

Consolidated Financial Results for the Six-month Period Ended 30 September 2019 (Japanese GAAP) (Unaudited)

Nagoya Railroad Co., Ltd.

8 November 2019

Stock exchange Listing: Tokyo Nagoya
 Securities code: 9048
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Scheduled date of filing of quarterly report: 11 November 2019
 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 2019 (1 April 2019 - 30 September 2019)

(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 2019 | 316,128 | 6.9 | 29,101 | 18.3 | 30,631 | 19.8 | 19,357 | 21.0 |
| Six-month period ended 30 September 2018 | 295,630 | 0.4 | 24,603 | (3.2) | 25,572 | (3.4) | 15,993 | (5.2) |

Note: Comprehensive income - for the six-month period ended 30 September 2019 ¥18,315 million [1.7%]
 for the six-month period ended 30 September 2018 ¥18,004 million [(29.0%)]

| | Net income per share-basic | Net income per share-diluted |
|--|----------------------------|------------------------------|
| | Yen | Yen |
| Six-month period ended 30 September 2019 | 98.49 | 91.97 |
| Six-month period ended 30 September 2018 | 83.68 | 75.98 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of 30 September 2019 | 1,161,807 | 438,353 | 34.9 |
| 31 March 2019 | 1,141,409 | 425,027 | 34.4 |

Reference: Shareholders' equity- as of 30 September 2019 ¥404,890 million
 as of 31 March 2019 ¥393,026 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 2019 | - | - | - | 27.50 | 27.50 |
| Fiscal year ending 31 March 2020 | - | - | - | - | - |
| Fiscal year ending 31 March 2020 (forecast) | - | - | - | 27.50 | 27.50 |

Note: Revisions to the most recently disclosed dividend forecasts: None

Note: Special dividends of ¥2.50 have been included in cash dividends for the fiscal year ended 31 March 2019 and the fiscal year ending 31 March 2020 (forecast), respectively.

3. Consolidated operating results forecast for the fiscal year ending 31 March 2020

(%: year-on-year)

| | Operating revenues | | Operating income | | Ordinary income | |
|-------------------------------------|--------------------|-----|------------------|-----|-----------------|-----|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ending 31 March 2020 | 639,000 | 2.6 | 50,000 | 1.1 | 52,000 | 0.8 |

| | Profit attributable to owners of the parent | | Net income per share-basic |
|-------------------------------------|---|-------|----------------------------|
| | Millions of yen | % | yen |
| Fiscal year ending 31 March 2020 | 30,000 | (1.5) | 152.64 |

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)

| | Number of issued shares including treasury stock | Number of treasury stock |
|----------------------------|--|--------------------------|
| As of 30 September 2019 | 196,690,312 | 31,060 |
| 31 March 2019 | 196,306,458 | 27,784 |

| | Average number of shares outstanding during the periods |
|--|---|
| Six-month period ended 30 September 2019 | 196,546,325 |
| Six-month period ended 30 September 2018 | 191,126,451 |

* 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 2020

(%: year-on-year)

| | Operating revenues | | Operating income | | Ordinary income | |
|-------------------------------------|--------------------|-----|------------------|-----|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ending 31 March 2020 | 112,000 | 2.0 | 23,000 | 0.2 | 27,700 | (0.4) |

| | Profit | | Net income per share-basic |
|-------------------------------------|-----------------|--------|----------------------------|
| | Millions of yen | % | yen |
| Fiscal year ending 31 March 2020 | 18,300 | (15.0) | 93.10 |

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

4. Quarterly consolidated financial statements

(1) Quarterly Consolidated Balance Sheets (Unaudited)

| | Millions of yen | |
|--|-----------------|-------------------|
| | 31 March 2019 | 30 September 2019 |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 20,870 | 21,839 |
| Trade notes and accounts receivable | 63,297 | 64,346 |
| Short-term loans receivable | 2,425 | 2,318 |
| Securities | 5,000 | 12,000 |
| Land and buildings for sale | 61,670 | 64,337 |
| Merchandise and finished goods | 9,074 | 8,706 |
| Work in process | 904 | 2,125 |
| Raw materials and supplies | 4,000 | 4,474 |
| Others | 15,635 | 18,852 |
| Allowance for doubtful accounts | (212) | (215) |
| Total current assets | 182,665 | 198,784 |
| Non-current assets | | |
| Property and equipment | | |
| Buildings and structures, net | 292,470 | 290,268 |
| Machinery, equipment and vehicles, net | 85,311 | 84,613 |
| Land | 362,296 | 366,052 |
| Lease assets, net | 10,449 | 10,241 |
| Construction in progress | 46,168 | 50,599 |
| Other properties, net | 8,231 | 8,437 |
| Total property and equipment | 804,926 | 810,213 |
| Intangible assets | | |
| Right of using facilities | 6,060 | 5,712 |
| Goodwill | 1,567 | 1,389 |
| Lease assets | 171 | 148 |
| Other intangible assets | 2,979 | 3,066 |
| Total intangible assets | 10,779 | 10,316 |
| Investments and other assets | | |
| Investment securities | 112,082 | 109,755 |
| Long-term loans receivable | 605 | 565 |
| Deferred tax assets | 14,900 | 15,822 |
| Others | 15,845 | 16,728 |
| Allowance for doubtful accounts | (395) | (379) |
| Total investments and other assets | 143,038 | 142,492 |
| Total non-current assets | 958,744 | 963,022 |
| Total assets | 1,141,409 | 1,161,807 |

(1) Quarterly Consolidated Balance Sheets (Unaudited)

| | Millions of yen | |
|---|------------------|-------------------|
| | 31 March 2019 | 30 September 2019 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 77,694 | 62,635 |
| Short-term loans payable | 52,763 | 53,624 |
| Current portion of bonds payable | 10,000 | - |
| Lease obligations | 2,470 | 2,256 |
| Income taxes payable | 7,277 | 9,053 |
| Deposits received from employees | 19,440 | 19,687 |
| Provision for bonuses | 5,935 | 6,380 |
| Provision for loss on liquidation | 478 | 261 |
| Allowance for loss on collection of gift certificates outstanding | 1,827 | 1,828 |
| Others | 82,073 | 91,297 |
| Total current liabilities | 259,960 | 247,026 |
| Non-current liabilities | | |
| Bonds payable | 165,880 | 185,120 |
| Long-term loans payable | 158,299 | 159,772 |
| Lease obligations | 9,118 | 9,105 |
| Deferred tax liabilities | 4,068 | 3,708 |
| Deferred tax liabilities for land revaluation | 56,571 | 56,526 |
| Accrued retirement benefits for directors | 1,363 | 1,153 |
| Provision for loss on liquidation | 10,009 | 9,756 |
| Allowance for loss on collection of gift certificates outstanding | 393 | 368 |
| Employee retirement benefit liability | 31,406 | 31,649 |
| Others | 19,311 | 19,266 |
| Total non-current liabilities | 456,421 | 476,426 |
| Total liabilities | 716,381 | 723,453 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 100,778 | 101,148 |
| Capital surplus | 34,939 | 35,310 |
| Retained earnings | 142,912 | 156,881 |
| Treasury stock | (30) | (42) |
| Total shareholders' equity | 278,600 | 293,297 |
| Accumulated other comprehensive income | | |
| Net unrealised gains on available-for-sale securities | 25,224 | 22,671 |
| Deferred gains and losses on hedges | 81 | (128) |
| Land revaluation increment | 88,052 | 88,032 |
| Foreign currency translation adjustments | (24) | (29) |
| Retirement benefit adjustments | 1,092 | 1,046 |
| Total accumulated other comprehensive income | 114,426 | 111,592 |
| Non-controlling interests | 32,001 | 33,463 |
| Total net assets | 425,027 | 438,353 |
| Total liabilities and net assets | 1,141,409 | 1,161,807 |

(2) Quarterly Consolidated Statements of Income (Unaudited)

| | Millions of yen | |
|--|--------------------------------------|---------|
| | Six-month periods ended 30 September | |
| | 2018 | 2019 |
| Operating revenues | 295,630 | 316,128 |
| Operating expenses | | |
| Transportation, other services and cost of sales | 244,653 | 259,754 |
| Selling, general and administrative expenses | 26,373 | 27,272 |
| Total operating expenses | 271,027 | 287,026 |
| Operating income | 24,603 | 29,101 |
| Non-operating income | | |
| Interest income | 13 | 15 |
| Dividend income | 1,161 | 1,340 |
| Equity in net earnings of affiliates | 1,149 | 1,264 |
| Miscellaneous income | 800 | 903 |
| Total non-operating income | 3,126 | 3,523 |
| Non-operating expenses | | |
| Interest expenses | 1,752 | 1,658 |
| Miscellaneous expenses | 404 | 335 |
| Total non-operating expenses | 2,157 | 1,994 |
| Ordinary income | 25,572 | 30,631 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 369 | 470 |
| Gain on contributions for construction | 132 | 451 |
| Gain on sales of investment securities | 14 | 147 |
| Others | 41 | 169 |
| Total extraordinary income | 558 | 1,239 |
| Extraordinary losses | | |
| Loss on sales of fixed assets | 121 | 39 |
| Impairment loss on fixed assets | 246 | 620 |
| Loss on disposition of fixed assets | 235 | 276 |
| Provision for loss on liquidation | 560 | - |
| Loss on reduction of property and equipment | 103 | 398 |
| Others | 46 | 47 |
| Total extraordinary losses | 1,314 | 1,382 |
| Profit before income taxes | 24,816 | 30,488 |
| Income taxes-current | 7,711 | 9,573 |
| Income taxes-deferred | (303) | (221) |
| Total income taxes | 7,407 | 9,352 |
| Profit | 17,408 | 21,136 |
| Profit attributable to: | | |
| Non-controlling interests | 1,414 | 1,779 |
| Owners of the parent | 15,993 | 19,357 |

(3) Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

| | Millions of yen | |
|---|--------------------------------------|---------|
| | Six-month periods ended 30 September | |
| | 2018 | 2019 |
| Profit | 17,408 | 21,136 |
| Other comprehensive income | | |
| Net unrealised gains and losses on available-for-sale securities | 170 | (2,275) |
| Deferred gains and losses on hedges | 201 | (212) |
| Foreign currency translation adjustments | (3) | (5) |
| Retirement benefit adjustments | 102 | (25) |
| Share of other comprehensive income of affiliates accounted for using the equity method | 124 | (303) |
| Total other comprehensive income | 595 | (2,821) |
| Comprehensive income | 18,004 | 18,315 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 16,521 | 16,543 |
| Non-controlling interests | 1,482 | 1,771 |

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

| | Millions of yen | |
|--|--------------------------------------|-----------------|
| | Six-month periods ended 30 September | |
| | 2018 | 2019 |
| Cash flows from operating activities: | | |
| Profit before income taxes | 24,816 | 30,488 |
| Depreciation and amortisation | 19,488 | 20,145 |
| Impairment loss on fixed assets | 246 | 620 |
| Increase (decrease) in employee retirement benefit liability | 428 | 216 |
| Increase (decrease) in provision for bonuses | 503 | 445 |
| Increase (decrease) in provision for loss on liquidation | (158) | (470) |
| Increase (decrease) in other provision | (94) | (357) |
| Loss (gain) on sales of investment securities | (7) | (147) |
| Decrease (increase) in trade notes and accounts receivable | 370 | (1,410) |
| Decrease (increase) in inventories | (2,951) | (1,246) |
| Increase (decrease) in trade notes and accounts payable | (5,105) | (5,869) |
| Others, net | (3,134) | (5,892) |
| Subtotal | <u>34,402</u> | <u>36,521</u> |
| Interest and dividends received | 1,620 | 1,865 |
| Interest paid | (1,732) | (1,657) |
| Income taxes paid | (9,363) | (7,663) |
| Net cash provided by (used in) operating activities | <u>24,928</u> | <u>29,065</u> |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (28,874) | (34,580) |
| Proceeds from sales of fixed assets | 894 | 810 |
| Purchases of investment securities | (203) | (513) |
| Proceeds from sales and redemptions of investment securities | 41 | 155 |
| Purchases of shares of subsidiaries resulting in change in scope of consolidation | (613) | - |
| Proceeds from contribution received for construction | 3,897 | 7,489 |
| Others, net | 228 | (321) |
| Net cash provided by (used in) investing activities | <u>(24,628)</u> | <u>(26,960)</u> |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | 1,310 | 2,910 |
| Proceeds from long-term debt | 4,337 | 11,795 |
| Repayment of long-term debt | (7,583) | (12,129) |
| Issuance of bonds | 19,882 | 19,881 |
| Redemption of bonds | (10,000) | (10,000) |
| Purchases of shares of subsidiaries resulting in no change in scope of consolidation | (165) | (1) |
| Dividends paid to shareholders | (5,214) | (5,379) |
| Others, net | (1,413) | (1,331) |
| Net cash provided by (used in) financing activities | <u>1,153</u> | <u>5,746</u> |
| Effect of exchange rate changes on cash and cash equivalents | (4) | (4) |
| Net increase (decrease) in cash and cash equivalents | <u>1,449</u> | <u>7,846</u> |
| Cash and cash equivalents at beginning of period | <u>30,854</u> | <u>25,192</u> |
| Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries | 28 | - |
| Cash and cash equivalents at end of period | <u>32,332</u> | <u>33,038</u> |

(5) Notes to Quarterly Consolidated Statements (Unaudited)

Notes on going concern assumption: None

Notes on significant changes in shareholders' equity: None

5. Segment information

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

| | Traffic | Transport | Real Estate | Leisure and Service | Distribution | Aviation Services | Others (*1) | Total | Adjustment (*2) | Quarterly consolidated financial statements (*3) |
|-----------------------------|---------|-----------|-------------|---------------------|--------------|-------------------|-------------|---------|-----------------|--|
| Operating revenues: | | | | | | | | | | |
| External customers | 83,184 | 67,671 | 33,312 | 25,713 | 61,345 | 12,038 | 12,363 | 295,630 | — | 295,630 |
| Intersegment sales/transfer | 1,113 | 249 | 5,284 | 722 | 6,240 | — | 7,409 | 21,020 | (21,020) | — |
| Total | 84,298 | 67,921 | 38,596 | 26,435 | 67,586 | 12,038 | 19,773 | 316,651 | (21,020) | 295,630 |
| Segment income (loss) | 13,814 | 3,515 | 4,546 | 991 | 332 | 1,211 | (60) | 24,352 | 250 | 24,603 |

*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 ¥250 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 for the six-month period ended 30 September 2019 was as follows.

| | 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.