,080	214,578	11.5%	44.2%	31.7%
	FY2025	88,308	8,033	8,279	6,076	73,549	227,487	9.1%	-21.7%	32.3%
	FY2026F	93,782	8,166	7,863	5,860			8.7%	1.7%	

(Note) F =Forecast figures are based on company announcement.

<Reference>

Issuer: TOBU RAILWAY CO., LTD.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Sotetsu Holdings, Inc.

Long-term Issuer Rating: A- Outlook: Stable

Issuer: TOKYU CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Keikyu Corporation

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Odakyu Electric Railway Co., Ltd.

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: Keio Corporation

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Keisei Electric Railway Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: SEIBU HOLDINGS INC.

Long-term Issuer Rating: A Outlook: Stable

Issuer: Nishi-Nippon Railroad Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Kintetsu Group Holdings Co., Ltd.

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Issuer: NANKAI Co., Ltd.

Long-term Issuer Rating: A Outlook: Stable

Issuer: Keihan Holdings Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Nagoya Railroad Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

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