Quarterly Consolidated Balance Sheets (Unaudited)

	Millions	of you	Thousands of U.S. dollars
	Millions 31 March 2018	30 June 2018	(Note 1) 30 June 2018
ASSETS	51 March 2018	50 Julie 2018	50 Julie 2018
Current assets:			
Cash and cash equivalents	¥ 30,855	¥ 30,931	\$ 278,658
Short-term investments	734	861	7,757
Trade notes and accounts receivable	57,808	51,223	461,468
Inventories	70,647	74,240	668,829
Others	18,282	21,125	190,315
Less allowance for doubtful accounts	(290)	(257)	(2,315)
Total current assets	178,036	178,123	1,604,712
Property and equipment:	262 622	262.014	2 277 604
Land	362,632	363,814	3,277,604
Buildings and structures	691,180 222,004	691,331 225 772	6,228,207
Machinery, equipment and vehicles Other properties	323,094 68,962	325,772 68,937	2,934,883 621,054
Construction in progress	41,167	44,322	399,297
Construction in progress	1,487,035	1,494,176	13,461,045
Less accumulated depreciation	(697,732)	(704,164)	(6,343,820)
Property and equipment, net	789,303	790,012	7,117,225
Investments and other assets:			
Investment securities	80,477	80,425	724,550
Investments in unconsolidated subsidiaries and affiliates	35,656	35,677	321,414
Deferred tax assets (Note 2(b))	13,478	13,362	120,378
Intangible assets	8,804	8,402	75,694
Other assets	16,696	16,742	150,829
Allowance for doubtful accounts	(1,828)	(1,807)	(16,279)
Total investments and other assets	153,283	152,801	1,376,586
Total assets	¥ 1,120,622	¥ 1,120,936	\$ 10,098,523

See Notes to Quarterly Consolidated Financial Statements.

Quarterly Consolidated Balance Sheets (Unaudited)

Millions of yen (Note 1) 31 March 2018 30 June 2018 30 June 2018 30 June 2018 Short-tern barrion of long-tern debt 55.867 55.199 497.288 Trade notes and accounts payable 69.163 56.375 507.887 Accrued expenses 15.669 16.228 146.198 Income taxes payable 9.138 2.0431 23.811 Provisions 2.137 2.136 19.2433 Other current liabilities 85.212 92.086 829.604 Total current liabilities 259.686 249.565 2.248.333 Ober current liabilities 1.324 1.332 112.000 Deferred tax liabilities (rot erctors and corporate auditors 1.549 30.792 3.854 34.721 Deferred tax liabilities (rot erclub) 56.752 56.712 510.919 Provisions 17.910 17.721 159.649 Total non-current liabilities 13.066 726.317 6.543.397 6.543.397 Other non-current liabilities 17.910 17.721 159.649 17.910			c	Thousands of U.S. dollars
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Other non-current liabilities $17,910$ $17,721$ $159,649$ Total non-current liabilities $471,380$ $476,752$ $4,295,064$ Total liabilities $731,066$ $726,317$ $6,543,397$ Contingent liabilities (Note 3) Net assets: Shareholders' equity (Note 4): $6,543,397$ Common stock: authorised - $360,000$ thousand shares issued - $190,467$ thousand shares at 31 March 2018 and 191,613 thousand shares at 30 June 2018 $95,149$ $96,254$ $867,153$ Capital surplus $29,270$ $30,404$ $273,910$ Retained earnings $117,154$ $119,656$ $1,077,982$ Treasury stock - at cost: 27 thousand shares at 31 March 2018 (30) (19) (171) Total shareholders' equity $241,543$ $246,295$ $2,218,874$ Accumulated other comprehensive income (loss): Net unrealised gains on available-for-sale securities $28,922$ $28,778$ $259,261$ Deferred gains and losses on hedges 120 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments	Employee retirement benefit liability	30,719	30,853	277,955
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Retained earnings $117,154$ $119,656$ $1,077,982$ Treasury stock - at cost: 27 thousand shares at 31 March 2018 (30) (19) (171) and 24 thousand shares at 30 June 2018 (30) (19) (171) Total shareholders' equity $241,543$ $246,295$ $2,218,874$ Accumulated other comprehensive income (loss): $28,922$ $28,778$ $259,261$ Deferred gains on available-for-sale securities $28,922$ 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments $1,074$ $1,107$ $9,973$ Total accumulated other comprehensive income (loss) $118,797$ $118,721$ $1,069,558$ Non-controlling interests $29,216$ $29,603$ $266,694$ Total net assets $389,556$ $394,619$ $3,555,126$	and 191,613 thousand shares at 30 June 2018	95,149	96,254	867,153
Retained earnings $117,154$ $119,656$ $1,077,982$ Treasury stock - at cost: 27 thousand shares at 31 March 2018 (30) (19) (171) and 24 thousand shares at 30 June 2018 (30) (19) (171) Total shareholders' equity $241,543$ $246,295$ $2,218,874$ Accumulated other comprehensive income (loss): $28,922$ $28,778$ $259,261$ Deferred gains on available-for-sale securities $28,922$ $245,778$ $259,261$ Deferred gains and losses on hedges 120 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments $1,074$ $1,107$ $9,973$ Total accumulated other comprehensive income (loss) $118,797$ $118,721$ $1,069,558$ Non-controlling interests $29,216$ $29,603$ $266,694$ Total net assets $389,556$ $394,619$ $3,555,126$	Capital surplus	29,270	30,404	273,910
Treasury stock - at cost: 27 thousand shares at 31 March 2018and 24 thousand shares at 30 June 2018 (30) (19) (171) Total shareholders' equity $241,543$ $246,295$ $2,218,874$ Accumulated other comprehensive income (loss):Net unrealised gains on available-for-sale securities $28,922$ $28,778$ $259,261$ Deferred gains and losses on hedges 120 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments $1,074$ $1,107$ $9,973$ Total accumulated other comprehensive income (loss) $118,797$ $118,721$ $1,069,558$ Non-controlling interests $29,216$ $29,603$ $266,694$ Total net assets $389,556$ $394,619$ $3,555,126$		117,154	119,656	1,077,982
and 24 thousand shares at 30 June 2018 (30) (19) (171) Total shareholders' equity $241,543$ $246,295$ $2,218,874$ Accumulated other comprehensive income (loss): $28,922$ $28,778$ $259,261$ Net unrealised gains on available-for-sale securities $28,922$ $28,778$ $259,261$ Deferred gains and losses on hedges 120 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments $1,074$ $1,107$ $9,973$ Total accumulated other comprehensive income (loss) $118,797$ $118,721$ $1,069,558$ Non-controlling interests $29,216$ $29,603$ $266,694$ Total net assets $389,556$ $394,619$ $3,555,126$				
Total shareholders' equity241,543246,2952,218,874Accumulated other comprehensive income (loss):222		(30)	(19)	(171)
Accumulated other comprehensive income (loss):Net unrealised gains on available-for-sale securities28,92228,778259,261Deferred gains and losses on hedges1202452,207Land revaluation increment88,69888,616798,342Foreign currency translation adjustments(17)(25)(225)Retirement benefit adjustments1,0741,1079,973Total accumulated other comprehensive income (loss)118,797118,7211,069,558Non-controlling interests29,21629,603266,694Total net assets389,556394,6193,555,126	Total shareholders' equity		246,295	2,218,874
Net unrealised gains on available-for-sale securities $28,922$ $28,778$ $259,261$ Deferred gains and losses on hedges 120 245 $2,207$ Land revaluation increment $88,698$ $88,616$ $798,342$ Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments $1,074$ $1,107$ $9,973$ Total accumulated other comprehensive income (loss) $118,797$ $118,721$ $1,069,558$ Non-controlling interests $29,216$ $29,603$ $266,694$ Total net assets $389,556$ $394,619$ $3,555,126$			<u> </u>	· · · · · · · · · · · · · · · · · · ·
Deferred gains and losses on hedges 120 245 2,207 Land revaluation increment 88,698 88,616 798,342 Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments 1,074 1,107 9,973 Total accumulated other comprehensive income (loss) 118,797 118,721 1,069,558 Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126	-	28,922	28,778	259,261
Land revaluation increment 88,698 88,616 798,342 Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments 1,074 1,107 9,973 Total accumulated other comprehensive income (loss) 118,797 118,721 1,069,558 Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126		120	245	2,207
Foreign currency translation adjustments (17) (25) (225) Retirement benefit adjustments 1,074 1,107 9,973 Total accumulated other comprehensive income (loss) 118,797 118,721 1,069,558 Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126			88,616	
Retirement benefit adjustments 1,074 1,107 9,973 Total accumulated other comprehensive income (loss) 118,797 118,721 1,069,558 Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126	Foreign currency translation adjustments			
Total accumulated other comprehensive income (loss) 118,797 118,721 1,069,558 Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126				
Non-controlling interests 29,216 29,603 266,694 Total net assets 389,556 394,619 3,555,126		· · · · · · · · · · · · · · · · · · ·		
Total net assets 389,556 394,619 3,555,126	-			
	Total liabilities and net assets	¥ 1,120,622		\$ 10,098,523

Quarterly Consolidated Statements of Income (Unaudited)

Operating revenues (Note 5) Operating expenses Transportation, other services and cost of sales Selling, general and administrative expenses Total operating expenses Operating income Other income (expenses): Interest and dividend income Interest and dividend income Interest expense Equity in net earnings of affiliates Impairment loss on fixed assets Gain on sale or disposition of property and equipment, net Gain on contributions for construction Loss on reduction of property and equipment Provision for loss on liquidation Others, net Other income (expenses), net Profit before income taxes Income taxes: Current Deferred Total income taxes Profit Profit attributable to: Non-controlling interests Total profit Prostal profit	Millions of Three-month periods 2017	Thousands of U.S. dollars (Note 1) Three-month period ended 30 June 2018		
Operating revenues (Note 5)	¥ 142,836	¥ 143,091	\$ 1,289,108	
Operating expenses				
Transportation, other services and cost of sales	118,433	118,779	1,070,081	
Selling, general and administrative expenses	12,867	13,155	118,514	
Total operating expenses	131,300	131,934	1,188,595	
Operating income	11,536	11,157	100,513	
Other income (expenses):				
Interest and dividend income	1,079	1,119	10,081	
Interest expense	(948)	(869)	(7,829)	
Equity in net earnings of affiliates	646	501	4,514	
Impairment loss on fixed assets	(9)	(8)	(72)	
Gain on sale or disposition of property and equipment, net	92	62	559	
Gain on contributions for construction	47	62	559	
Loss on reduction of property and equipment	(44)	(59)	(532)	
Provision for loss on liquidation	(13)	(581)	(5,234)	
Others, net	122	222	1,999	
Other income (expenses), net	972	449	4,045	
-	12,508	11,606	104,558	
Income taxes:				
Current	2,842	3,252	29,297	
Deferred	714	134	1,207	
Total income taxes	3,556	3,386	30,504	
Profit	8,952	8,220	74,054	
Profit attributable to:				
Owners of the parent	8,262	7,588	68,360	
-	690	632	5,694	
-	¥ 8,952	¥ 8,220	\$ 74,054	
		<u> </u>		
- Basic	¥ 44.95	¥ 39.80	\$ 0.36	
- Diluted	39.25	36.05	0.32	
Cash dividends	_	—	—	

* The company's common stock was consolidated at the ratio of 5 shares to 1 share with an effective date of 1 October 2017. Accordingly, the net income per share-basic and the net income per share-diluted were calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended 31 March 2018.

See Notes to Quarterly Consolidated Financial Statements.

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

	Millions of Three-month periods of 2017		Thousands of U.S. dollars (Note 1) Three-month period ended 30 June 2018
Profit	¥ 8,952	¥ 8,220	\$ 74,054
Other comprehensive income:	4.029	(09)	(002)
Net unrealised gains and losses on available-for-sale securities	4,028	(98)	(883)
Deferred gains and losses on hedges	(23)	126	1,135
Foreign currency translation adjustments	(5)	(8)	(72)
Retirement benefit adjustments	217	43	387
Share of other comprehensive income of affiliates accounted			
for using the equity method	(14)	(34)	(306)
Total other comprehensive income	4,203	29	261
Comprehensive income	¥ 13,155	¥ 8,249	\$ 74,315
Comprehensive income attributable to:			
Owners of the parent	¥ 12,357	¥ 7,593	\$ 68,405
Non-controlling interests	798	656	5,910
Total comprehensive income	¥ 13,155	¥ 8,249	\$ 74,315

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 from 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 Instruments 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. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

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 exchange rate prevailing at 30 June 2018, which was ¥111 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. 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 2017 and 2018 from those for the years ended 31 March 2017 and 2018.

(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 2017 and 2018 from those for the years ended 31 March 2017 and 2018, respectively.

(b) Additional Information

(Application of Implementation Guidance on Tax Effect Accounting)

The Company and its domestic subsidiaries adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, 16 February 2018, Accounting Standards Board of Japan)" from the beginning of the three-month period ended 30 June 2018.

As a result, all deferred tax assets and liabilities have been classified as "Investments and other assets" and "Non-current liabilities" on the balance sheet, respectively.

3. Contingent liabilities

At 31 March 2018 and 30 June 2018, contingent liabilities were as follows:

	Million	ns of yen	Thousands of U.S. dollars
	31 March 2018	30 June 2018	30 June 2018
Contingently liable for:			
Guarantees of loans of others	¥593	¥614	\$5,532
Total	¥593	¥614	\$5,532

4. Net assets

At the ordinary shareholders' meeting held on 28 June 2017 and 27 June 2018, the shareholders approved cash dividends of \$5.00 per share and \$27.50 per share, amounting to \$4,596 million and \$5,238 million (\$47,189 thousand), respectively.

The Company consolidated its common stock in the ratio of 5 shares to 1 share with an effective date of 1 October 2017. The cash dividend per share, which included special dividends of $\cong 2.5$, for the fiscal year ended 31 March 2018 was calculated based on the number of shares after the share consolidation.

5. Segment information

The Group is engaged in diversified business activities involving traffic, transport, real estate, leisure, distribution, aviation, equipment maintenance and others. On the basis of the above activities, the Company's reportable segments are "Traffic," "Transport," "Real Estate," "Leisure and Services," "Distribution" and "Aviation Services."

Information about reportable segments for the three-month period ended 30 June 2017 was as follows.

			Reportable	e segments						Quarterly consolidated		
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others (*1)	Total	Adjustments	financial statements		
	Millions of yen											
Operating revenues:												
External customers	¥41,480	¥32,198	¥18,249	¥12,601	¥28,877	¥4,887	¥4,544	¥142,836	¥-	¥142,836		
Intersegment sales/transfer	564	103	2,622	396	2,842	—	4,414	10,941	(10,941)	_		
Total	¥42,044	¥32,301	¥20,871	¥12,997	¥31,719	¥4,887	¥8,958	¥153,777	¥ (10,941)	¥142,836		
Segment income (*2)	7,177	1,397	2,550	(9)	352	(1)	(104)	11,362	174	11,536		

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

*2) Segment income adjustment amounting to ¥174 million was treated as intersegment elimination.

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

Information about reportable segments for the three-month period ended 30 June 2018 was as follows.

			Reportabl	e segments						Quarterly consolidated		
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others (*1)	Total	Adjustments	financial statements		
	Millions of yen											
Operating revenues:												
External customers	¥41,624	¥33,701	¥16,092	¥12,051	¥29,555	¥5,197	¥4,871	¥143,091	¥-	¥143,091		
Intersegment sales/transfer	553	102	2,685	382	3,011	_	4,070	10,803	(10,803)	_		
Total	¥42,177	¥33,803	¥18,777	¥12,433	¥32,566	¥5,197	¥8,941	¥153,894	¥ (10,803)	¥143,091		
Segment income (*2)	7,516	1,722	2,061	26	143	(57)	(404)	11,007	150	11,157		

			Thousands o	f U.S. dollars			_			Quarterly consolidated		
	Traffic	Transport	Real Estate	Leisure and Services	Distribution	Aviation Services	Others (*1)	Total	Adjustments	financial statements		
	Millions of yen											
Operating revenues:												
External customers	\$374,991	\$303,613	\$144,973	\$108,568	\$266,261	\$46,820	\$43,882	\$1,289,108	\$-	\$1,289,108		
Intersegment sales/transfer	4,982	919	24,189	3,441	27,126	_	36,667	97,324	(97,324)	_		
Total	\$379,973	\$304,532	\$169,162	\$112,009	\$293,387	\$46,820	\$80,549	\$1,386,432	\$ (97,324)	\$1,289,108		
Segment income (*2)	67,712	15,514	18,568	234	1,288	(514)	(3,640)	99,162	1,351	100,513		

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

*2) Segment income adjustment amounting to ¥150 million (\$1,351 thousand) was treated as intersegment elimination.

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

(Information Related to Changes in Reportable Segments)

Based on "The new medium-term management plan, BUILD UP 2020," the company revised its reportable segments from the three-month period ended 30 June 2018. Accordingly, the previous reportable segments "Traffic," "Transport," "Real Estate," "Leisure and Services" and "Distribution" have been changed to "Traffic," "Transport," "Real Estate," "Leisure and Services," "Distribution" and "Aviation Services." "Building Maintenance" included in "Others" has been reclassified to "Real Estate."

Further, the three-month period ended 30 June 2017 information has been prepared and presented based on the new reportable segments.