

Consolidated Financial Results for the Six-month Period Ended 30 September 2020 (Japanese GAAP) (Unaudited)

Nagoya Railroad Co., Ltd.

10 November 2020

Stock exchange Listing: Tokyo Nagoya
 Securities code: 9048
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Scheduled date of filing of quarterly report: 11 November 2020
 Scheduled date of dividend payment commencement: -
 Supplementary explanations of quarterly financial results: Yes
 Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)
 * Amounts of less than ¥1 million have been rounded down.

1. Consolidated results for the six-month period ended 30 September 2020 (1 April 2020 - 30 September 2020)

(1) Consolidated operating results

(%: year-on-year)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six-month period ended 30 September 2020	226,942	(28.2)	(14,987)	—	(10,838)	—	(12,404)	—
Six-month period ended 30 September 2019	316,128	6.9	29,101	18.3	30,631	19.8	19,357	21.0

Note: Comprehensive income - for the six-month period ended 30 September 2020 ¥(13,415) million [—%]
 for the six-month period ended 30 September 2019 ¥18,315 million [1.7%]

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
Six-month period ended 30 September 2020	(63.08)	—
Six-month period ended 30 September 2019	98.49	91.97

Note: Net income per share-diluted for the six-month period ended 30 September 2020 is not shown in the above table, because net income per share was loss although there are potential common shares with dilution effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of 30 September 2020	1,154,685	418,820	33.3
31 March 2020	1,164,979	438,401	34.7

Reference: Shareholders' equity- as of 30 September 2020 ¥384,146 million
 as of 31 March 2020 ¥403,771 million

2. Cash dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31 March 2020	—	0.00	—	25.00	25.00
Fiscal year ending 31 March 2021	—	0.00			
Fiscal year ending 31 March 2021 (forecast)			—	—	—

Note: The dividend forecast for the fiscal year ending 31 March 2021 has not been determined.

3. Consolidated operating results forecast for the fiscal year ending 31 March 2021

(%: year-on-year)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending 31 March 2021	493,000	(20.9)	(21,500)	—	(18,000)	—

	Profit attributable to owners of the parent		Net income per share-basic
	Millions of yen	%	yen
Fiscal year ending 31 March 2021	(24,000)	—	(122.04)

Note: Revisions to the most recently disclosed results forecasts: Yes

Notes

- (1) Changes in significant consolidated subsidiaries during the period (changes in specific consolidated subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- 1) Changes in accounting policies resulting from the revision of the accounting standards: None
 - 2) Changes in accounting policies other than the above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None

(4) Number of issued shares (Common stock) (Shares)

	Number of issued shares (including treasury stock)	Number of treasury stock
As of 30 September 2020	196,700,692	46,065
31 March 2020	196,700,692	36,349

(Shares)

	Average number of shares outstanding during the periods
Six-month period ended 30 September 2020	196,660,784
Six-month period ended 30 September 2019	196,546,325

* This report is not subject to audit procedures.

* Explanation for appropriate use of forecasts and other notes

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate.

Actual results may differ from such forward-looking statements for a variety of reasons.

(Reference) Non-consolidated operating results forecast for the fiscal year ending 31 March 2021

(%: year-on-year)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending 31 March 2021	83,400	(24.0)	(2,200)	—	800	(97.0)

	Profit		Net income per share-basic
	Millions of yen	%	yen
Fiscal year ending 31 March 2021	(1,400)	—	(7.12)

Note: Revisions to the most recently disclosed results forecasts: Yes

4. Quarterly consolidated financial statement and Main Notes

(1) Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	31 March 2020	30 September 2020
ASSETS		
Current assets		
Cash and deposits	27,702	37,448
Trade notes and accounts receivable	56,644	49,382
Short-term loans receivable	2,084	2,079
Land and buildings for sale	65,804	61,315
Merchandise and finished goods	9,019	7,716
Work in process	1,641	1,931
Raw materials and supplies	4,269	4,400
Others	22,184	17,757
Allowance for doubtful accounts	(208)	(191)
Total current assets	189,143	181,841
Non-current assets		
Property and equipment		
Buildings and structures, net	297,403	296,862
Machinery, equipment and vehicles, net	86,005	82,715
Land	367,748	365,934
Lease assets, net	9,679	10,607
Construction in progress	62,158	67,395
Other properties, net	8,776	8,154
Total property and equipment	831,771	831,669
Intangible assets		
Right-of-use facilities	5,586	5,426
Goodwill	1,211	1,033
Lease assets	119	104
Other intangible assets	3,085	2,955
Total intangible assets	10,002	9,518
Investments and other assets		
Investment securities	98,625	94,835
Long-term loans receivable	549	509
Deferred tax assets	18,665	20,154
Others	16,607	16,528
Allowance for doubtful accounts	(385)	(372)
Total investments and other assets	134,062	131,655
Total non-current assets	975,836	972,844
Total assets	1,164,979	1,154,685

(1) Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	31 March 2020	30 September 2020
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable	77,526	50,811
Short-term loans payable	45,995	49,082
Current portion of bonds payable	10,000	35,000
Lease obligations	1,932	1,902
Income taxes payable	8,180	3,076
Deposits received from employees	19,949	20,380
Provision for bonuses	6,091	6,004
Provision for loss on liquidation	1,088	514
Allowance for loss on collection of gift certificates outstanding	1,838	1,925
Others	90,185	97,330
Total current liabilities	262,787	266,027
Non-current liabilities		
Bonds payable	175,100	180,100
Long-term loans payable	161,514	162,404
Lease obligations	8,884	10,046
Deferred tax liabilities	3,116	2,550
Deferred tax liabilities for land revaluation	56,110	55,939
Accrued retirement benefits for directors	1,344	1,111
Provision for loss on liquidation	4,403	4,186
Allowance for loss on collection of gift certificates outstanding	380	368
Employee retirement benefit liability	32,514	33,048
Others	20,422	20,081
Total non-current liabilities	463,790	469,837
Total liabilities	726,577	735,864
Net assets		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	35,266	35,305
Retained earnings	167,207	149,465
Treasury stock	(59)	(89)
Total shareholders' equity	303,572	285,840
Accumulated other comprehensive income		
Net unrealised gains on available-for-sale securities	13,012	11,246
Deferred gains and losses on hedges	(617)	(371)
Land revaluation increment	87,227	86,876
Foreign currency translation adjustments	(27)	(30)
Retirement benefit adjustments	603	584
Total accumulated other comprehensive income	100,198	98,306
Non-controlling interests	34,630	34,674
Total net assets	438,401	418,820
Total liabilities and net assets	1,164,979	1,154,685

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)
Quarterly Consolidated Statements of Income

	Millions of yen	
	1 April 2019 -30 September 2019	1 April 2020 -30 September 2020
Operating revenues	316,128	226,942
Operating expenses		
Transportation, other services and cost of sales	259,754	218,508
Selling, general and administrative expenses	27,272	23,421
Total operating expenses	287,026	241,930
Operating income (loss)	29,101	(14,987)
Non-operating income		
Interest income	15	9
Dividend income	1,340	758
Equity in net earnings of affiliates	1,264	445
Subsidies for employment adjustment	-	3,809
Miscellaneous income	903	1,117
Total non-operating income	3,523	6,140
Non-operating expenses		
Interest expenses	1,658	1,630
Miscellaneous expenses	335	360
Total non-operating expenses	1,994	1,991
Ordinary income (loss)	30,631	(10,838)
Extraordinary income		
Gain on sales of fixed assets	470	248
Gain on contributions for construction	451	578
Gain on sales of investment securities	147	1,343
Others	169	233
Total extraordinary income	1,239	2,403
Extraordinary losses		
Loss on sales of fixed assets	39	85
Impairment loss on fixed assets	620	605
Loss on disposition of fixed assets	276	242
Loss on valuation of investment securities	0	986
Loss on reduction of property and equipment	398	501
Others	46	711
Total extraordinary losses	1,382	3,132
Profit (loss) before income taxes	30,488	(11,566)
Income taxes – current	9,573	1,776
Income taxes – deferred	(221)	(1,289)
Total income taxes	9,352	486
Profit (loss)	21,136	(12,052)
Profit (loss) attributable to:		
Non-controlling interests	1,779	351
Owners of the parent	19,357	(12,404)

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

	Millions of yen	
	1 April 2019 -30 September 2019	1 April 2020 -30 September 2020
Profit (loss)	21,136	(12,052)
Other comprehensive income		
Net unrealised gains and losses on available-for-sale securities	(2,275)	(1,670)
Deferred gains and losses on hedges	(212)	254
Foreign currency translation adjustments	(5)	(3)
Retirement benefit adjustments	(25)	3
Share of other comprehensive income of affiliates accounted for using the equity method	(303)	54
Total other comprehensive income	(2,821)	(1,362)
Comprehensive income	18,315	(13,415)
Comprehensive income attributable to:		
Owners of the parent	16,543	(13,852)
Non-controlling interests	1,771	437

(3) Quarterly Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen	
	1 April 2019 -30 September 2019	1 April 2020 -30 September 2020
Cash flows from operating activities:		
Profit (loss) before income taxes	30,488	(11,566)
Depreciation	20,145	19,713
Impairment loss on fixed assets	620	605
Increase (decrease) in employee retirement benefit liability	216	546
Increase (decrease) in provision for bonuses	445	117
Increase (decrease) in provision for loss on liquidation	(470)	(786)
Increase (decrease) in other provision	(357)	(287)
Loss (gain) on sales of investment securities	(147)	(357)
Decrease (increase) in trade notes and accounts receivable	(1,410)	4,999
Decrease (increase) in inventories	(1,246)	9,406
Increase (decrease) in trade notes and accounts payable	(5,869)	(11,923)
Others, net	(5,892)	(2,315)
Subtotal	<u>36,521</u>	<u>8,152</u>
Interest and dividends received	1,865	1,324
Interest paid	(1,657)	(1,598)
Extra retirement payments paid	-	(12)
Subsidies for employment adjustment received	-	3,257
Income taxes paid	(7,663)	(7,217)
Net cash provided by (used in) operating activities	<u>29,065</u>	<u>3,906</u>
Cash flows from investing activities:		
Purchases of fixed assets	(34,580)	(36,777)
Proceeds from sales of fixed assets	810	1,008
Purchases of investment securities	(513)	(28)
Proceeds from sales and redemptions of investment securities	155	1,546
Proceeds from contribution received for construction	7,489	10,205
Others, net	(321)	138
Net cash provided by (used in) investing activities	<u>(26,960)</u>	<u>(23,907)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	2,910	956
Proceeds from long-term debt	11,795	13,743
Repayment of long-term debt	(12,129)	(10,320)
Issuance of bonds	19,881	29,866
Redemption of bonds	(10,000)	-
Purchases of shares of subsidiaries resulting in no change in scope of consolidation	(1)	-
Dividends paid to shareholders	(5,379)	(4,905)
Others, net	(1,331)	(1,237)
Net cash provided by (used in) financing activities	<u>5,746</u>	<u>28,103</u>
Effect of exchange rate changes on cash and cash equivalents	(4)	92
Net increase (decrease) in cash and cash equivalents	<u>7,846</u>	<u>8,195</u>
Cash and cash equivalents at beginning of period	<u>25,192</u>	<u>32,011</u>
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	-	(3,407)
Cash and cash equivalents at end of period	<u>33,038</u>	<u>36,799</u>

(4) Notes to Quarterly Consolidated Statements (Unaudited)

Notes on going concern assumption: None

Notes on significant changes in shareholders' equity: None

Additional Information

(Accounting estimate for the impact of COVID-19)

The Company estimates future cash flows for the impairment of fixed assets, the recoverability of deferred tax assets and other matters assuming that during the fiscal year ending 31 March 2021, economic activities are limited under certain restrictions, but that the situation will gradually recover potentially from September 2020 that the impact of COVID-19 peaked in.

Segment information

Information about reportable segments for the six-month period ended 30 September 2019 was as follows.

(Millions of yen)

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	84,478	70,024	43,702	25,904	66,108	12,268	13,639	316,128	—	316,128
Intersegment sales/transfer	1,101	213	5,339	679	6,376	—	9,022	22,731	(22,731)	—
Total	85,580	70,237	49,042	26,584	72,485	12,268	22,662	338,860	(22,731)	316,128
Segment income	14,925	3,855	6,366	1,001	600	1,187	1,038	28,974	127	29,101

*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 others.

*2) Segment income adjustment amounting to ¥127 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 six-month period ended 30 September 2020 was as follows.

(Millions of yen)

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	47,717	61,748	42,874	7,593	45,145	9,964	11,898	226,942	—	226,942
Intersegment sales/transfer	1,065	193	4,859	152	3,970	—	7,713	17,954	(17,954)	—
Total	48,782	61,941	47,734	7,745	49,115	9,964	19,611	244,897	(17,954)	226,942
Segment income (loss)	(12,150)	117	7,510	(8,602)	(2,191)	181	241	(14,893)	(94)	(14,987)

*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 others.

*2) Segment income (loss) adjustment amounting to ¥(94) million was treated as intersegment elimination.

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

Subsequent events

Based on the resolution of the Board of Directors of the Company on 23 March 2020, the Company issued the 62th Series Unsecured Straight Bonds and the 63th Series Unsecured Straight Bonds as shown below.

1. Bond name: 62th Series Unsecured Straight Bonds
2. Total amount of issue: ¥10 billion
3. Issue value: ¥100 per face value of ¥100
4. Coupon: 0.001 % per annum
5. Issue date: 26 October 2020
6. Maturity date: 26 October 2023
7. Use of proceeds: Redemption of bonds, and working capital

1. Bond name: 63th Series Unsecured Straight Bonds
2. Total amount of issue: ¥10 billion
3. Issue value: ¥100 per face value of ¥100
4. Coupon: 0.690 % per annum
5. Issue date: 26 October 2020
6. Maturity date: 26 October 2040
7. Use of proceeds: Redemption of bonds, and working capital