

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	31 March 2013	30 June 2013	30 June 2013
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 9,711	¥ 10,861	\$ 109,707
Short-term investments	712	1,361	13,747
Trade notes and accounts receivable	59,922	47,982	484,667
Inventories	67,890	72,262	729,919
Deferred tax assets	5,805	5,989	60,495
Others	19,897	22,982	232,142
Less, allowance for doubtful accounts	(263)	(244)	(2,465)
Total current assets	163,674	161,193	1,628,212
<b>Property and equipment:</b>			
Land	367,197	367,240	3,709,495
Buildings and structures	672,493	672,928	6,797,253
Machinery, equipment and vehicles	300,236	299,493	3,025,182
Other properties	60,337	60,859	614,737
Construction in progress	50,327	51,483	520,030
	1,450,590	1,452,003	14,666,697
Less accumulated depreciation	(629,596)	(634,226)	(6,406,323)
Property and equipment, net	820,994	817,777	8,260,374
<b>Investments and other assets:</b>			
Investment securities	53,195	55,189	557,465
Investments in unconsolidated subsidiaries and affiliates	25,676	26,137	264,010
Deferred tax assets	12,807	11,075	111,869
Intangible assets	11,902	11,654	117,717
Other assets	16,575	16,590	167,575
Allowance for doubtful accounts	(1,848)	(1,840)	(18,586)
Total investments and other assets	118,307	118,805	1,200,050
<b>Total assets</b>	<b>¥ 1,102,975</b>	<b>¥ 1,097,775</b>	<b>\$ 11,088,636</b>

See Notes to Quarterly Consolidated Financial Statements.

**Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries**

**Quarterly Consolidated Balance Sheets (Unaudited)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	31 March 2013	30 June 2013	30 June 2013
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term borrowings	¥ 72,144	¥ 81,228	\$ 820,485
Current portion of long-term debt	66,820	82,628	834,626
Trade notes and accounts payable	67,391	52,411	529,404
Accrued expenses	14,994	15,626	157,838
Income taxes payable	3,651	1,665	16,818
Provisions	1,872	1,858	18,768
Other current liabilities	96,817	101,798	1,028,263
Total current liabilities	323,689	337,214	3,406,202
<b>Non-current liabilities:</b>			
Long-term debt	421,056	398,262	4,022,848
Employee retirement liability	28,905	28,999	292,919
Accrued retirement benefits for directors and corporate auditors	1,727	1,740	17,576
Deferred tax liabilities	3,697	3,662	36,990
Deferred tax liabilities for land revaluation	63,971	63,967	646,131
Provisions	4,761	4,716	47,636
Other non-current liabilities	19,579	19,693	198,920
Total non-current liabilities	543,696	521,039	5,263,020
Total liabilities	867,385	858,253	8,669,222
<b>Contingent liabilities (Note 3)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity (Note 4):</b>			
Common stock, authorised - 1,800,000 thousand shares issued - 881,585 thousand shares	84,186	84,186	850,364
Capital surplus	18,429	18,429	186,152
Retained earnings	43,394	45,137	455,929
Treasury stock - at cost: 2,451 thousand shares at 31 March 2013 and 2,465 thousand shares at 30 June 2013	(757)	(761)	(7,687)
Total shareholders' equity	145,252	146,991	1,484,758
<b>Accumulated other comprehensive income:</b>			
Net unrealised gains on available-for-sale securities	9,387	11,575	116,919
Deferred gains on hedges	11	11	111
Land revaluation increment	63,140	63,123	637,606
Foreign currency translation adjustments	(53)	(43)	(434)
Total accumulated other comprehensive income	72,485	74,666	754,202
<b>Minority interests</b>	17,853	17,865	180,454
Total net assets	235,590	239,522	2,419,414
<b>Total liabilities and net assets</b>	¥ 1,102,975	¥ 1,097,775	\$ 11,088,636

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Income (Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Three-month periods ended 30 June		Three-month periods ended 30
	2012	2013	June 2013
<b>Operating revenues (Note 5)</b>	¥ 134,821	¥ 135,686	\$ 1,370,566
<b>Operating expenses</b>			
Transportation, other services and cost of sales	116,640	117,176	1,183,596
Selling, general and administrative expenses	12,191	11,997	121,182
Total operating expenses	128,831	129,173	1,304,778
<b>Operating income</b>	5,990	6,513	65,788
<b>Other income (expenses):</b>			
Interest and dividends income	783	862	8,707
Interest expenses	(2,031)	(1,764)	(17,818)
Equity in net earnings of affiliates	102	417	4,212
Impairment loss on fixed assets	(26)	(37)	(374)
Gain on sale or disposition of property and equipment	168	286	2,889
Gain on contributions for construction	169	124	1,253
Loss on reduction of property and equipment	(150)	(116)	(1,172)
Loss on valuation of investment securities	(68)	(246)	(2,485)
Others, net	808	457	4,616
Other expenses, net	(245)	(17)	(172)
<b>Income before income taxes and minority interests</b>	5,745	6,496	65,616
<b>Income taxes:</b>			
Current	1,475	1,622	16,384
Deferred	334	449	4,535
Total income taxes	1,809	2,071	20,919
<b>Income before minority interests</b>	3,936	4,425	44,697
<b>Minority interests in net income of consolidated subsidiaries</b>	329	61	616
<b>Net income</b>	¥ 3,607	¥ 4,364	\$ 44,081
	Yen		U.S. dollars
<b>Per share:</b>			
Net income:			
- Basic	¥ 4.10	¥ 4.96	\$ 0.05
- Diluted	3.94	4.75	0.05
Cash dividends	—	—	—

See Notes to Quarterly Consolidated Financial Statements.

Nagoya Railroad Co., Ltd. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Three-month periods ended 30 June		Three-month periods ended 30 June 2013
	2012	2013	
<b>Income before minority interests</b>	¥ 3,936	¥ 4,425	\$ 44,697
<b>Other comprehensive income:</b>			
Net unrealised gains or losses on available-for-sale securities	(2,363)	2,007	20,273
Foreign currency translation adjustments	6	10	101
Share of other comprehensive income of affiliates accounted for using the equity method	(129)	280	2,828
Total other comprehensive income	(2,486)	2,297	23,202
<b>Comprehensive income</b>	¥ 1,450	¥ 6,722	\$ 67,899
<b>Comprehensive income attributable to:</b>			
Owners of the parent	¥ 1,199	¥ 6,561	\$ 66,273
Minority interests	251	161	1,626
Total comprehensive income	¥ 1,450	¥ 6,722	\$ 67,899

See Notes to Quarterly Consolidated Financial Statements.

## **1. Basis of quarterly consolidated financial statements**

The accompanying quarterly consolidated financial statements of Nagoya Railroad Co., Ltd. (the “Company”) and its consolidated subsidiaries (together with the Company, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards.

The accompanying quarterly consolidated financial statements have been restructured and translated into English from the quarterly consolidated financial statements of the Company prepared in accordance with the accounting standard for quarterly financial reporting under Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instrument and Exchange Act. In preparing these quarterly consolidated financial statements, certain reclassifications have been made to the quarterly consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. Certain supplementary information included in the statutory Japanese language quarterly consolidated financial statements, but not required for fair presentation, is not presented in the accompanying quarterly consolidated financial statements.

The quarterly consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the approximate rate prevailing at 30 June 2013, which was ¥99 to U.S. \$1.00. Such translations should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## **2. Significant accounting policies**

The accompanying quarterly consolidated financial statements are prepared based on the same accounting policies as the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the years ended 31 March 2011, 2012 and 2013. There were no changes in accounting policies that were applied in the accompanying quarterly consolidated financial statements for the three-month periods ended 30 June 2012 and 2013 from those for the years ended 31 March 2012 and 2013, except for those described in Note 2(b).

### **(a) Basis of consolidation**

The accompanying quarterly consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliated companies are accounted for using the equity method. Investments in unconsolidated subsidiaries and affiliated companies not accounted for using the equity method are stated at cost. There were no material changes in the scope of consolidated subsidiaries, unconsolidated subsidiaries and affiliated companies accounted for using the equity method for the three-month periods ended 30 June 2012 and 2013 from those for the years ended 31 March 2012 and 2013, respectively.

## (b) Accounting changes

### (Change in accounting policies with the amendment of law or regulation that is not distinguishable from change in accounting estimates)

From the three-month periods ended 30 June 2012, in accordance with the amendment of the Corporate Tax Act of Japan, the Company and some of the consolidated subsidiaries have changed its depreciation method for property and equipment. Assets acquired on or after 1 April 2012 have been depreciated using the method prescribed in the amended Corporate Tax Act. The effect of this change in the depreciation method has been immaterial.

## 3. Contingent liabilities

At 31 March 2013 and 30 June 2013, the Group was contingently liable for guarantees of loans in the amounts of ¥1,131 million and ¥1,077 million (\$10,879 thousand), respectively.

## 4. Net assets

At the ordinary shareholders' meeting held on 27 June 2012 and 26 June 2013, the shareholders approved cash dividends of ¥2.00 per share and ¥3.00 per share, amounting to ¥1,759 million and ¥2,638 million (\$26,646 thousand), respectively.

## 5. Segment information

The Group is engaged in diversified business activities involving traffic, transport, real estate, leisure, distribution, equipment maintenance and the like. The Company's reportable segments are as follows: "Traffic"; "Transport"; "Real Estate"; "Leisure and Services"; and, "Distribution".

Information about reportable segments as of and for the three-month periods ended 30 June 2012 was as follows.

	Reportable segments						Total	Adjustments	Quarterly consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others (*1)			
Millions of yen									
Operating revenues:									
External customers	¥38,907	¥33,069	¥11,288	¥12,011	¥29,946	¥9,600	¥134,821	¥—	¥134,821
Intersegment sales/transfer	574	97	1,759	233	3,531	4,974	11,168	(11,168)	—
Total	¥39,481	¥33,166	¥13,047	¥12,244	¥33,477	¥14,574	¥145,989	¥(11,168)	¥134,821
Segment income (loss) (*2)	4,216	825	1,248	(401)	178	(261)	5,805	185	5,990

\*1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and the like.

\*2) Segment income (loss) adjustment amounting to ¥185 million was treated as intersegment elimination.

3) Segment income (loss) was reconciled to operating income in the accompanying quarterly consolidated statements of income.

Information about reportable segments as of and for the three-month periods ended 30 June 2013 was as follows.

	Reportable segments						Total	Adjustments	Quarterly consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others (*1)			
Millions of yen									
Operating revenues:									
External customers	¥39,045	¥32,675	¥10,982	¥12,247	¥31,258	¥9,479	¥135,686	¥—	¥135,686
Intersegment sales/transfer	584	107	1,731	368	3,545	3,992	10,327	(10,327)	—
Total	¥39,629	¥32,782	¥12,713	¥12,615	¥34,803	¥13,471	¥146,013	¥(10,327)	¥135,686
Segment income (loss) (*2)	4,879	778	990	(77)	389	(637)	6,322	191	6,513

	Reportable segments						Total	Adjustments	Quarterly consolidated financial statements
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Others (*1)			
Thousands of U.S. dollars									
Operating revenues:									
External customers	\$394,394	\$330,051	\$110,929	\$123,707	\$315,737	\$95,748	\$1,370,566	\$—	\$1,370,566
Intersegment sales/transfer	5,899	1,081	17,485	3,717	35,808	40,323	104,313	(104,313)	—
Total	\$400,293	\$331,132	\$128,414	\$127,424	\$351,545	\$136,071	\$1,474,879	\$(104,313)	\$1,370,566
Segment income (loss) (*2)	49,283	7,859	10,000	(778)	3,929	(6,434)	63,859	1,929	65,788

\*1) "Others" is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, air transportation, building maintenance, insurance agency and the like.

\*2) Segment income (loss) adjustment amounting to ¥191 million (\$1,929 thousand) was treated as intersegment elimination.

3) Segment income (loss) was reconciled to operating income in the accompanying quarterly consolidated statements of income.