July 15, 2025

Highlights of Major Private Railroad Companies' Financial Results for Fiscal Year Ended March 2025

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 2025 (FY2024) and earnings forecasts for FY2025 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 Electric Railway Co., Ltd. (9044), Keihan Holdings Co., Ltd. (9045) and Nagoya Railroad Co., Ltd. (9048) in the western Japan area.

1. Industry Trend

Since the reclassification of the COVID-19 under the Category V Infectious Disease (May 2023), flow of people have been increasing. All the 14 companies have either raised the upper limits of passenger fares or made progress in introducing the railway station barrier-free fare system. Through these, total railway transportation revenues of the 14 private railway companies rated by JCR came to 1,290.4 billion yen for FY2024, up 5.7% from the previous fiscal year / up 1.3% from FY2018, before the COVID crisis began having full impact. Of this total, 477.9 billion yen was revenues from commuter pass passengers, up 4.7% from the previous fiscal year / down 6.3% from FY2018, and 812.5 billion yen was those from non-commuter pass passengers, up 6.2% from the previous fiscal year / up 6.3% from FY2018. Impacts of prevalence of teleworking and others still remain in the revenues from commuter pass passengers but recovery that exceeds the pre-pandemic level was recognized for the revenues from non-commuter pass passengers.

By region, recovery has been relatively slow in the eastern Japan area for revenues from commuter pass passengers and the western Japan area for revenues from non-commuter pass passengers, but trends in railway transportation revenues, the sum of the above revenues, show no big differences between the areas. Slow recovery of revenues from commuter pass passengers in the eastern Japan area is probably due to the fact that a high teleworking rate is leading to a relatively large shift to non-commuter pass transportation. That in revenues from non-commuter pass passengers in the western Japan area may be explained by the fact that Chinese tourists, who appeared to account for a fairly large part of inbound tourists before the COVID-19 especially in the Kinki region, and the recovery was slow.

Total railway transportation revenues of the 13 companies, which disclosed the projection to the public) are forecast at 1,307.6 billion yen for FY2025, up 3.0% from the previous fiscal year / up 4.4% from FY2018. Of the total, revenues from commuter pass passengers are projected to be 480.4 billion yen, up 2.3% from the previous fiscal year / down 4.3% from FY2018, and revenues from non-commuter pass passengers are projected to be 827.1 billion yen, up 3.5% from the previous fiscal year / up 10.2% from FY2018. In addition to recovery in the number of passengers carried centering on non-commuter pass passengers, the projection has also incorporated the effects of merger and acquisition of Shin-Keisei Electric Railway by Keisei Electric Railway and the same for Semboku Rapid Railway by Nankai Electric Railway.

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. According to this, scope of items that can be included in the total-cost calculation method expands for the expense items such as depreciation, personnel and repair expenses. Through performing calculation based on the revised procedure of the calculation method of cost of revenue and satisfying the necessary conditions, some companies seem to be working on the initiatives to submit applications for approval to revise the fares to the relevant authority.

For businesses other than transportation, performance of the real estate business centering on rental properties continues to remain stable. The hotel business was severely affected by the COVID crisis as revenues from inbound tourists were lost. However, along with recent recovery in visitors to Japan, RevPAR (room occupancy rate x average daily rate (ADR)) is outperforming the pre-COVID levels in many cases. Furthermore, the number of visitors to stores, department stores, and leisure facilities is also tending to recover.

2. Financial Results

For FY2024, operating revenue and operating income of the Companies combined improved 11.6% and 44.2% over the year to 8,925.7 billion yen and 1,026.6 billion yen respectively.

For the transportation business for the Companies combined, operating revenue and operating income improved 5.2% and 15.4% over the year to 2,134.6 billion yen and 278.4 billion yen respectively, contributed by recovery in the number of passengers carried by railways and buses, and the passenger fare revision, among others. Operating income for the Companies combined for FY2018, before the COVID crisis, was 325.3 billion yen. Due in part to rising costs including personnel expenses, the profit level has not recovered to that of the pre-pandemic levels.

For non-transportation business (derived from performance of a whole company less that of transportation business) of the Companies combined, the operating revenue increased 13.7% and operating income increased 59.0% over the year to 6,791.0 billion yen and 748.1 billion yen respectively. Performance recovery was driven by the hotel business in many companies, and also the impact of securitization of Tokyo Garden Terrace Kioicho by SEIBU HOLDINGS was also large.

As at the end of FY2024, equity capital of the Companies combined was 6,808.7 billion yen, up 7.5% over the year, and the equity ratio stood at 31.7% as opposed to 30.8% a year before. Equity capital has been growing through profit accumulation since hitting the lowest as at the end of FY2020. Due in part to the execution of active growth investments and other reasons, interest-bearing debt at the end of FY2024 for the Companies combined increased 2.7% over the year to 9,556.9 billion yen. However, interest-bearing debt/EBITDA for FY2024 improved to 5.7x from 7.0x a year before because of improving cash flow generation capacity, among others.

3. Highlights for Rating

Operating revenue and operating income of the Companies combined for FY2025 are projected to be 8,945.3 billion yen, up 0.2% from the previous fiscal year, and 757.8 billion yen, down 26.2% from the previous fiscal year, respectively. Of the above, operating revenue and operating income for the transportation business are 2,181.7 billion yen, up 2.2% over the year, and 253.4 billion yen, down 9.0% over the year respectively, and operating revenue and operating income for non- transportation business (derived from performance of a whole company less that of transportation business) are 6,763.6 billion yen, and 504.4 billion yen, down 32.6% over the year, respectively. In the situation where recovery in the number of passenger carried is getting slowdown in the transportation business, many companies expect to increases in personnel, repair and depreciation expenses. The factor for the profit decrease for non-transportation business is mostly a reactionary decline from the securitization of Tokyo Garden Terrace Kioicho by SEIBU HOLDINGS. Other than this, some companies expect a decrease in the number of real estate units sold and increased costs in the distribution business.

JCR will look at the following points in making rating decisions for the time being.

(i) Trend in and initiatives for expanding the number of passengers carried by railway

It is unlikely that the number of commuter pass passengers will largely recover in the future, and a pace of recovery in non-commuter pass passenger is also expected to slow down gradually. Under such circumstances, initiatives addressing an increase in the number of visitors and permanent population will become more important to maintain and expand the number of of people carried by railway. For increasing visitors, the following can be considered: i) improving the ability to attract customers through development of alongside the railway lines; ii) strengthening promotional activities for the tourist resources along the railway lines to increase visitors; and iii) strengthening airport-related the transportation capacity. With regard to the development of the alongside the railway lines, in addition to large-scale developments at major terminal stations, it is important to implement measures to facilitate moves of people to various directions by advancing development projects at hub stations along the lines. As for strengthening measures to increase visitors to tourist resources alongside the railway lines, it is important to carry out active promotion activities in collaboration with local government bodies in addition to each company's own initiatives. As for increasing permanent population alongside the railway lines, increasing the value of the areas through redevelopments around the railway lines, etc. are the key factors. The environment of alongside of the railway lines greatly varies by company; therefore, it is important to implement meticulous measures tailored to the characteristics of each area. Since the impacts of declining birthrate and aging population appear to be unavoidable from a medium- to long-term perspective, how the change in generation of residents can be advanced smoothly through increasing the value of alongside of the lines is considered to be important.

(ii) Progress in large-scale redevelopment projects and financial control

For the large-scale redevelopment projects in the vicinity of terminal stations, which each company is working on, the size of investment is large and construction period is also long. Highlights of the rating decision concerning the large scale development projects are the timing of investment reaching the peak and the financial burdens. Companies, for which investment reaches the peak relatively near future, checking the recovery status of the cash flow generation capacity and financial management policy are more important because such companies have a shorter period of time to rebuild the financial foundation. Annual fund requirements of long-term projects are expected to be distributed to a certain extent, and it is highly likely that financial indicators will improve upon completion. However, taking into account the rising construction costs and others at present, it cannot be denied that the financial burden on each company may become heavier than currently expected. Furthermore, where multiple projects are successively planned, there is a high possibility that companies may face a heavy burden of capital requirement over a long-term. Thereby, it will be more important for them to raise the financial soundness until projects going into full-swing.

(iii) Changes in the business portfolio

From a medium- to long-term perspective, although shrinkage of the railway business entailing from declining birthrate and aging population cannot be avoidable, the pace of shrinkage for the railway business is expected to be relatively slow for the Companies having railway lines in the metropolitan areas. Furthermore, the Companies intend to strengthen the real estate business and expansion outside the alongside of railway lines, but revenues from rental business from assets owned are expected to support the performance. For the overseas business, it is necessary to pay attention to geopolitical risks and others, JCR believes the risks are appropriately controlled at present. Therefore, it is unlikely that investment risk will increase sharply. That said, looking ahead, proportion of other businesses appear to increase compensating the shrinkage of the railway business, and the speed varies by the Companies depending on the environment of the alongside of the lines and business strategies. Therefore, it is necessary to check the Companies' business portfolio and risk control stance.

Naoki Kato, Yusaku Hokakubo

(Chart) Consolidated Business Performance of 14 Major Private Railroad Companies

(unit: JPY100 mn, %, times)

		The Companies' Total	YoY Change
Operating Revenue	FY2018	77,777	3.1
	FY2019	77,075	-0.9
	FY2020	56,726	-26.4
	FY2021	59,524	4.9
	FY2022	75,286	26.5
	FY2023	80,007	6.3
	FY2024	89,257	11.6
Operating Income	FY2018	7,319	5.0
	FY2019	6,242	-14.7
	FY2020	-2,631	-
	FY2021	1,343	-
	FY2022	4,538	237.9
	FY2023	7,118	56.9
	FY2024	10,266	44.2
Ordinary Income	FY2018	7,219	5.8
	FY2019	6,047	-16.3
	FY2020	-2,668	-
	FY2021	1,828	-
	FY2022	4,776	161.3
	FY2023	7,340	53.7
	FY2024	10,490	42.9
Net Income	FY2018	4,414	-0.8
	FY2019	3,326	-24.6
	FY2020	-4,355	-
	FY2021	1,575	-
	FY2022	4,206	167.1
	FY2023	6,509	54.7
	FY2024	8,240	26.6

(unit: JPY100 mn, %, times)

		The Companies' Total	YoY Change
EBITDA	FY2018	13,090	4.0
	FY2019	12,343	-5.8
	FY2020	3,547	-71.3
	FY2021	7,299	105.8
	FY2022	10,546	44.5
	FY2023	13,373	26.5
	FY2024	16,759	25.3
Equity Capital	FY2018	54,821	5.9
	FY2019	55,352	1.0
	FY2020	51,208	-7.5
	FY2021	52,240	2.0
	FY2022	56,157	7.5
	FY2023	63,310	12.7
	FY2024	68,087	7.5
Interest-bearing Debt	FY2018	83,852	1.5
	FY2019	86,226	2.8
	FY2020	94,275	9.3
	FY2021	92,308	-2.1
	FY2022	94,332	2.2
	FY2023	93,053	-1.4
	FY2024	95,569	2.7
Equity Ratio	FY2018	30.2	
	FY2019	30.1	
	FY2020	27.3	
	FY2021	27.9	
	FY2022	28.6	
	FY2023	30.8	
	FY2024	31.7	
D/E Ratio	FY2018	1.5	
	FY2019	1.7	
	FY2020	1.8	
	FY2021	1.8	
	FY2022	1.7	
	FY2023	1.5	
	FY2024	1.4	
Ratio of Interest-bearing Debt to EBITDA	FY2018	6.4	
	FY2019	7.0	
	FY2020	26.6	
	FY2021	12.6	
	FY2022	8.9	
	FY2023	7.0	
	FY2024	5.7	

(Note) Change rates from FY2020 operating revenue to FY2021 operating revenue include impact from accounting standards on the revenue recognition standard.
Source: Prepared by JCR based on the financial materials of above companies

<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.
Long-term Issuer Rating: A- Outlook: Stable

Issuer: Hankyu Hanshin Holdings, Inc.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Nankai Electric Railway 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

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026