

Hankyu Hanshin Holdings Group Supplementary Materials of Financial Results for the First Quarter of Fiscal 2022 (Ending March 2022)

July 30, 2021

Hankyu Hanshin Holdings, Inc.

9042 <https://www.hankyu-hanshin.co.jp/en/>

Business forecasts and other projections herein are based on information available at present and logical assessments and do not represent any promise by the Company. The actual results may differ significantly from these projections due to various factors.

I . Performance Highlights for the First Quarter of Fiscal 2022 (Ending March 2022)

Consolidated Statements of Income(Summary)

	Q1 FY2022 Results	FY2021 Results	Change	
Consolidated Subsidiaries	98 companies	95 companies	+3 (3 companies increase)	
Equity-Method Affiliates	11 companies	11 companies		
Total	109 companies	106 companies	+3	
(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	Remarks
Revenue from operations	151,977	111,286	+40,691(—)	For details, please see next page
Operating income	4,761	-13,209	+17,971(—)	
Non-operating income	2,424	1,128	+1,296	Equity in income of affiliates +1,521
Non-operating expenses	2,546	3,298	-752	Equity in losses of affiliates -560
Ordinary income	4,639	-15,379	+20,019(—)	
Extraordinary income	33,442	258	+33,184	Gain on contributions for construction +26,637 Employment adjustment subsidies +3,313 Gain on sale of investment securities +3,177
Extraordinary loss	32,043	10,389	+21,654	Loss on reduction of noncurrent assets +26,660 COVID-19-related losses -5,056
Net income attributable to owners of the parent	3,204	-18,900	+22,105(—)	<p>Applying ASBJ 29 (Accounting Standard for Revenue Recognition) impacts revenue from operations in two main ways (the impact on operating income is negligible in each case) :</p> <p>1) We will now recognize revenue at the gross amount (rather than the net amount as before) for transactions in the travel business related to organized tours.</p> <p>2) We will now recognize revenue at the net amount (rather than the gross amount as before) for transactions in the retailing business related to sales and purchasing, and for transactions in the information and communication technology segment related to agency retail sales of electricity.</p>
(Reference)	Q1 FY2022 Results	Q1 FY2021 Results	Change	
Depreciation and amortisation	13,835	12,700	+1,134	
Financial balance ① - ②	-1,608	-1,704	+95	
Interest and dividend income①	532	552	-19	
Interest expense②	2,140	2,256	-115	

Note: The percentage changes are not shown because the figures for FY2022 Q1 comply with the Accounting Standard for Revenue Recognition (ASBJ No. 29), applied from the start of FY2022.

Consolidated Statements of Income (Breakdown for each business segment)

[Key results in current period]

Revenues and income increased overall. While most business segments continued feeling pandemic impact, the impact had lessened compared to the same period last year.

(¥ million)	Revenue from operations		
	Q1 FY2022 Results	Q1 FY2021 Results	Change
Urban Transportation	37,245	31,529	+5,715
Real Estate	46,801	42,303	+4,498
Entertainment	16,607	3,530	+13,076
Information and Communication Technology	14,285	12,459	+1,826
Travel	3,092	125	+2,967
Impact of applying ASBJ 29 + ¥ 2.8 billion			
International Transportation	29,461	18,814	+10,647
Hotels	3,941	2,142	+1,798
Other	10,262	9,004	+1,257
Adjustment	-9,719	-8,623	-1,095
Total	151,977	111,286	+40,691

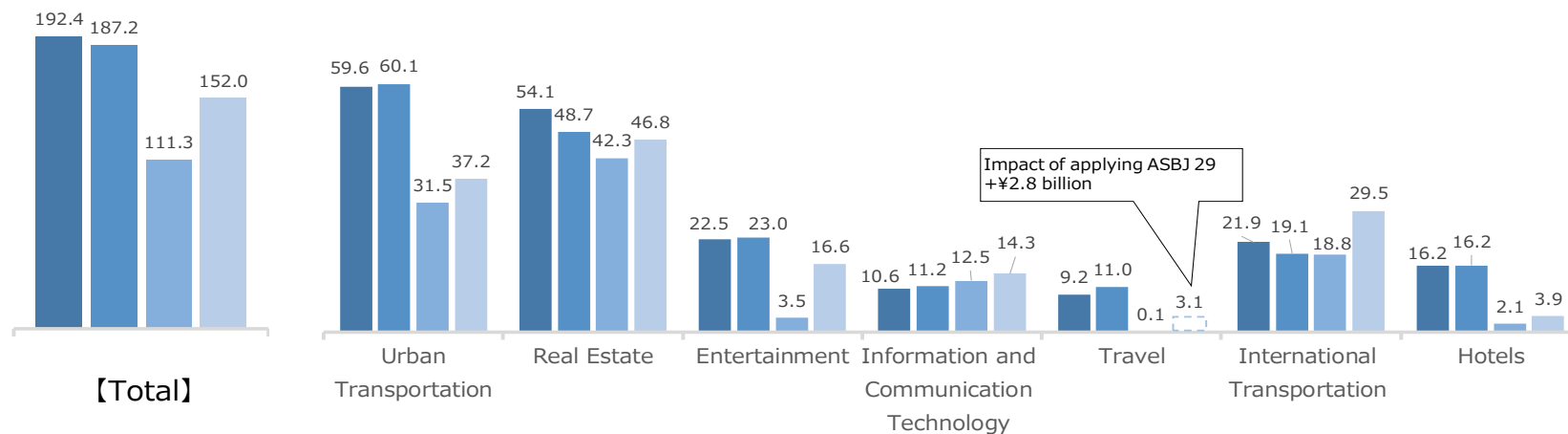
Operating income		
Q1 FY2022 Results	Q1 FY2021 Results	Change
-534	-7,187	+6,653
7,576	7,865	-289
3,967	-2,602	+6,569
939	810	+128
-3,765	-4,903	+1,138
1,651	12	+1,639
-3,621	-5,196	+1,575
34	-211	+245
-1,486	-1,796	+310
4,761	-13,209	+17,971

Consolidated Statements of Income by Segment (Four-Year YoY Comparisons)

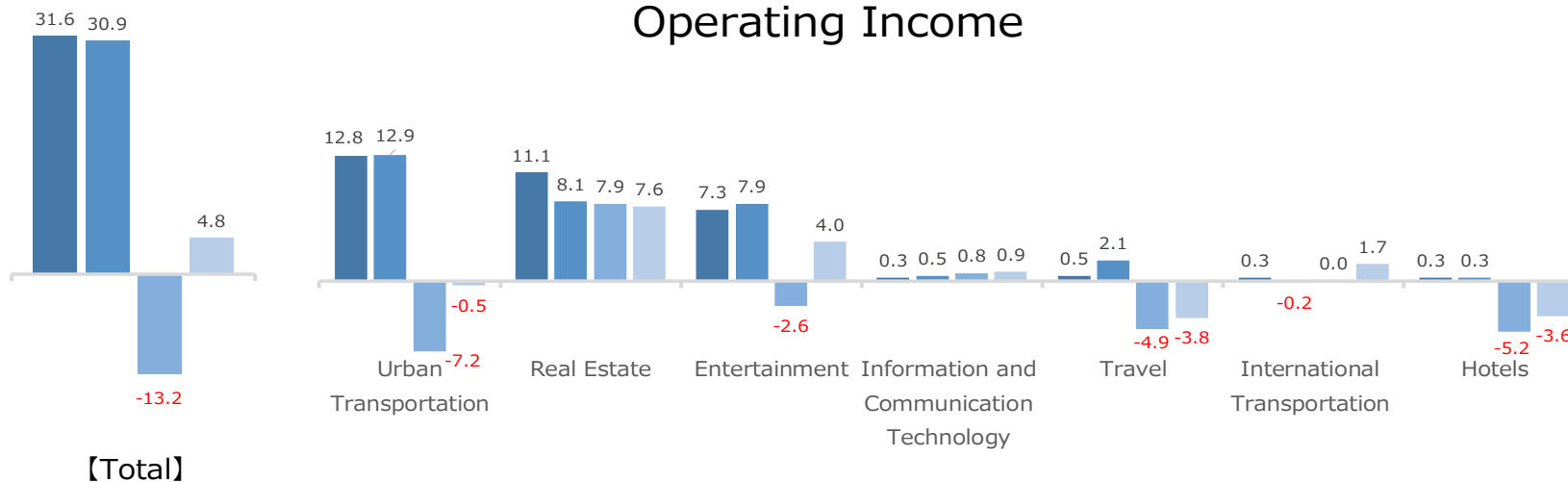
From left to right: FY2019 Q1, FY2020 Q1, FY2021 Q1, FY2022 Q1

(¥ billion)

Revenue from operations

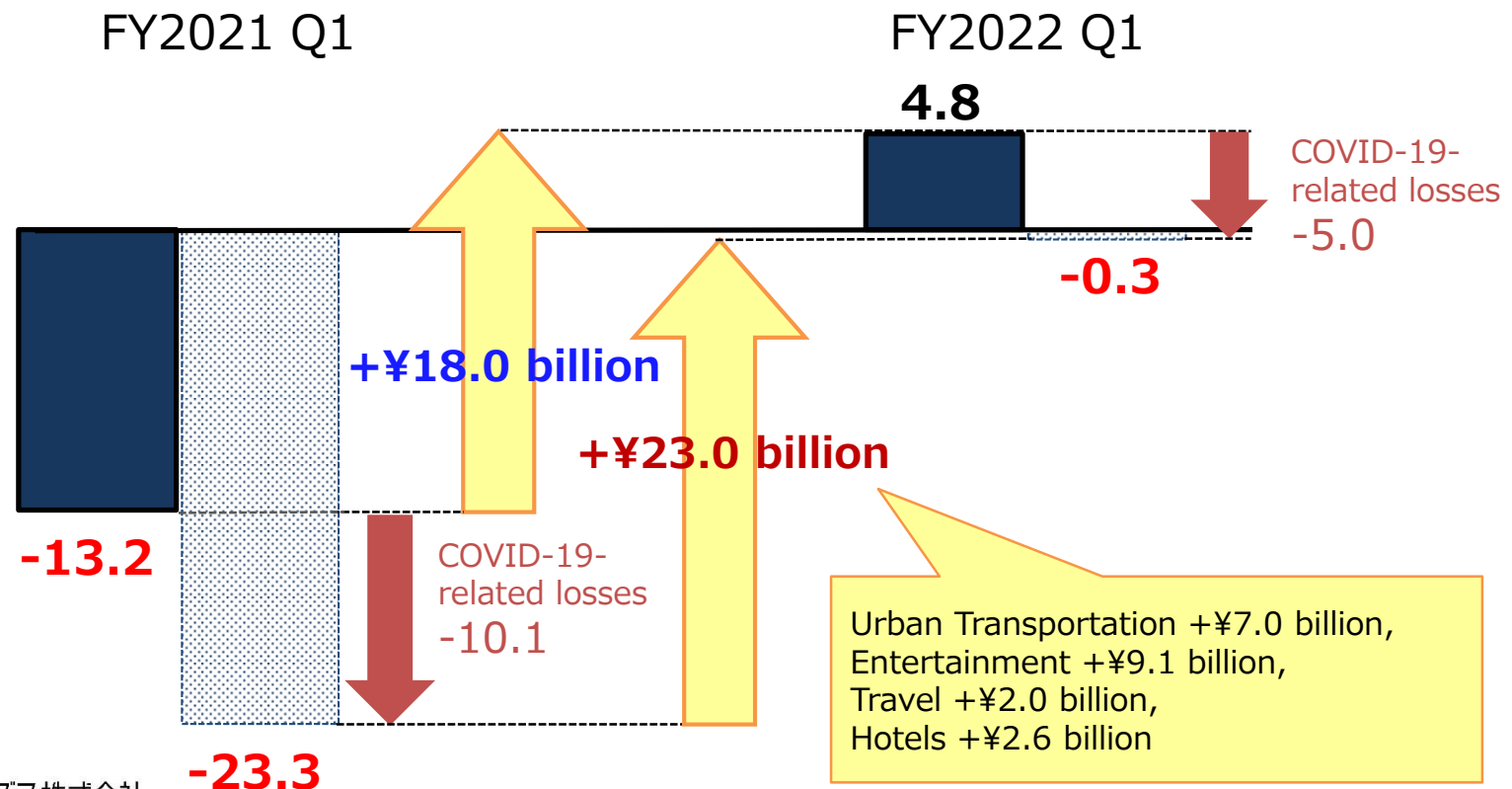


Operating Income



Outlook for Operating Income (FY2021 Q1→FY2022 Q1)

- In FY2022 Q1, operating income was **up ¥18.0 billion** YoY because, while business segments continued feeling pandemic impact, the impact had lessened compared to the same period last year.
- The actual increase was ¥23.0 billion** when taking into account the Covid-related extraordinary losses (including fixed expenses during suspensions of operations and costs associated with cancelling events) in both periods. In FY2021 Q1, the extraordinary losses totaled ¥10.1 billion. In FY2022 Q1, they totaled ¥5.0 billion.



Urban Transportation Results

Increase in revenue and income. The segment continued feeling pandemic impact (with fewer traveling amid a state of emergency), but the railway and automobile businesses experienced a recovery in ridership compared to the slump of the same period last year.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	37,245	31,529	+5,715	+18.1%
Operating income	-534	-7,187	+6,653	—

[Breakdown by type of business]

(¥ billion)	Revenue from operations			Operating income		
	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y
Railway	27.4	23.3	+4.1	2.8	-1.5	+4.2
Automobile	7.6	6.4	+1.2	-1.7	-3.4	+1.6
Retailing	2.5	2.6	-0.2	0.2	0.1	+0.1
Others	1.8	1.0	+0.8	-0.0	-0.1	+0.1

*Not including head office expenses /adjustments.

[Urban Transportation] Railway Performance results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	Q1 FY2022 Results	Q1 FY2021 Results	Change	Q1 FY2022 Results	Q1 FY2021 Results	Change
Commuter pass	7,342	6,776	+566(+8.4%)	73,710	64,717	+8,992(+13.9%)
Workers	6,360	6,417	-56(-0.9%)	51,667	54,713	-3,046(-5.6%)
Students	982	359	+623(+173.4%)	22,043	10,004	+12,039(+120.3%)
Other tickets	9,734	7,108	+2,626(+37.0%)	49,518	36,667	+12,850(+35.0%)
Total	17,077	13,885	+3,192(+23.0%)	123,228	101,385	+21,843(+21.5%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	Q1 FY2022 Results	Q1 FY2021 Results	Change	Q1 FY2022 Results	Q1 FY2021 Results	Change
Commuter pass	2,688	2,531	+156(+6.2%)	28,160	25,416	+2,743(+10.8%)
Workers	2,429	2,428	+0(+0.0%)	22,523	22,784	-261(-1.1%)
Students	259	102	+156(+151.7%)	5,637	2,631	+3,005(+114.2%)
Other tickets	3,313	2,436	+876(+36.0%)	18,313	13,868	+4,445(+32.1%)
Total	6,001	4,968	+1,033(+20.8%)	46,473	39,284	+7,189(+18.3%)

- * 1) Revenue amounts less than one million yen, and numbers of passengers less than one thousand, are omitted.
2) For Hankyu Railway, "other ticket revenue/ridership" includes revenue/ridership associated with the PiTaPa usage sections.
3) Sum of tier 1 and tier 2 railway operators for both Hankyu Corporation and Hanshin Electric Railway
4) For commuter passes, revenue and ridership were previously counted from the date of sale. As of fiscal 2022, they are counted from the commencement date (the date from which the ticket is valid).

Real Estate Results

Increase in revenue: The segment continued feeling pandemic impact (with commercial facilities temporarily closing amid a state of emergency), but compared to the same period last year, it recorded higher rental income and higher sales of residential land and detached houses.

Operating income dipped relative to the spike in the same period last year, which was the result of selling commercial land.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	46,801	42,303	+4,498	+10.6%
Operating income	7,576	7,865	-289	-3.7%

[Breakdown by type of business]

(¥ billion)	Revenue from operations			Operating income		
	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y
Real estate leasing	23.5	21.5	+2.0	7.2	7.2	-0.0
Real estate sales and others	27.4	24.6	+2.8	2.6	2.8	-0.2

*Not including head office expenses/adjustments.

Entertainment Results

Increase in revenue and income: The segment continued feeling pandemic impact (restrictions on events amid a state of emergency), but in contrast to the same period last year, when all events were postponed or cancelled, the sports business benefitted from an upturn in Hanshin Tigers' regular season games, and the stage business benefitted from an upturn in Takarazuka Revue shows.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	16,607	3,530	+13,076	+370.3%
Operating income	3,967	-2,602	+6,569	—

[Breakdown by type of business]

(¥ billion)	Revenue from operations			Operating income		
	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y	Q1 FY2022 Results	Q1 FY2021 Results	Y on Y
Sports	8.3	1.6	+6.7	2.7	-2.4	+5.1
Stage	8.3	2.0	+6.3	1.6	-0.0	+1.6

*Not including head office expenses /adjustments.

Information and Communication Technology results

Increase in revenue and income: In the broadcasting and communications business, the number of subsidiaries increased and there was a large order.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	14,285	12,459	+1,826	+14.7%
Operating income	939	810	+128	+15.9%

Travel results

Increase in revenue and income: The segment continued feeling pandemic impact (cancellations of international tours), but participation numbers for domestic tours recovered relative to the slump of the same period last year. Revenue was further increased by the application of the Accounting Standard for Revenue Recognition.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	3,092	125	+2,967	—
Operating income	-3,765	-4,903	+1,138	—

Impact of applying ASBJ 29
+ ¥ 2.8 billion

International Transportation results

Increase in revenue and income: Handling volume for air transport recovered from the Covid-related slump, and with transportation demand outstripping supply, sales prices increased.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	29,461	18,814	+10,647	+56.6%
Operating income	1,651	12	+1,639	—

Hotels results

Increase in revenue and income: The segment continued feeling pandemic impact (with some hotels temporarily closing amid a state of emergency), but the accommodation and food/beverage businesses experienced a recovery, to some extent, in user numbers compared to the slump of the same period last year.

(¥ million)	Q1 FY2022 Results	Q1 FY2021 Results	Change	%
Revenue from operations	3,941	2,142	+1,798	+83.9%
Operating income	-3,621	-5,196	+1,575	—

Consolidated Balance Sheets

(¥ million)		Q1 FY2022 Results	FY2021 Results	Change	Remarks																								
Assets	Current assets	311,027	325,307	-14,280	Trade receivables : -14,206																								
	Noncurrent assets	2,294,746	2,295,721	-974	Investment securities : -15,217 Property and equipment and intangible assets : +13,556																								
	Total assets	2,605,774	2,621,028	-15,254	Accounts payable:-33,849 Long-term deferred contribution for construction: +13,472																								
Liabilities	Current liabilities	357,451	380,618	-23,167	<table><tr><td></td><td>Q1 FY2022 Results</td><td>FY2021 Results</td><td>Change</td></tr><tr><td>Debt</td><td>814,378</td><td>824,622</td><td>-10,244</td></tr><tr><td>Bonds</td><td>197,000</td><td>197,000</td><td>-0</td></tr><tr><td>Commercial paper</td><td>50,000</td><td>30,000</td><td>+20,000</td></tr><tr><td>Lease obligations</td><td>12,274</td><td>11,425</td><td>+848</td></tr><tr><td>Interest-bearing debt</td><td>1,073,652</td><td>1,063,048</td><td>+10,604</td></tr></table>		Q1 FY2022 Results	FY2021 Results	Change	Debt	814,378	824,622	-10,244	Bonds	197,000	197,000	-0	Commercial paper	50,000	30,000	+20,000	Lease obligations	12,274	11,425	+848	Interest-bearing debt	1,073,652	1,063,048	+10,604
		Q1 FY2022 Results	FY2021 Results	Change																									
	Debt	814,378	824,622	-10,244																									
	Bonds	197,000	197,000	-0																									
	Commercial paper	50,000	30,000	+20,000																									
Lease obligations	12,274	11,425	+848																										
Interest-bearing debt	1,073,652	1,063,048	+10,604																										
Long-term liabilities	1,342,615	1,330,424	+12,191																										
Total liabilities	1,700,066	1,711,042	-10,976																										
Net assets	Shareholders' equity	830,607	833,640	-3,033	Payment dividend:-6,063 Net income attributable to owners of the parent: +3,204																								
	Accumulated other comprehensive income	30,446	33,511	-3,064	Valuation difference on available-for-sale securities -3,050																								
	Non-controlling interests	44,653	42,834	+1,819																									
	Total net assets	905,707	909,985	-4,278																									
Equity ratio		33.0%	33.1%	-0.1p																									

Ⅱ. Forecast for fiscal 2022 (Ending March 2022)

Consolidated Statements of Income (Summary)

(¥ billion)	FY2022 Forecasts ①	FY2022 Forecasts (As of May) ②	Change =①-②	Remarks	FY2021 Results ③	Change =①-③
Impact of applying ASBJ 29 +¥81.0 billion						
Revenue from operations	770.0	800.0	-30.0 (-3.8%)	The Travel segment will perform less well than initially expected.	568.9	+201.1
Operating income	30.0	23.0	+7.0 (+30.4%)	The Entertainment, Hotels, and International Transportation segments will perform better than initially expected.	2.1	+27.9
Ordinary income	23.0	16.0	+7.0 (+43.8%)	This increase will accompany the increase in operating income.	-7.6	+30.6
Net income attributable to owners of the parent	12.0	6.0	+6.0 (+100.0%)	This increase will accompany the increase in ordinary income, along with an increase in government aid (e.g., employment adjustment subsidies).	-36.7	+48.7
(Reference)						
Capital Expenditures	137.5	137.5	—		108.5	+29.0
Depreciation and amortization	60.7	60.7	—		55.7	+5.0
Financial balance (1) - (2)	-8.3	-8.3	—		-7.8	-0.5
Interest and dividend income (1)	1.1	1.1	—		1.1	-0.0
Interest expense (2)	9.4	9.4	—		8.9	+0.5

Consolidated Statements of Income (Breakdown for each business segment)

(¥ billion)						
[Upper table] Revenue from operations	FY2022 Forecasts ①	FY2022 Forecasts (As of May) ②	Change =①-②	Remarks	FY2021 Results ③	Change =①-③
[Lower table] Operating income						
Impact of applying ASBJ 29 +¥81.0 billion	770.0	800.0	-30.0		568.9	+201.1
Total	30.0	23.0	+7.0		2.1	+27.9

(Breakdown for each business segment)							
Urban Transportation	-¥4.0 billion	173.7	176.3	-2.6	The railway and automobile businesses are seeing less ridership than initially expected.	156.9	+16.8
		11.3	12.7	-1.4		-5.1	+16.4
Real Estate		244.1	245.6	-1.5	Revenue decrease: Extension to state of emergency will lead to greater-than-expected impact from temporary closures of commercial facilities. Income increase: Less expenses, expenses classified as extraordinary losses.	188.4	+55.7
		31.8	30.9	+0.9		28.9	+2.9
Entertainment		59.2	56.4	+2.8	Audiences for Hanshin Tigers' regular season games and Takarazuka Revue shows are bigger than initially expected.	42.2	+17.0
		5.6	2.2	+3.4		-2.3	+7.9
Information and Communication Technology	-¥3.0 billion yen	61.6	59.4	+2.2	In the broadcasting and communications business, there was a large order.	58.1	+3.5
		6.0	5.6	+0.4		5.6	+0.4
Travel	+¥94.0 billion	108.7	144.0	-35.3	Participation numbers for domestic tours are falling short of initial expectations.	12.0	+96.7
		-8.7	-8.0	-0.7		-7.4	-1.3
International Transportation		87.0	82.9	+4.1	Handling volume for air transport is better than initially expected.	85.6	+1.4
		2.8	1.6	+1.2		2.3	+0.5
Hotels		28.5	28.8	-0.3	Revenue decrease: Extension to state of emergency will lead to greater-than-expected impact from temporary closures of some hotels. Income increase: Less expenses, expenses classified as extraordinary losses.	19.1	+9.4
		-15.7	-18.7	+3.0		-17.9	+2.2

COVID-19 Impact in Each Segment (assumptions for Fiscal 2022 forecasts)

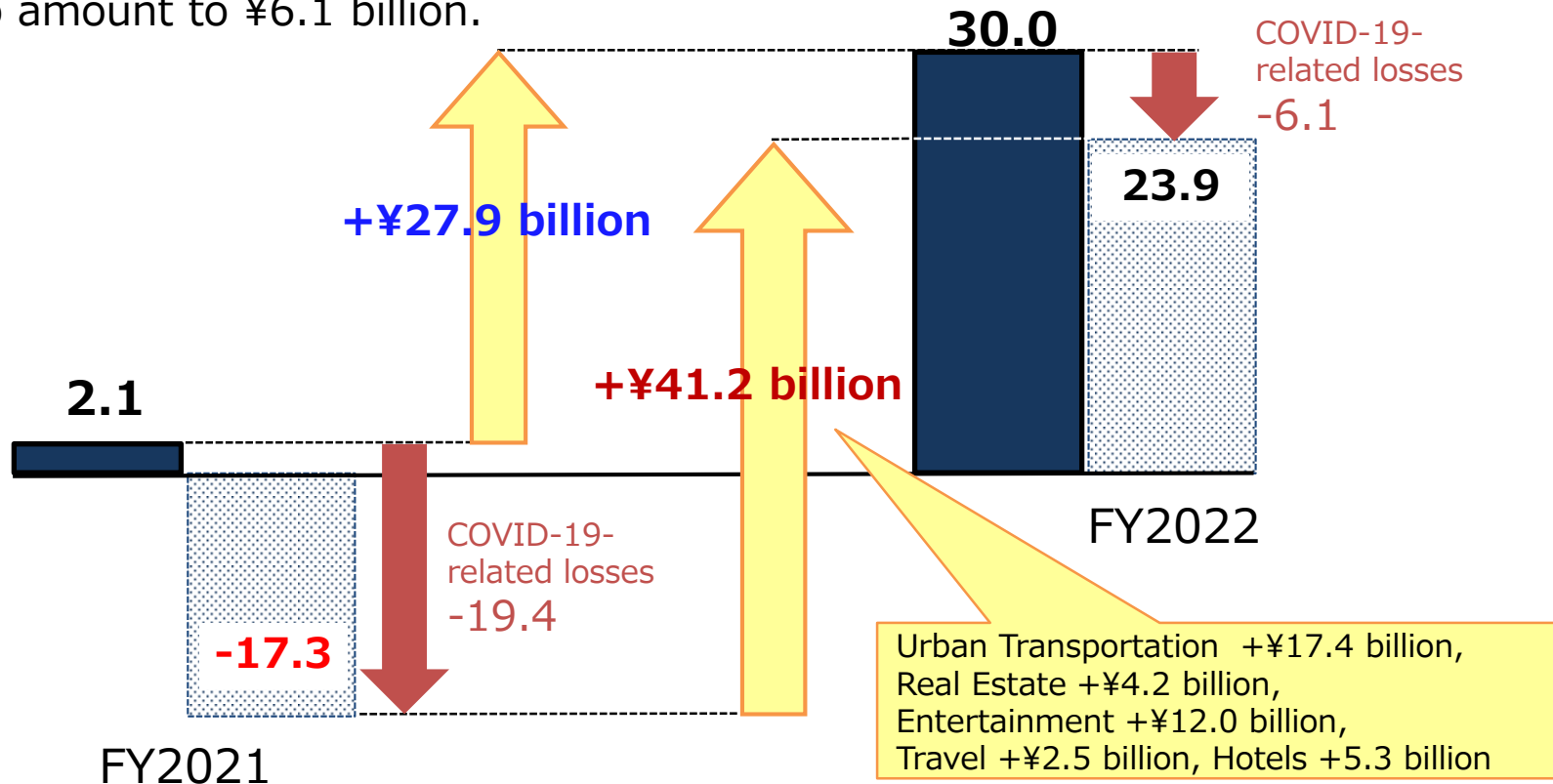
Stated below are the assumptions underlying the full-year forecasts. These assumptions take into account Q1 performance.

Urban Transportation	<p>【Railway】</p> <p>Given the impact of the priority preventative measures, the decline in revenue from other (non-season) tickets will ease after the state of emergency is lifted. By March 2022, the revenue will be just 10–20% lower than result for the same period in fiscal 2019.</p> <p>The impact on worker commuter pass revenue will persist throughout the period (the revenue will be around 10% lower than the fiscal 2019 level).</p> <p>The period-average for student commuter pass revenue will be around 10% lower than the fiscal 2019 level.</p> <p>【Automobile】</p> <p>For transit buses, the impact will be similar to that for railway.</p> <p>For airport shuttle buses, the impact will depend on outlook for air travel (demand for international flights at Kansai International Airport will not recover within the fiscal year).</p>
Real Estate	<p>【Real estate leasing】</p> <p>Performance will recover significantly from the level of Q1, when the state of emergency (store closures, reduced hours) impacted the segment.</p>
Entertainment	<p>【Sports】</p> <p>Pro baseball: For Q2 onward, we are sticking with the forecasts announced in May. Namely, baseball revenue will recover provided that there will be around 20,000 sellable seats for each Hanshin Tigers' regular season game.</p> <p>【Stage】</p> <p>Takarazuka Revue: For Q2 onward, we are sticking with the forecasts announced in May. Namely, theater production revenue will recover provided that theaters will return to full capacity (excluding frontmost seats).</p>
Travel	<p>For domestic tours, in view of recent performance, business will recover significantly from Q3 onward (full-year performance will be around the fiscal 2019 level).</p> <p>Demand for international tours will not recover within the fiscal year.</p>
Hotels	<p>Accommodation: Given recent demand trends in Japan, we expect performance to steadily recover from Q2. Inbound demand is unlikely to recover in the period (for hotels managed directly by Hankyu Hanshin Hotels※, domestic demand as of March 2022 will be around 40% less than it was in the same period in fiscal 2019).</p> <p>Food/beverage: Performance will gradually recover from Q2.</p>

※ Excludes hotel locations opened in fiscal 2020 or later.

Outlook for Operating Income (FY2021→FY2022)

- For fiscal 2022, on the assumption that many businesses will see a reasonable recovery from the effects of the pandemic, we expect to achieve **¥30.0 billion in operating income**, **¥27.9 billion higher** than in fiscal 2021.
- However, **the actual year-on-year increase will be ¥41.2 billion** when taking into account the Covid-related extraordinary losses (including fixed expenses during suspensions of operations and costs associated with cancelling events). In FY2021, the extraordinary losses totaled ¥19.4 billion. For fiscal 2022, we are expecting such losses to amount to ¥6.1 billion.



[Urban Transportation] Railway Performance Forecasts

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2022 Forecasts	FY2021 Results	Change	FY2022 Forecasts	FY2021 Results	Change
Commuter pass	29,563	28,093	+1,469 (+5.2%)	299,789	277,068	+22,721 (+8.2%)
Workers	25,682	25,625	+57(+0.2%)	211,718	216,044	-4,325(-2.0%)
Students	3,880	2,468	+1,412(+57.2%)	88,071	61,024	+27,046(+44.3%)
Other tickets	48,695	40,982	+7,713 (+18.8%)	246,659	208,035	+38,624(+18.6%)
Total	78,259	69,075	+9,183 (+13.3%)	546,449	485,104	+61,345(+12.6%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2022 Forecasts	FY2021 Results	Change	FY2022 Forecasts	FY2021 Results	Change
Commuter pass	10,769	10,476	+292(+2.8%)	111,649	107,336	+4,312(+4.0%)
Workers	9,680	9,750	-69(-0.7%)	88,523	90,809	-2,286(-2.5%)
Students	1,089	726	+362(+49.9%)	23,126	16,526	+6,599(+39.9%)
Other tickets	16,926	13,725	+3,200(+23.3%)	93,000	76,214	+16,785(+22.0%)
Total	27,696	24,202	+3,493(+14.4%)	204,649	183,550	+21,098(+11.5%)

- * 1) Revenue amounts less than one million yen, and numbers of passengers less than one thousand, are omitted.
 2) For Hankyu Railway, "other ticket revenue/ridership" includes revenue/ridership associated with the PiTaPa usage sections.
 3) Sum of tier 1 and tier 2 railway operators for both Hankyu Corporation and Hanshin Electric Railway
 4) For commuter passes, revenue and ridership were previously counted from the date of sale. As of fiscal 2022, they are counted from the commencement date (the date from which the ticket is valid).

Management Indicators

■ Management Indicators

	FY2021 Results	FY2022 Forecasts (As of May)	FY2022 Forecasts (As of Jul.)
Operating income	¥2.1 billion	¥23.0 billion	¥30.0 billion
EBITDA※1	¥60.3 billion	¥86.0 billion	¥93.0 billion
Interest-bearing debt	¥1,063.0 billion	¥1,160.0 billion	¥1,150.0 billion
Interest-bearing debt / EBITDA ratio	17.6 times	13.5 times	12.4 times
D/E ratio※2	1.2 times	1.3 times	1.3 times
Net income attributable to owners of the parent	-¥36.7 billion	¥6.0 billion	¥12.0 billion
ROE	-4.1%	0.7%	1.4%
(Reference)			
Net interest-bearing debt※3	¥1,035.5 billion	¥1,135.0 billion	¥1,125.0 billion
Net interest-bearing debt/EBITDA ratio	17.2 times	13.2 times	12.1 times

※1 EBITDA=operating income + depreciation expenses + amortization of goodwill

※2 D/E ratio=interest-bearing debt / equity

※3 Net interest-bearing debt=interest-bearing debt - cash and deposits

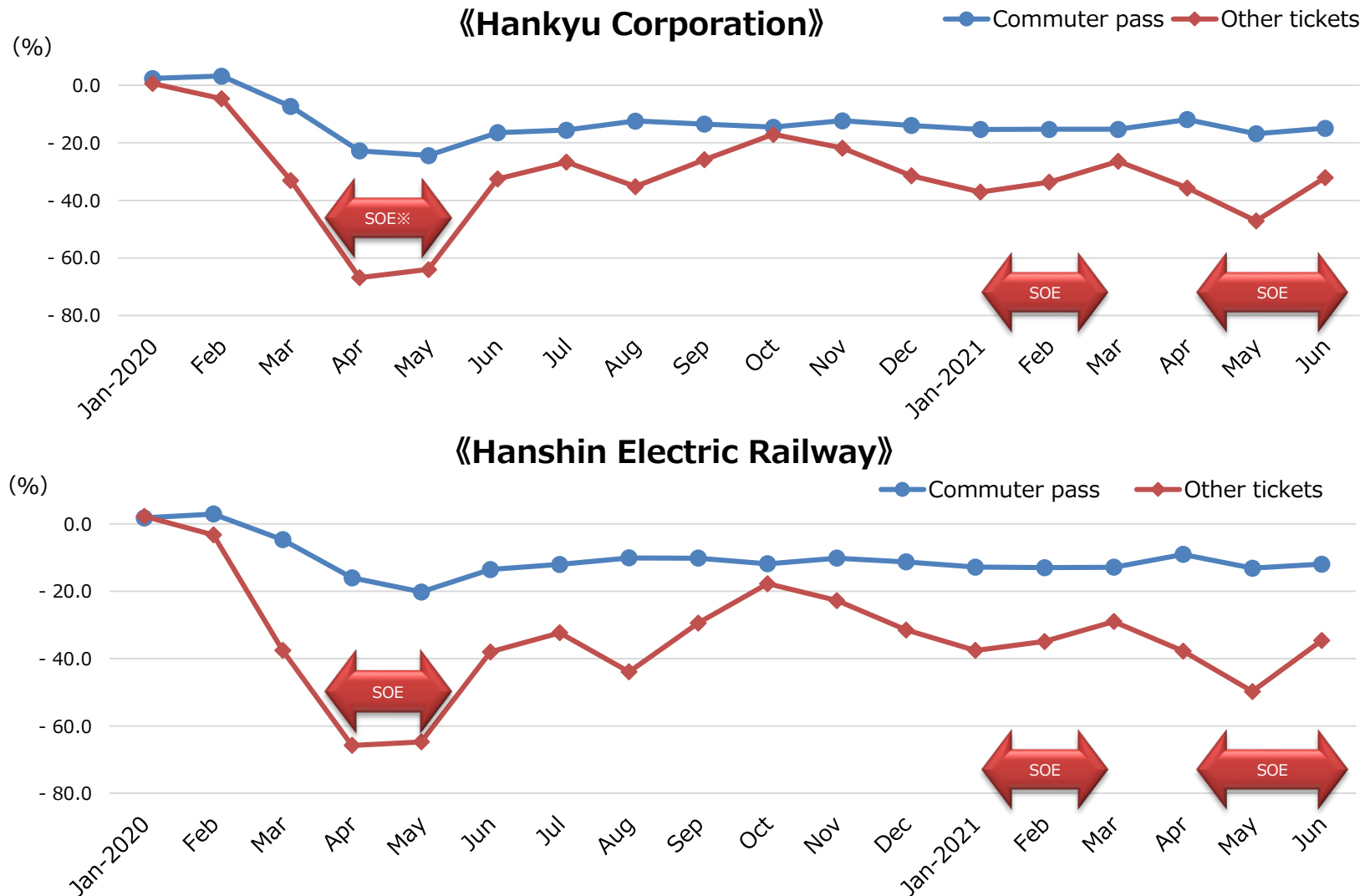
[Reference] Consolidated Statements of Income (Breakdown by type of business)

	Revenue from operations					Operating income				
(¥ billion)	FY2022 Forecasts ①	FY2022 Forecasts (As of May) ②	Change =①-②	FY2021 Results ③	Change =①-③	FY2022 Forecasts ①	FY2022 Forecasts (As of May) ②	Change =①-②	FY2021 Results ③	Change =①-③
Urban Transportation	173.7	176.3	-2.6	156.9	+16.8	11.3	12.7	-1.4	-5.1	+16.4
[Breakdown]										
Railway	125.0	126.3	-1.3	112.3	+12.7	19.5	20.3	-0.8	7.9	+11.6
Automobile	36.9	38.2	-1.3	32.7	+4.2	-3.6	-3.1	-0.5	-6.8	+3.2
Retailing	12.2	12.6	-0.4	14.0	-1.8	0.9	0.9	-0.0	0.8	+0.1
Others	10.1	9.0	+1.1	8.8	+1.3	0.6	0.6	+0.0	0.7	-0.1
Real Estate	244.1	245.6	-1.5	188.4	+55.7	31.8	30.9	+0.9	28.9	+2.9
[Breakdown]										
Real estate leasing	114.7	115.6	-0.9	99.7	+15.0	28.9	28.6	+0.3	29.2	-0.3
Real estate sales and others	146.9	147.3	-0.4	105.7	+41.2	10.7	10.0	+0.7	8.3	+2.4
Entertainment	59.2	56.4	+2.8	42.2	+17.0	5.6	2.2	+3.4	-2.3	+7.9
[Breakdown]										
Sports	27.2	26.5	+0.7	21.1	+6.1	1.3	-0.1	+1.4	-2.5	+3.8
Stage	31.9	29.8	+2.1	21.0	+10.9	5.7	3.7	+2.0	1.7	+4.0

Note: Segment totals may not match the aggregate of the amounts for each type of business due to separate head office expenses / adjustments.

[Reference] Recent performance in railways

■ Ridership (compared to same period of fiscal 2019)



※ The state of emergency

[Reference] Applying the Accounting Standard for Revenue Recognition (ASBJ 29)

- ◆ What is the new revenue standard?
 - ASBJ 29 specifies (1) when and (2) how a reporter will recognize revenue.
 - Based on International Financial Reporting Standards, ASBJ was enforced for all companies in Japan in April 2021 (the start of fiscal 2022).
- ◆ Summary of standard
 - ① The reporter must recognize revenue when the underlying sales or usage occurs (when the customer buys the good or uses the service).
 - ② If the reporter provides the good or service to the customer directly^(Note 1), then it must recognize the revenue at the gross amount^(Note 2). If the good or service is provided by an agent, then the reporter must recognize the revenue at the net amount^(Note 2).

(Note 1)
Examples of criteria: The reporter is primarily responsible for fulfilling the promise to provide the specified good or service; the reporter has discretion in establishing the price for the good or service; the reporter has inventory risk before the specified good or service has been delivered.

(Note 2)
Gross amount : All gross revenue from the sale is recorded as revenue from operations, without deducting sales costs.
Net amount : Sales costs are deducted from gross revenue and the difference is recorded as revenue from operations.

	Segment	Transaction	Current practice	New practice	Impact on revenue, income for fiscal 2022
①	Urban Transportation	Commuter pass	Report revenue prorated by month, <u>starting from month of sale</u>	Report revenue prorated by month, <u>starting from the month of commencement</u>	No impact on revenue or income (only the timing of recognition changes)
②	Travel	Organized tours※	Report revenue on <u>net basis</u>	Report revenue on <u>gross basis</u>	<u>Revenue approx. +¥94.0 billion</u> No impact on income
②	Urban Transportation	Sales and purchase in retailing business	Report revenue on <u>gross basis</u>	Report revenue on <u>net basis</u>	<u>Revenue approx. -¥4.0 billion</u> No impact on income

※The transactions most affected are those in the travel business related to organized tours.