

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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November 10, 2021

Consolidated Financial Results for the Six Months Ended September 30, 2021 <under Japanese GAAP>

Company name: **Seibu Holdings Inc.**
Listing: First Section of the Tokyo Stock Exchange
Securities code: 9024
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Scheduled date to file quarterly securities report: November 11, 2021
Scheduled date to commence dividend payments: –
Preparation of supplementary results briefing material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Note: Millions of yen with fractional amounts truncated, unless otherwise noted)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2021	194,908	25.8	(3,533)	–	(7,365)	–	(12,751)	–
September 30, 2020	154,899	(47.4)	(30,690)	–	(34,634)	–	(39,033)	–

Note: Comprehensive income

For the six months ended September 30, 2021: ¥(7,095) million [–%]

For the six months ended September 30, 2020: ¥(41,510) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	(42.49)	–
September 30, 2020	(130.34)	–

Note: Diluted earnings per share are not noted even though the Company has issued potential shares, because the per share data is a loss per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	1,669,808	377,432	17.4
March 31, 2021	1,698,497	385,687	17.6

Reference: Equity (Net assets – Share acquisition rights – Non-controlling interests)

As of September 30, 2021: ¥291,274 million

As of March 31, 2021: ¥299,742 million

2. Cash Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2022	–	0.00			
Fiscal year ending March 31, 2022 (Forecast)			–	5.00	5.00

Note: Revisions to the forecast most recently announced: None

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022
(from April 1, 2021 to March 31, 2022)**

(Percentages indicate year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending March 31, 2022	407,000	20.7	(8,000)	–	(16,000)	–

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	(14,000)	–	(46.64)

Note: Revisions to the forecast most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements of prior period financial statements
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatements of prior period financial statements: None

Note: For details, please refer to page 15 of the Attached Materials, “Notes on changes in accounting policies” of “(4) Notes to quarterly consolidated financial statements” under “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.”

(4) Number of issued shares (common shares)**a. Total number of issued shares at the end of the period (including treasury shares)**

As of September 30, 2021	323,462,920 shares
As of March 31, 2021	323,462,920 shares

b. Number of treasury shares at the end of the period

As of September 30, 2021	23,263,994 shares
As of March 31, 2021	23,571,694 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	300,083,456 shares
Six months ended September 30, 2020	299,466,433 shares

Notes: 1. The Company’s shares held by the share-based benefit trusts are included in the number of treasury shares at the end of the period (1,008,200 shares as of September 30, 2021 and 1,254,700 shares as of March 31, 2021). Also, the Company’s shares held by the share-based benefit trusts are included in treasury shares that are deducted for calculation of the average number of outstanding shares during the period (cumulative from the beginning of the fiscal year) (1,123,670 shares for the six months ended September 30, 2021 and 1,666,763 shares for the six months ended September 30, 2020).

2. The portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates is included in the number of treasury shares at the end of the period (21,998,594 shares as of September 30, 2021 and 21,998,594 shares as of March 31, 2021). Furthermore, the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates is included in treasury shares that are deducted in the calculation of the average number of outstanding shares during the period (cumulative from the beginning of the fiscal year) (21,998,594 shares for the six months ended September 30, 2021 and 21,998,594 shares for the six months ended September 30, 2020).

* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

*** Proper use of earnings forecasts, and other special notes**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the announcement of these materials and on certain assumptions pertaining to factors of uncertainty. These statements may differ from the actual business results.

For further details regarding earnings forecasts (consolidated earnings forecasts for the fiscal year ending March 31, 2022), please refer to page 7 of the Attached Materials, “(2) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information Regarding Financial Results for the Six Months Ended September 30, 2021.”

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1. Qualitative Information Regarding Financial Results for the Six Months Ended September 30, 2021

(1) Explanation of operating results

During the six months ended September 30, 2021, the Japanese economy continued to face difficult situations due to the impact of the global novel coronavirus disease (COVID-19) pandemic. Looking forward, with infection prevention measures in place and vaccinations being encouraged, we have seen the effects of various government policies and improvements in the overseas economies, and we expect the move toward recovery to continue. However, we will closely monitor infection trends in Japan and overseas, as well as the impact on trends in the financial and capital markets.

Under these conditions, in the six months ended September 30, 2021, we focused on the themes of “Looking ahead to our vision for the Group in a post-COVID-19 society, overcoming the impact of COVID-19 and creating a pathway for rapid growth” in formulating the “FY2021-FY2023 Seibu Group’s Medium-term Management Plan” for the three-year period ending with FY2023, and advanced initiatives with a three-point framework comprising “management reforms,” “digital management,” and “sustainability.”

We carried out “management reforms” on the themes of “asset-light business operation,” “lowering the break-even point,” and “service transformation to suit the new normal.” In “asset-light business operation,” we are working to make selections with no exceptions on whether to sell or securitize or to maintain ownership of all businesses and assets, created policy to restructure our internal Group organization to maximize the value of assets that we will continue to hold, and moved forward with an evaluation to flesh out these policies. In “service transformation to suit the new normal,” we positioned “Prince Grand Resort Karuizawa” to secure a position as a “Workation Resort” representing Japan. In collaboration with East Japan Railway Company, etc., we improved facilities, services, and products. Moreover, in an effort to expand the outdoor business, we concluded an alliance with R.project Inc., establishing Step Out Co., Ltd. on October 1, 2021.

In “digital management,” we worked to build a “Group Marketing Foundation” and upgrade our accounting systems.

In “sustainability,” we continued to promote “Sustainability Action” with 12 key objectives in the four categories of safety, environment, community engagement, and corporate culture, in order to realize a sustainable society. Among these, as our environmental initiatives, we have endorsed the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” and started solar sharing for the first time in the Seibu Group through SEIBU AGRIBUSINESS INC., which was established in FY2020, striving to realize “Green Management” that recognizes and responds to the effects of progressing climate change on both risks and business opportunities. In our social initiatives, to contribute to the revitalization of the Chichibu area, we have been working to develop accommodation and other facilities using historical buildings and houses in collaboration with Chichibu City, etc.

For the six months ended September 30, 2021, the Group recorded operating revenue of ¥194,908 million, up ¥40,008 million, or 25.8%, year on year, reflecting a reduced number of facilities with suspended operations and the provision of services in response to customers’ needs during the COVID-19 pandemic, despite the continued challenging business environment with the COVID-19 pandemic and the associated issuance of successive state of emergency declarations and deepening trend of people refraining from going out. Operating loss was ¥3,533 million, an improvement of ¥27,157 million from an operating loss of ¥30,690 million in the same period of the previous fiscal year, due to increased revenue and reduced fixed expenses from reduced Directors’ remuneration and employee bonuses, revised operations of railcars and buses, etc., reorganized bus routes, and bringing operations in-house, despite reduced recording of fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was a profit of ¥23,582 million, an increase of ¥28,653 million from a loss of ¥5,070 million in the same period of the previous fiscal year.

Ordinary loss was ¥7,365 million, an improvement of ¥27,268 million from an ordinary loss of ¥34,634 million in the same period of the previous fiscal year, and loss attributable to owners of parent was

¥12,751 million, an improvement of ¥26,282 million from a loss attributable to owners of parent of ¥39,033 million in the same period of the previous fiscal year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue decreased by ¥4,969 million. For details, please refer to “Notes on changes in accounting policies” of “(4) Notes to quarterly consolidated financial statements” under “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.”

Operating results for the six months ended September 30, 2021, in each segment were as follows.

(Millions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the six months ended September 30, 2021	Year-on-year change	Change (%)	For the six months ended September 30, 2021	Year-on-year change	Change (%)	For the six months ended September 30, 2021	Year-on-year change	Change (%)
Urban Transportation and Regional	63,803	5,119	8.7	(2,341)	3,385	–	8,596	3,558	70.6
Hotel and Leisure	59,419	25,398	74.7	(15,301)	14,921	–	(7,294)	15,595	–
Real Estate	31,858	5,064	18.9	12,595	5,102	68.1	18,594	5,176	38.6
Construction	41,687	(4,626)	(10.0)	1,809	(0)	(0.0)	1,976	(68)	(3.3)
Other	18,923	5,970	46.1	(485)	3,606	–	1,606	3,818	–
Total	215,693	36,926	20.7	(3,723)	27,015	–	23,479	28,081	–
Adjustments	(20,785)	3,081	–	190	141	292.9	103	571	–
Consolidated	194,908	40,008	25.8	(3,533)	27,157	–	23,582	28,653	–

Notes: 1. Adjustments mainly consist of elimination of inter-company transactions.

2. EBITDA is calculated by adding depreciation and amortization of goodwill to operating profit.

Urban Transportation and Regional

The Urban Transportation and Regional business segment consists of railway operations that include key commuter lines for the greater Tokyo metropolitan area, bus operations that support the transportation needs of our railway passengers, lifestyle service operations along railway lines, sports operations, and others. Operating revenues for each of these operations were as follows.

(Millions of yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021	Change
Operating revenue	58,683	63,803	5,119
Railway operations	36,125	40,512	4,387
Bus operations	8,721	10,038	1,316
Lifestyle service operations along railway lines	11,307	10,458	(848)
Sports operations	980	1,272	291
Others	1,549	1,522	(27)

In railway operations and bus operations, while implementing thorough COVID-19 prevention measures, we implemented demand dispersal measures during peak times including better disclosure of passenger density data, as well as measures to reduce fixed expenses, including reviewed operations of railcars and buses, etc. and a reduction in the number of services and suspension of services of buses in line with demand.

In the lifestyle service operations along railway lines, on May 19, 2021, we held the grand opening for the new Seibuen Amusement Park, under the concept of providing a heartwarming, happy place, as we worked to stir nearby leisure demand.

The Urban Transportation and Regional business segment recorded operating revenue of ¥63,803 million, up ¥5,119 million, or 8.7%, year on year, as a result of the above initiatives, despite the fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations, a deepening trend of people refraining from going out, and a reduction in commuter passes due to expanded remote working compared to the period before the spread of COVID-19. Meanwhile, the number of passengers in railway operations increased by 10.4% year on year (of which commuters increased by 3.3% and non-commuters increased by 24.7%), and passenger transportation sales increased by 12.9% year on year (of which commuters increased by 1.0% and non-commuters increased by 26.2%). Segment operating loss was ¥2,341 million, an improvement of ¥3,385 million from an operating loss of ¥5,726 million in the same period of the previous fiscal year. EBITDA was a profit of ¥8,596 million, an increase of ¥3,558 million, or 70.6%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue of the Urban Transportation and Regional business segment decreased by ¥1,575 million.

Hotel and Leisure

The Hotel and Leisure business segment consists of city hotel operations, resort hotel operations, overseas hotel operations, sports operations, and others. Operating revenues for each of these operations were as follows.

	(Millions of yen)		
	For the six months ended September 30, 2020	For the six months ended September 30, 2021	Change
Operating revenue	34,021	59,419	25,398
City hotel operations	11,737	21,178	9,440
Resort hotel operations	6,389	12,668	6,278
Overseas hotel operations	6,311	10,054	3,743
Sports operations	4,713	7,489	2,775
Others	4,869	8,029	3,160

Note: City hotel operations include mainly hotels located in the central commercial areas of major cities or in the vicinity of transportation terminals. Resort hotel operations mainly include hotels located in sightseeing areas or summer resorts across Japan.

In hotel operations, we partnered with Allm Inc. to sell accommodation and banquet plans with the optional offer of a PCR test, and offered plans for people who are fully vaccinated against COVID-19, providing service with an even greater level of safety and security to our customers. On April 27, 2021, we reopened Karuizawa Prince Hotel West after renovation as a workation center in the Karuizawa area. Furthermore, toward a recovery in tourism demand which collapsed during the COVID-19 pandemic, we began cooperating with Japan Airlines Co., Ltd. to revamp services in response to changing customer values and behavior.

We also began operations by method of lease contracts in two facilities of our next-generation hotel brand “Prince Smart Inn.”

Overall, we implemented measures to reduce fixed expenses by flexibly changing the content of our activities, as well as pursuing efficient operations, including bringing operations in-house.

The Hotel and Leisure business continued to face a difficult business environment due to the fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations and a deepening trend of people refraining from going out, but recorded operating revenue of ¥59,419 million, up ¥25,398 million, or 74.7% year on year, mainly as a result of a reduced number of facilities with suspended operations and the initiatives mentioned above, as well as

use of facilities associated with the Tokyo Olympic and Paralympic Games. RevPAR* for the hotel business was ¥4,937, an increase of ¥2,683 year on year. Segment operating loss was ¥15,301 million, an improvement of ¥14,921 million from operating loss of ¥30,222 million in the same period of the previous fiscal year, and EBITDA was a loss of ¥7,294 million, an improvement of ¥15,595 million from a loss of ¥22,890 million in the same period of the previous fiscal year, reflecting an increase in revenue, despite reduced recording of fixed expenses at some facilities during the suspension of their operations as extraordinary losses.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue of the Hotel and Leisure business segment decreased by ¥776 million.

- * RevPAR: Revenue Per Available Room. RevPAR is calculated by dividing total room sales for a given period by the aggregate number of days per room for which each room was available during such period.

Real Estate

The Real Estate business segment consists of leasing operations and others. Operating revenues for each of these operations were as follows.

(Millions of yen)			
	For the six months ended September 30, 2020	For the six months ended September 30, 2021	Change
Operating revenue	26,794	31,858	5,064
Leasing operations	22,600	25,041	2,441
Others	4,194	6,817	2,622

In leasing operations, as part of our “workation resort” initiative in the Karuizawa area, we opened Karuizawa Prince The Workation Core, a workation facility in the Karuizawa Prince Shopping Plaza, in cooperation with Nomura Real Estate Development Co., Ltd. and East Japan Railway Company.

We also worked to reduce fixed expenses by bringing BM and PM operations in-house.

The Real Estate business segment recorded operating revenue of ¥31,858 million, up ¥5,064 million, or 18.9%, year on year, due to a reduced number of facilities with suspended operations, as well as revenue contributions from the Grand Emio Tokorozawa for phase II in the Tokorozawa Station East Building Plan, which opened in September 2020, an increased number of land sales, and the recording of cancellation fees in conjunction with the withdrawal of some tenants from Tokyo Garden Terrace Kioicho, despite fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations, and a deepening trend of people refraining from going out. Segment operating profit was ¥12,595 million, an increase of ¥5,102 million, or 68.1%, year on year. EBITDA was a profit of ¥18,594 million, an increase of ¥5,176 million, or 38.6%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue of the Real Estate business segment decreased by ¥1,413 million.

Construction

The Construction business segment consists of construction operations and others. Operating revenues for each of these operations were as follows.

(Millions of yen)			
	For the six months ended September 30, 2020	For the six months ended September 30, 2021	Change
Operating revenue	46,314	41,687	(4,626)
Construction operations	33,779	32,283	(1,495)
Others	12,535	9,404	(3,130)

Note: Construction operations include net sales of sideline business of Seibu Construction Co., Ltd. Seibu Construction Co., Ltd. leases some of its real estate holdings, and the associated net sales are included in operating revenues of construction operations.

In construction operations, in addition to proceeding with projects such as public works, private housing construction, and renovation construction, we worked to improve margins by exercising strict order management and cost management, as well as by promoting the revamping of our divisional structure.

The Construction business segment recorded operating revenue of ¥41,687 million, a decrease of ¥4,626 million, or 10.0%, year on year, mainly due to the transfer of shares of Seibu Construction Supply Co., Ltd. and a decrease in intragroup construction contracts. Segment operating income was ¥1,809 million, level with the same period of the previous fiscal year (operating income of ¥1,809 million in the same period of the previous fiscal year). EBITDA was a profit of ¥1,976 million, a decrease of ¥68 million, or 3.3%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue of the Construction business segment decreased by ¥1,105 million.

Other

In the Sports business, we worked to provide enjoyable sports entertainment experience by offering services, giving performances and holding events at the MetLife Dome, which reopened in March 2021 after the renewal, that maximize the stadium’s capabilities. In the Izuhakone business, we streamlined operations in line with the reorganization of the taxi business. In the Ohmi business, we prepared for the separation of infrastructure and operations under a scheme where the facilities are publicly-owned and the operations are privately managed in the railway business.

Segment operating revenue was ¥18,923 million, an increase of ¥5,970 million, or 46.1%, year on year, due to an increased number of official games of professional baseball for the Saitama Seibu Lions, the above initiatives, and the proactive acquisition of advertising sponsors at the MetLife Dome, despite continued challenging business conditions including the fluctuations in the state of COVID-19 infections, the successive issuance of state of emergency declarations, and restrictions on holding events. Segment operating loss was ¥485 million, an improvement of ¥3,606 million from an operating loss of ¥4,092 million in the same period of the previous fiscal year. EBITDA was a profit of ¥1,606 million, an improvement of ¥3,818 million from a loss of ¥2,212 million in the same period of the previous fiscal year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. As a result, for the six months ended September 30, 2021, operating revenue decreased by ¥870 million.

For the sports operations in the Urban Transportation and Regional business and in the Hotel and Leisure business and for the Sports business within the Other businesses segment, the total operating revenue was ¥19,591 million, up ¥7,884 million, or 67.4%, year on year.

(2) Explanation of consolidated earnings forecasts and other forward-looking statements

The full-year consolidated earnings forecasts have been revised from the earnings forecasts announced on May 13, 2021, based on factors such as the performance for the first six months ended September 30, 2021 and the current business trends.

While the new full-year consolidated earnings forecast is based on the assumption that people's activities will recover due to the progress of COVID-19 vaccinations, the gradual relaxation of restrictions on movement and other factors, this recovery has been later than expected in the forecast announced on May 13, 2021, and the Company has revised downward its forecast for operating revenue by ¥49.0 billion to ¥407.0 billion (up 20.7% year on year).

We expect a decrease of approximately ¥30.0 billion in full-year fixed expenses (May 13 forecast reduction target: ¥22.0 billion) due to cost control measures, including reducing and postponing a variety of expenses. However, the Company has revised downward its forecasts for operating loss and EBITDA by ¥17.0 billion and ¥20.0 billion, respectively, to ¥8.0 billion (operating loss of ¥51.5 billion in the previous fiscal year) and ¥47.0 billion (¥1.8 billion in the previous fiscal year), reflecting the outlook for lower operating revenue than the May 13 forecast.

Forecasts for operating revenue, operating profit, and EBITDA by segment are as follows.

(Billions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the fiscal year ending March 31, 2022 (forecast)	Change from previous forecast (%)	Year-on-year change (%)	For the fiscal year ending March 31, 2022 (forecast)	Change from previous forecast (%)	Year-on-year change (%)	For the fiscal year ending March 31, 2022 (forecast)	Change from previous forecast (%)	Year-on-year change (%)
Urban Transportation and Regional	133.6	(6.4)	9.0	(5.6)	–	–	17.2	(25.5)	38.8
Hotel and Leisure	144.8	(18.1)	72.3	(19.3)	–	–	(2.3)	–	–
Real Estate	57.8	3.6	4.3	17.7	11.3	14.8	29.6	6.9	7.9
Construction	81.2	(8.8)	(15.5)	4.0	21.2	(1.4)	4.3	16.2	(5.6)
Other	32.1	(3.9)	20.0	(4.6)	–	–	(0.4)	–	–
Total	449.5	(9.7)	16.8	(7.8)	–	–	48.4	(28.9)	–
Adjustments	(42.5)	–	–	(0.2)	–	–	(1.4)	–	–
Consolidated	407.0	(10.7)	20.7	(8.0)	–	–	47.0	(29.9)	–

Notes: 1. Adjustments mainly consist of elimination of inter-company transactions.

2. EBITDA is calculated by adding depreciation and amortization of goodwill to operating profit.

Due to the recording of operating loss and other factors, the forecast for ordinary profit (loss) has been revised downward from the previous forecast by ¥16.0 billion, to an ordinary loss of ¥16.0 billion (ordinary loss of ¥58.7 billion in the previous fiscal year).

Net loss attributable to owners of parent is expected to be ¥14.0 billion (net loss attributable to owners of parent of ¥72.3 billion in the previous fiscal year), a downward revision of ¥9.0 billion, due to the recording of ordinary losses and loss on temporary suspension of operations and other factors, despite the recording of subsidies for employment adjustment and extraordinary gain on securitization of the Shin-Yokohama Square Bldg., the Shibakoen 2-chome Bldg., and the Shin-Yokohama Seibu Bldg., which is expected to exceed the forecast in the announced figures.

(3) Impact, etc. associated with COVID-19**(i) Business operations**

As the infection status continues to fluctuate, in each of the Group's businesses, we are conducting business activities while striving to prevent infections and the spread of infections through measures such as thoroughly disinfecting and ventilating, making the last train services earlier, changing operating times and formats, and selling accommodation, wedding, and banquet plans with the optional offer of a PCR test. Despite progress on COVID-19 vaccinations, in the cases outlined below, operating revenue could decline and countermeasure expenses be incurred, which may have further impact on the results and financial position of the Group.

- Cases where the impact on various economic conditions in Japan and overseas is protracted
- Cases where people continue to refrain from going out and the number of tourists from both outside and within Japan continues to drop
- Cases where people's values and behaviors change in the post-COVID-19 society, such as the spread of remote working leading to a reduction in commuting, or people going out less due to increased participation in online social activity, and the effects of such changes are more widespread than expected

(ii) Employees

For the employees of the Group, we are taking every caution. Measures include reducing the number of employees in offices and having them work at home utilizing remote working depending on the state of the ICT infrastructure of the various group companies; ensuring that when employees commute due to business necessity they do so only at times that clearly avoid congested periods on trains (staggered working hours); administering COVID-19 vaccines to those who wish to receive it as part of a workplace vaccination program; mandating PCR tests, etc. for employees in certain situations, and setting up a "COVID-19 Response Standard" in case of people contracting the disease or coming into close contact with infected persons. Nevertheless, if the infection spreads among employees, there are concerns that some problems may occur in our normal business activities. In such an event, there could be an impact on the results and financial position of the Group.

(iii) Finances

While we expect a reduction in operating cash flow following a decline in operating revenue due to the spread of COVID-19, we have secured necessary working capital for the time being by working to reduce and defer nonessential/non-urgent costs, improving the earning structure and controlling cash flows, in addition to borrowings and expansion of our commitment lines in the previous fiscal year. We have also taken steps to enhance the Group's financial foundation by issuing preferred shares at some of our consolidated subsidiaries in the previous fiscal year, as a way to "raise capital funds as the Group without diluting the Company's shares." Furthermore, with the aim of achieving asset-light business operations, we will implement business reforms and sell and securitize assets and businesses. However, in the event that the COVID-19 pandemic is prolonged and demand for funds increases, there may be a further significant impact on the results and financial position of the Group.

(iv) Credit management

Regarding credit management, while responding flexibly, such as reducing the rent for business clients, we are working to strengthen the credit management system as a measure for risk associated with credit management by ascertaining the financial position of business clients, understanding the balance of receivables, and conducting a credit check. However, if it becomes difficult to collect a large amount of receivables in the event that the COVID-19 pandemic is prolonged or due to deterioration in the cash flows of various business clients, defaults, etc., there could be an impact on the results and financial position of the Group.

(v) Impact on financial results

With regard to impact of the COVID-19 pandemic on the Group's results in the six months ended September 30, 2021, the Company's financial results were lower than the figures announced on May 13, 2021 due to a deterioration in business conditions relative to the Company's assumptions of May 13, 2021, resulting from the successive declaration of states of emergency, the prolongation of the

same, and the holding of the Tokyo Olympics and Paralympics without spectators. In addition, although people's activities will recover due to the progress of COVID-19 vaccinations, the gradual relaxation of restrictions on movement and other factors, this recovery has been later than expected in the announced forecast. Accordingly, the Company has revised the full-year consolidated earnings forecasts for the year ending March 31, 2022 downward as stated in "(2) Explanation of consolidated earnings forecasts and other forward-looking statements" above.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	28,816	27,536
Notes and accounts receivable - trade	58,193	–
Notes and accounts receivable - trade, and contract assets	–	50,361
Land and buildings for sale in lots	7,158	6,693
Merchandise and finished goods	1,418	957
Costs on construction contracts in progress	1,764	869
Raw materials and supplies	3,113	3,232
Other	23,729	13,203
Allowance for doubtful accounts	(107)	(103)
Total current assets	124,086	102,751
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	546,873	544,173
Machinery, equipment and vehicles, net	69,299	67,598
Land	705,485	703,915
Leased assets, net	10,714	11,104
Construction in progress	90,841	86,754
Other, net	21,829	21,190
Total property, plant and equipment	1,445,044	1,434,737
Intangible assets		
Leased assets	38	34
Other	19,324	18,827
Total intangible assets	19,362	18,862
Investments and other assets		
Investment securities	66,949	68,973
Long-term loans receivable	293	293
Retirement benefit asset	21,656	20,989
Deferred tax assets	13,786	15,014
Other	7,745	8,621
Allowance for doubtful accounts	(427)	(433)
Total investments and other assets	110,003	113,457
Total non-current assets	1,574,410	1,567,057
Total assets	1,698,497	1,669,808

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,799	18,041
Short-term borrowings	197,537	218,219
Lease obligations	1,105	968
Income taxes payable	3,205	3,533
Advances received	69,587	81,069
Provision for bonuses	4,889	5,212
Other provisions	3,262	2,705
Asset retirement obligations	146	57
Other	76,348	52,204
Total current liabilities	378,883	382,013
Non-current liabilities		
Bonds payable	40,000	50,000
Long-term borrowings	675,898	647,319
Long-term accounts payable to Japan railway construction, transport and technology agency	11,287	9,417
Lease obligations	7,707	7,999
Deferred tax liabilities	105,145	104,592
Deferred tax liabilities for land revaluation	10,839	10,834
Provision for retirement benefits for directors (and other officers)	665	590
Provision for share awards for directors (and other officers)	133	187
Provision for loss on guarantees	315	437
Other provisions	154	56
Retirement benefit liability	30,357	29,638
Asset retirement obligations	1,967	1,963
Liabilities from application of equity method	15,536	15,578
Other	33,917	31,745
Total non-current liabilities	933,926	910,362
Total liabilities	1,312,809	1,292,376
Net assets		
Shareholders' equity		
Share capital	50,000	50,000
Capital surplus	96,491	96,505
Retained earnings	172,512	158,826
Treasury shares	(55,077)	(54,546)
Total shareholders' equity	263,925	250,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,489	15,848
Revaluation reserve for land	16,716	16,725
Foreign currency translation adjustment	933	5,399
Remeasurements of defined benefit plans	3,676	2,515
Total accumulated other comprehensive income	35,816	40,488
Share acquisition rights	407	298
Non-controlling interests	85,538	85,858
Total net assets	385,687	377,432
Total liabilities and net assets	1,698,497	1,669,808

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Operating revenue	154,899	194,908
Operating expenses		
Operating expenses and cost of sales of transportation	166,339	179,393
Selling, general and administrative expenses	19,250	19,047
Total operating expenses	185,590	198,441
Operating loss	(30,690)	(3,533)
Non-operating income		
Interest income	5	3
Dividend income	493	469
Subsidy to keep a bus on a regular route	247	246
Share of profit of entities accounted for using equity method	–	3
Subsidies for infection-prevention measures	–	*1 498
Other	782	585
Total non-operating income	1,528	1,807
Non-operating expenses		
Interest expenses	5,137	4,650
Share of loss of entities accounted for using equity method	67	–
Other	267	989
Total non-operating expenses	5,472	5,639
Ordinary loss	(34,634)	(7,365)
Extraordinary income		
Gain on sale of non-current assets	2,618	87
Contribution for construction	1,349	67
Subsidy income	46	11
Subsidies for employment adjustment	*2 6,818	*2 6,737
Other	439	413
Total extraordinary income	11,271	7,318
Extraordinary losses		
Impairment losses	2,599	519
Loss on sale of non-current assets	373	0
Loss on retirement of non-current assets	756	915
Tax purpose reduction entry of contribution for construction	1,189	64
Loss on tax purpose reduction entry of non-current assets	34	7
Loss on sale of shares of subsidiaries	–	3,574
Loss on valuation of investment securities	77	18
Loss on temporary suspension of operations	*3 12,962	*3 5,310
Other	731	471
Total extraordinary losses	18,724	10,883
Loss before income taxes	(42,087)	(10,931)
Income taxes - current	991	2,737
Income taxes - deferred	(3,349)	(1,887)
Total income taxes	(2,357)	849
Loss	(39,729)	(11,780)
Profit (loss) attributable to non-controlling interests	(696)	970
Loss attributable to owners of parent	(39,033)	(12,751)

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Loss	(39,729)	(11,780)
Other comprehensive income		
Valuation difference on available-for-sale securities	976	1,358
Foreign currency translation adjustment	(1,720)	4,491
Remeasurements of defined benefit plans, net of tax	(1,036)	(1,163)
Total other comprehensive income	(1,780)	4,685
Comprehensive income	(41,510)	(7,095)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(40,812)	(8,087)
Comprehensive income attributable to non-controlling interests	(697)	992

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Loss before income taxes	(42,087)	(10,931)
Depreciation	28,557	28,152
Interest expenses	5,137	4,650
Proceeds from contribution for construction	(1,349)	(67)
Reduction entry of land contribution for construction	1,189	64
Decrease (increase) in trade receivables	18,672	5,175
Decrease (increase) in inventories	(617)	1,136
Decrease (increase) in accounts receivable - other	(2,679)	10,770
Increase (decrease) in trade payables	(9,299)	(3,048)
Increase (decrease) in advances received	(670)	233
Interest paid	(5,138)	(4,683)
Income taxes refund (paid)	(4,661)	(1,751)
Other, net	(6,001)	372
Net cash provided by (used in) operating activities	(18,949)	30,073
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(53,423)	(42,228)
Proceeds from sale of property, plant and equipment and intangible assets	2,740	90
Proceeds from contribution received for construction	11,621	11,378
Other, net	(503)	246
Net cash provided by (used in) investing activities	(39,564)	(30,513)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	18,750	11,100
Proceeds from long-term borrowings	117,993	10,187
Repayments of long-term borrowings	(73,920)	(29,496)
Proceeds from issuance of bonds	–	9,939
Repayments of accounts payable to Japan railway construction, transport and technology agency	(1,834)	(1,846)
Dividends paid	(4,510)	(1)
Dividends paid to non-controlling interests	(39)	(667)
Other, net	(315)	(418)
Net cash provided by (used in) financing activities	56,122	(1,203)
Effect of exchange rate change on cash and cash equivalents	(53)	343
Net increase (decrease) in cash and cash equivalents	(2,445)	(1,300)
Cash and cash equivalents at beginning of period	28,056	28,538
Cash and cash equivalents at end of period	25,610	27,238

(4) Notes to quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Notes on changes in accounting policies**Application of Accounting Standard for Revenue Recognition, Etc.**

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Major changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

(1) Revenue recognition for agent transactions

As for certain transactions, previously the total amount of consideration received from customers was recognized as revenue. However, for transactions in which the Group's role in provision of goods or services to customers is an agent, revenue has been recognized at the net amount calculated by deducting the amount paid to suppliers from the amount received from customers.

(2) Revenue recognition for sales from commuter passes

As for sales of freight revenue for use of commuter passes in railway operations, etc., previously revenue was recognized based on the sale date. However, considering that performance obligations are satisfied over the valid period of commuter passes, revenue has been recognized according to the valid period.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, operating revenue for the six months ended September 30, 2021 decreased by ¥4,969 million, but the impact of this change on profit or loss was immaterial. In addition, retained earnings as of the beginning of the fiscal year decreased by ¥925 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has applied new accounting policies stipulated in the “Accounting Standard for Fair Value Measurement,” etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no effect on the quarterly consolidated financial statements.

Additional information

Tentative Accounting Estimates Related to COVID-19

There are no significant changes with respect to assumptions used in accounting estimates related to COVID-19 that were presented in “Significant accounting estimates” in the Annual Securities Report for the fiscal year ended March 31, 2021.

Quarterly consolidated statement of income

***1. Subsidies for infection-prevention measures**

Subsidies for infection-prevention measures recorded in the six months ended September 30, 2021 mainly consisted of subsidies for measures to prevent the spread of infections in response to official requests for reduction of operating times, etc. from local governments associated with the impact of COVID-19.

***2. Subsidies for employment adjustment**

Subsidies for employment adjustment consisted of the proceeds applicable to special measures such as subsidies for employment adjustment associated with the impact of COVID-19.

***3. Loss on temporary suspension of operations**

The loss on the temporary suspension of operations consisted of fixed expenses (personnel expenses, depreciation and amortization, etc.) that arose during the period of suspended operation of operating facilities that temporarily suspended operations as a result of official requests and declarations, etc. from the national and local governments to prevent the spread of COVID-19.

Segment information**I. For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)****Information about operating revenue and profit (loss) by reportable segment**

(Millions of yen)

	Urban Transportation and Regional	Hotel and Leisure	Real Estate	Construction	Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
Operating revenue	58,683	34,021	26,794	46,314	12,952	178,766	(23,867)	154,899
Segment profit (loss)	(5,726)	(30,222)	7,492	1,809	(4,092)	(30,739)	48	(30,690)

- Notes: 1. "Other" consists of the Izuhakone business, Ohmi business, Sports business and New businesses.
2. Details of adjustments are as follows:
(1) Adjustments for operating revenue of ¥(23,867) million mainly consist of elimination of inter-company transactions.
(2) Adjustments for segment profit of ¥48 million mainly consist of elimination of inter-company transactions.
3. Segment profit (loss) has been reconciled with operating loss in the quarterly consolidated statement of income.

II. For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)**Information about operating revenue and profit (loss) by reportable segment**

(Millions of yen)

	Urban Transportation and Regional	Hotel and Leisure	Real Estate	Construction	Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
Operating revenue	63,803	59,419	31,858	41,687	18,923	215,693	(20,785)	194,908
Segment profit (loss)	(2,341)	(15,301)	12,595	1,809	(485)	(3,723)	190	(3,533)

- Notes: 1. "Other" consists of the Izuhakone business, Ohmi business, Sports business and New businesses.
2. Details of adjustments are as follows:
(1) Adjustments for operating revenue of ¥(20,785) million mainly consist of elimination of inter-company transactions.
(2) Adjustments for segment profit of ¥190 million mainly consist of elimination of inter-company transactions.
3. Segment profit (loss) has been reconciled with operating loss in the quarterly consolidated statement of income.